Conclusion: Chronology, Alternatives, and Current Challenges

> *These dinky little European States can not live in an airplane civilization. Today they have the alternative of submerging their national hatreds and national prides sufficiently to unify the continent or of destroying themselves completely and handing Europe over to the Bolsheviks.*
>
> *(William Bullitt, US Ambassador to France, 1936)*[1]

The 'dinky little European States' have not succumbed to self-destruction. Close study of their attempts to create new forms of capitalist governance since 1945 has revealed three key findings.

First, since 1945, the governance of capitalism in Europe has been structured around four main periods, each delineated by critical junctures at which alternative paths were abandoned, leading to the emergence of a distinctive form of European capitalism. Second, Europeans have invented an original system to reach compromise between both states and the three types of capitalist governance. Although imperfect and cumbersome, this system has nonetheless provided a degree of choice for Europeans. Far from the image of a neoliberal technocratic dictatorship, the European Union can be protectionist and/or socio-environmentalist if Europeans want it. Within this system, Germany has been influential but not dominant. Third, the trinity of capitalist governance points to three alternatives that were – and still are – present, including the recent challenge posed by the return of *community* capitalism, even though *community* capitalism has never completely disappeared.

The chronology of post-war European capitalism has been marked by a handful of turning points, moments when long-term structural choices were made, and alternatives not pursued (see Table 11.1). Four phases unfolded after 1945: 1) embedded liberalism; 2) global attempts at mixed capitalism; 3) high neoliberalism; and 4) the return of *community* capitalism. This gave rise to a distinctive form of European capitalism (5).

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1 *Embedded Liberalism (1945–73)*

During the first period spanning from 1945 to 1973, capitalism was characterised by the values of *solidarity* and *community* at the national level, and an expanding role for *liberty* at the international level. This compromise was aptly named 'embedded liberalism' by John Ruggie, and is neatly encapsulated by the expression: 'Keynes at home, Smith abroad'.[2] As a matter of fact, Keynes's reflections from 1919 heralded the post-1945 settlements, with almost no reparations from Germany, inter-allied debts replaced by a US loan, and the creation of a free trade zone in Europe. Under the pressure from the Cold War, Europeans took part in the OEEC in 1948, which combined *liberty* and *solidarity* capitalism (with the Marshall Plan).

A small number of European countries decided, with full support from the US, to regulate economic tensions among them by creating the ECSC in 1951, a common market with semi-federal regulation of trade. While it alleviated tensions between French and German versions of *community* capitalism, it remained weak, and was just one of several European organisations alongside the OEEC, the Council of Europe, and NATO. Given the increasing pressure since 1955 for a return to international free trade, European integration could have perfectly remained quite modest in scope. Under this scenario, the governance of European capitalism would have been managed by Western international institutions, such as the GATT for trade, the IMF for monetary policy, and the ILO for work-related issues.

The year 1958 was a major turning point, with the EEC emerging as a central actor in organising European capitalism. The Treaty of Rome that created the EEC had been signed the previous year, but the organisation's primacy was not self-evident in 1957. Without Charles de Gaulle's return to power in May 1958, his rejection of the British project of a free trade area, and his firm commitment to respect France's free trade obligations, the Treaty of Rome would not have been fully implemented in France. It could have been rejected, like the European Defence Community Treaty before it, or remained an agreement of secondary importance, in which case the British free trade area would have established another governance of European capitalism, leaning more towards *liberty*. Without de Gaulle, the Algerian crisis could have mired France in a financial and political crisis, but with the reestablishment of French authority, European integration acquired a French flavour, with elements of both *community* and *solidarity* capitalism in several areas (agriculture, aid to former colonies, targeted legislative harmonisation). Italy was also influential in enhancing *solidarity* capitalism through the free movement of workers (an issue that transitioned from the ILO to the EEC), but it failed to develop a regional policy.

At the same time, de Gaulle's intergovernmentalism limited European developments in these areas, curtailing French projects for organising

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solidarity and *community* capitalism at the European level for tax harmonisation, and coordinated industrial policy, among others. The main exceptions were Airbus and the European Space Agency, which were developed outside the EEC framework. The period was still characterised by the robust development of the national welfare state and industrial policy, including in supposed free market bastions such as West Germany. Hence, *solidarity* and *community* capitalism were still prevalent at the national level. The EEC could not intervene in this area, as its competition policy remained weak at the time.

From the mid-1960s onwards, the global foundations underpinning this period began to unravel, as US dominance was contested due to the Vietnam War and its balance-of-payments difficulties. Non-communist left-wing alternatives flourished, notably a new kind of internationalism (promoted in particular by Willy Brandt in Germany and Olof Palme in Sweden), environmentalism, and reflections on a post-colonial organisation of world trade, which peaked with the call for a New International Economic Order in 1973.

2 *Global Attempts at Balancing Capitalism (1973–92)*

A new period subsequently began with the 1973 oil crisis, which dramatically curtailed growth and increased unemployment across the European continent. It sparked severe financial crises in Britain and Italy, and vindicated the West German model, with Bonn preserving a surplus in its trade balance. The first European response was not a general conversion to neoliberalism, but the exploration of many possible paths, including a coordinated Western relaunch (the 1978 Locomotive), a more neomercantilist worldwide organisation for raw materials markets, environmentally friendly planning, and the democratisation of multinationals. In other words, numerous projects seeking to foster *solidarity* and *community* capitalism on a European or on an international basis were initiated. Most of the endeavours launched at the international level failed, but some that were on a European scale enjoyed modest success, such as the 1975 Lomé convention to organise North–South trade, in addition to a handful of European decisions concerning social, regional, and environmental policies.

The 1979 oil crisis eliminated some of these alternatives. The joint recovery plan, to which Germany agreed after much hesitation in 1978, collapsed when Bonn experienced balance of payments difficulties in 1980–81, a largely forgotten episode that was nevertheless central for German leaders. At the same time, Margaret Thatcher's rise to power, the Volcker Shock, and Ronald Reagan's election one year later drove a neoliberal transformation. The European proposal in 1980 to democratise multinationals came too late, five years after most of the debates had been held on a national level. Lastly, 1979 also marked the strong commitment of both Germany and France to a

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form of European monetary cooperation based mainly on *liberty* capitalism, as Bonn and even Paris refused to create a European fund.

The year 1979 was also transformational outside of Europe.[3] The intervention in Afghanistan was, in retrospect, an essential stage in Soviet decline and the emergence of violent Islamic fundamentalism. The Iranian Revolution and the taking of hostages at the Great Mosque in Mecca confirmed this dynamic, and implicitly showed the waning of more secular ideologies, such as Pan-Arabism. The boat people crisis completed Marxism's loss of credibility. Finally, Deng Xiaoping's rise to power triggered China's gradual opening to free markets. If we also consider the intensifying anti-nuclear protests linked to the Three Mile Island nuclear accident, 1979 clearly marks the end of the post-war world, namely that of the debate between neo-classical economics, Keynesianism, and Marxism, a debate that would soon be replaced by the competing trio of neoliberalism, environmentalism, and identity politics.

The years between 1979 and 1992 were nonetheless still marked by attempts to promote a multifaceted form of capitalist governance. The Delors Commission (1985–95), with the support of most member states, launched many policies of *solidarity* capitalism, including social dialogue, cohesion policy, high standards, and environmental policy directives, culminating in the project for a European carbon tax. Thatcher's protests against social Europe in her 1988 Bruges speech – along with the significant legal disputes surrounding non-application of EC environmental law in many countries – show that the upward harmonisation of legislation was not a complete illusion. But the project to organise *community* capitalism at the European level failed, due to opposition from neoliberals (in member states and within the Commission), to the difficulty of organising a pan-European social movements, and to divisions among its promoters (Delors wanted to empower the Commission, while Paris preferred a non-EEC venture such as Eurekâ). The dirigiste steel policy pursued by the European Commission in the early 1980s remained an exception. Moreover, actors in the business world were often more interested in national or international cooperation (with the US and even the Japanese) than in cooperation with their primary European competitor. 'Fortress Europe' remained a dead letter (except in agriculture with the CAP and the 'Protected designation of origin' set up in 1992).

The organisation of European capitalism around *liberty* was decisively reinforced by the Single Market and monetary union (decided in 1985 and 1992 respectively), both of which were long-standing projects conceived before the crises of the 1970s. They stemmed from a conscious choice made by European leaders (except the British and Scandinavians with respect to fully-fledged monetary union). Many of them were not necessarily very enthusiastic or federalist, but they chose the European option because other alternative paths had failed, whether they were national (reconquest of the French

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domestic market), bilateral (French–German dialogue), or international (via the GATT, as sought by London and Bonn).

3 *High Neoliberalism (1992–2016)*

The year 1992 was a neoliberal turning point with the Maastricht Treaty (not entirely neoliberal, but largely interpreted as such), the disappearance of the USSR, and the compromise announcing the end of the GATT Uruguay Round. All previous protectionist agreements (the CAP, multifibre agreements, voluntary export restraints for Japanese cars) disappeared or were watered down. The most ambitious projects for social and environmental regulation were at their height in 1988–92, before ultimately fading away. In addition, the Community expanded to become a Union, with designs to absorb the entire continent. These various elements demonstrate that the process of European integration cannot be reduced to a simple consequence of the Cold War.[4]

The year 2005 was the height of a simultaneously neoliberal and federalist period, marked by the successful implementation of the euro despite predictions of its failure, along with a major enlargement. In addition, many non-Western countries were experiencing difficulties at that time, with Russia and Asia still reeling from the 1997–98 crisis. The leaders of the European Union sought to ratify a constitution, all while drifting towards a large free trade area: enlargement to include Turkey was envisaged, and numerous markets were opened up to competition. Any remaining elements of *solidarity* and *community* capitalism were targeted (Bolkestein directive, competition policy hostile to intra-European mergers, Court decisions against trade unions, etc.). Neoliberalism impacted ever more varied domains, including football as part of the Bosman ruling, with archives revealing the Commission's central role in negotiations with the UEFA. The free movement of people was established, but without any comprehensive agreement to cooperate on police and migration policies. The only element of *community* capitalism that remained was one compatible with free markets: the 'Brussels effect' of promoting EU standards.[5]

Neoliberalism also triumphed on the global level. Many countries, including the former communist ones from Europe that joined the EU in 2004–07, adopted neoliberal policies that went even further than those in the West. China joined the WTO in 2001, but the WTO Doha Round collapsed in 2003–06. The World Wide Web emerged without any stringent regulation. Any attempt to regulate neoliberal globalisation appeared doomed for failure, and the system appeared to work on the surface, as East Asian poverty declined, and 2005 saw the lowest number of casualties from state conflict.[6] A few years later, the US-centred neoliberal global order was shattered by the global financial crisis that began in 2007, by increasingly uncooperative

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behaviour of Russia, US decline (mired in Iraq and Afghanistan), and the rise of the Global South. In retrospect, the twenty-first century started on 11 September 2001, when the terrorist attacks distracted the US from its competition with China, as well as its reliance on international norms.

In Europe, the turning point came in 2005, with the rejection of the constitutional treaty in France and the Netherlands. It initiated the period of 'crises' that deeply challenged the Union: crisis of EU legitimacy, the Great Recession, the eurozone and migrant crises, and political tensions from rising illiberal governments.[7] Sometimes one crisis fuelled another: in the early 2000s, Poland and Hungary were led by pro-European governments, which were then replaced by much more Eurosceptic governments (2010 in Hungary, 2015 in Poland), partly due to the EU's lack of solidarity during the Great Recession.[8] The harsh neoliberal treatment inflicted during the eurozone crisis contributed to the rise of far-right and far-left parties in both creditor (the AfD in Germany) and debtor countries.

4 *The Return of* Community *Capitalism (since 2016)*

Neoliberalism nevertheless lingered on until 2016, which marked a decisive break with the vote for Brexit in the UK, and for Donald J. Trump in the US, both of which were in keeping with a return of *community*-based capitalist governance.[9] For Eastern Europeans, the brutal return to the *community* logic started even earlier, with the Russian invasion of Crimea in 2014. The year 2016 ultimately crystallised what 2015 had revealed – with Grexit avoided at the last minute, and the suspension of the Schengen Agreement due to the 'migrant crisis' – namely that European integration via the Union is not inevitable. In the wake of Brexit, far-right leaders called for Frexit and Nexit; the European Union appeared under threat.

However, the Union has bounced back during each of the subsequent upheavals: Brexit (2016–20), Trump's first presidency (2017–21), the Covid-19 pandemic (2020–21), and the Russo-Ukrainian War (since 2022). The departure of Britain has certainly simplified the pursuit of *solidarity* and *community* policies within the European Union. Since Brexit, the Union has sometimes implemented long-envisioned reforms, albeit often in modest fashion, such as a European Monetary Fund, a transfer union, a preference for European products, competition policy taking foreign protectionism into account, and a carbon tax. The 2019 Green Deal marked the peak of environmental policy. Simply put, *solidarity* capitalism was combined with *community* capitalism thanks to heightened awareness of neoliberalism's detrimental effects on both inequality and the environment (symbolised by Greta Thunberg's *Fridays for Future* starting in 2018).

In 2022, the Russo-Ukrainian War marked a final turning point, as it fuelled inflation and revived European integration in new areas (defence, more

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aggressive external economic policies via sanctions against Russia), while simultaneously contributing to an environmental backlash and increasing national state aid. *Community* capitalism has been on the rise on both the member state and European level, with less *solidarity* as a result. The re-election of Donald Trump in 2024 (and Narendra Modi in India) confirmed the return of *community* capitalism, which is also visible in the rising role of multinationals closely connected to the state in China, Russia, and even in the US since 2025.

A Peculiar Brand of European Capitalism?

When compared with other forms of capitalism in large countries (the US, China, or Russia), the European brand of capitalism has been marked by four features: i) the choice to Europeanise the management of *liberty* capitalism (trade, currency); ii) the development of strong national welfare states (especially compared with the US) with targeted elements of intra-European solidarity; iii) a belated but now quite forceful (again, compared with the USA) environmental policy which has been strongly Europeanised; and iv) a large variety of elements of *community* capitalism at national level, whose conflicts have been mediated by European institutions through competition policy and single market rules. The missing element is European *community* capitalism, which only began to take shape following the global resurgence of *community* capitalism since 2016, with some notable exceptions (Airbus and ESA).

Reaching Compromise in the European Governance of Capitalism

Europeans have been constantly negotiating compromises between different forms of capitalist governance because European institutions have been relatively flexible. This sub-chapter will develop this argument in three stages. First, the conditions within European institutions for changing capitalist governance are complex, but they do exist. Second, while Germany has often been very influential, European integration has never been dominated by a single country. Third, a peculiar form of European capitalism has gradually emerged, with specific institutional and socio-economic features.

The Conditions for Change within European Institutions

EU institutions are marked by inertia, but they are also conducive to exploring alternatives. They offer political opportunities for a wide range of actors, including groups that are marginalised on the national level, such as certain environmental NGOs or companies. They can influence public policy on the European level, especially for new issues such as competition policy, environmental protection, and regulating digital technology. Paradoxically, the

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Table 11.1 *Chronology of post-war European integration and globalisation*

Form of capitalist governance	European integration	Political forces in the EEC/EU	Phase of globalisation
1945–73: Embedded liberalism (Strong national *community* and *solidarity* capitalism, combined with a slow return of international free trade)	1948–58: focus on managing national *community* capitalism through various combinations (OEEC, ECSC, EDC, EEC)	– Domination of pro-European Christian Democratic networks – Conservatives, Social Democrats, and socialists divided between a pro-European wing (Mollet) and a more nation-oriented one (Erhard) – Strong anti-European communism in France and Italy	– US domination – Bretton-Woods system – Progressive return to free trade within a Western framework
	1958–73: Regulating free trade through the Common Market	– Rise of different types of left-wing alternatives in the late 1960s, such as internationalism (Brandt, Palme) or environmentalism	Rising contestation of the US and the Bretton-Woods system in the 1960s, leading to the 1971–73 crisis
1973–92 Attempts at an international form of mixed capitalist governance	1973–79: Modest expansion towards socio-environmental policies	– Apogee of left-wing alternatives	Domination by the Triad (US, Japan, Western Europe), which absorbed rising protectionist tensions
	1979–92 'Relaunch' of solutions based on a balance between the dominant goal of liberty, as well as solidarity and community (EMS, Single Market, EMU)	– Failure of the global left-wing alternatives. In Europe, slow rise of environmentalism and of social policies. – Expanded neoliberal influence	– Globalisation still dominated by the Triad – Failure of the Eastern socialist bloc – Rise of East Asia, notably China

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Table 11.1 (*cont.*)

Form of capitalist governance	European integration	Political forces in the EEC/EU	Phase of globalisation
1992–2016 High neoliberalism	1992–2005 Domination of neoliberal policies, albeit with rising environmental policies Curtailment of national *community* capitalism by the EU	– Failure of the centre-left alternative (Pink Europe) – Strong neoliberal coalition – Environmental momentum combined with an environmental backlash in 1992	– Rise of China, concealed by apparent US dominance (wars in Afghanistan and Iraq that appeared successful at first) – Rise of East Asia and other countries of the Global South, fuelled by the dwindling cost of communication
	2005–16 more contestation – EU referenda in 2005 – Eurozone crisis (2010–12) – 'migrant crisis' (2015) – Brexit (2016)	– Strong neoliberal coalition until 2012, more divided afterwards	– Decline of the US (quagmire in Iraq and Afghanistan) – Rising role of the Global South, China in particular – Non-cooperative Russian behaviour since 2007 – Globalisation persists despite a return of protectionist tensions since the Great Recession
2016: return of *community* capitalism	2016–22: – more industrial and social policy – Green Deal (2019)	– Rise of identity politics – Rise of the far right and of illiberalism	
	2022 Russo-Ukraine War – Emphasis on defence and foreign policy – Environmental backlash	– Same, plus decline of the Greens	

European leaders most sceptical of supranational European integration, such as de Gaulle and Thatcher, had a major influence. De Gaulle provided a decisive contribution to European integration by strongly supporting the beginnings of the Common Market between 1958 and 1962; Thatcher supported economically liberal orientations in the 1980s, blocked all advances in social matters, and inspired numerous imitators in Britain and abroad, in particular in Central and Eastern Europe.[10] Future historians may view Giorgia Meloni as another influential leader who shaped the course of European integration – this time by reorienting its migration policy towards a more restrictive approach.

The Europeans have always had a choice: not just being for or against Europe,[11] but also deciding on the kind of capitalist governance they wanted. The *Cassis de Dijon* ruling of 1979 did not automatically trigger a vast dynamic of harmonisation based on mutual recognition. Concrete advances did not come until states and the Commission converged towards the Single European Act in 1986.[12] Similarly, the Maastricht Treaty of 1991 was interpreted in different ways: in a neoliberal and ordoliberal vein with the destructive austerity imposed on Greece; and in a more social one, with the massive financial transfers belatedly put in place during the eurozone crisis, and rapidly expanded during the Covid-19 epidemic. Finally, environmental policy developed despite no reference to the matter in treaties until the Single European Act of 1986, and the fact that such issues could be addressed in other frameworks, as demonstrated by the Montreal Protocol of 1987 (protecting the ozone layer), or the Basel Convention of 1989 (on international movements of hazardous waste).[13] The most striking example of this inversion in the interpretation of legal rules is the treatment of cartels: while the 1962 regulation introduced a system of ex ante control based on prohibition, the 2003 regulation imposed the opposite approach, ex post control connected to the logic of abuse.[14]

The careful study of decision-makers, including non-state ones, reveals the role of trade unions and environmental NGOs on the one hand, and employers on the other, for instance in the early 1980s with IBM, or during the Vredeling Directive contest. In the latter case, enterprises were much more efficient in their lobbying strategy than trade unions.[15] Environmental concerns have enjoyed a growing audience since the 1970s, although 'Merchants of Doubt' with an interest in the status quo have successfully delayed policy decisions by decades.[16] The decision-making process is complicated by the internal division of non-state actors. Some companies support environmental legislation if it offers new business opportunities. Facing new costly regulations, two companies with the same business interests can have different reactions, with one being open and the other engaging in lobbying (see the contrasting positions of Renault and Peugeot on car emission regulations). Environmental NGOs have been split between the most radical, such as

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Greenpeace, and those that cooperate closely with European institutions, and are sometimes even funded by them. As a result, the European arena offers a vast space of opportunity for various actors in capitalist governance.

For all that, legal obligations – such as Treaty provisions, the veto power, and the inertia of some institutions (such as the Court of Justice)[17] – limit the options available. Changing the course of the Union is hard, as it requires three conditions: 1) a convincing political project; 2) a strong transnational coalition; and 3) an institutional opportunity. These three factors were aligned in the progressive reinforcement of European competition policy, in specific areas of social and environmental policy (gender equality, biodiversity, etc.), and in the reinforcement of cohesion policy. As a result, *solidarity* and *community* capitalism remained relatively underdeveloped at the European level – not due to institutional constraints imposed by European bodies, but rather because the political and social coalitions advocating such models lacked sufficient strength. Left-wing parties and trade unions were often either openly hostile or largely indifferent to the European integration project. At the same time, many firms preferred to interact with national governments – whose concessions they could more easily influence – or to collaborate with non-European partners, rather than embed themselves within emerging European industrial policy frameworks.

Too Simple a Story: From German Europe to Italian Europe

If European integration is examined through the lens of large nation-states, it becomes tempting to conflate the process with the preference of its largest actor: Germany, and its so-called hegemony.[18] Germany certainly played a dominant role during the eurozone crisis, but also exerted discreet influence over European integration before it. This is due to Germany's sheer size: in a democratic system, it is logical that the most populous actor wields the most influence. Paradoxically, it is also predicated on Germany's relatively modest aims. German officials were not keen on delivering a grand vision for European integration like the French, or even the British (as Thatcher did in Bruges in 1988), except via a vague commitment to a federal Europe in the (very) long term. More moderate than the neoliberal British and dirigiste French, they have often been in line with the compromises struck in Brussels, namely those of a free market economy preserving its high social and environmental standards, as well as its peculiar form of *community* capitalism (codetermination, *Landesbanken*). Germany has evolved, sometimes being more favourable towards European forms of *solidarity* capitalism (in Brandt and Merkel's final years), and sometimes leaning towards neoliberalism (Hartz IV reform, eurozone crisis). It has been reinforced by the end of the Cold War, which has enlarged it and put it at the heart of a reunified Europe.

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An alternative nation-centred reading could underscore France's strong influence at the start, for Britain was not a part of European integration until 1973 (and was politically weak until 1979), and Germany was beset by Nazi war crimes. France's capitalist governance was hampered by high military, colonial, and overseas spending. Its agriculture was competitive on the world market, but its industry had a mixed record. Its substantial social spending and often-ineffective social dialogue left the country vulnerable to inflation and high interest rates. As a result, Paris successfully pushed for the CAP, a favourable trade agreement with its former African colonies, and monetary agreements aimed at lowering interest rates (in 1979 and 1992). Many projects for pan-European *solidarity* and *community* capitalism were proposed but almost never pursued in earnest, with French officials being wary of supranationalism: they neither endorsed the creation of a European Monetary Fund, nor did they fully support Delors's project for social and industrial policy.

Britain became more influential under Thatcher. While she suffered setbacks in the 1980s, complaining about the European Monetary Union and Delors's Social Europe, she successfully instilled neoliberalism, often in association with like-minded Northern European countries, which were often less neoliberal than she but supported her on specific measures. While her influence was mixed in the 1980s, it became paradoxically more important when she left power, with neoliberalism peaking in the 1990s and early twenty-first century (Chapter 8).

After Brexit and the return of *community* capitalism in 2016, France's brand of European capitalism has been more visible, with expanding *solidarity* (a large stimulus plan and the Green Deal) and more industrial policy at the European level. The rise of the far right has threatened this legacy. Italy's government, led by the far-right Georgia Meloni since 2022, appears to be one of the strongest in Europe after the 2024 European and US elections, both of which bolstered its position. Has Europe finally acquired an Italian flavour?

While this nation-centred story has a kernel of truth, it is too simplistic. The example of Italy, a country whose influence has for decades been linked to supranational actors (Spinelli, Padoa-Schioppa, Monti, Draghi), shows that the concept of 'national influence' is a tricky one. Nationals from one country can be influential through different channels, both national and supranational, and in different ways, as shown by the contrast between Spinelli and Meloni.

Moreover, the influence of the three larger countries has always been predicated on their ability to forge national and supranational alliances. The French–German motor was certainly the most stable and influential alliance (notably in 1956–58 to secure the Treaty of Rome, 1979 on the EMS, 1991–92 on Maastricht, 2010–15 to preserve the eurozone, and 2020 during Covid). This is another unique feature in world history, as no such pairing between former arch-enemies exists: no one talks of a Korean–Japanese motor, or of an

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Indian–Pakistani couple. But the French–German motor was not exclusive. In 1962, Gaullist France secured the CAP thanks to an improbable alliance with the Netherlands and the Commission. In 1992, it obtained the Monetary Union because many countries with weak currencies desperately wanted it. France secured exemptions for agricultural and cultural products because it teamed with other countries (mainly from Southern Europe). Conversely, Germany successfully imposed its ordoliberal vision of the monetary union during the negotiations surrounding the Maastricht Treaty negotiations, and then during the eurozone crisis, because most Northern (and later Eastern) European countries also supported it. In addition, countries squeezed (such as France) between the Northern creditors and the Southern debtors did not want to be associated with the latter, and therefore drew closer to the former.

In other words, German ideas were influential because they were close to an acceptable compromise for the majority of European citizens who supported a European capitalism based mainly on *liberty*, with only residual elements of *solidarity* and *community*. And Britain was often less isolated than its prime ministers have generally asserted for their domestic audience (with self-portrayals as 'freedom fighters' against statist continentals). Britain initially teamed with Italy to push through regional policy during its protectionist period, and then benefited from the neoliberal wave of the late twentieth and early twenty-first century. Most especially, it carved out a series of tailored exemptions for itself. Britain has been at the core of Europe without realizing it.

Lastly, other large countries have played a role, such as Spain under Felipe Gonzalez (1982–96) to support the 'relaunch of Europe', or more recently Poland since the Russo-Ukrainian War. Even some small countries have been influential: either as a broker between larger neighbours (such as the Benelux countries),[19] or as a veto-wielder (tax havens are preserved by the fact that all decisions involving taxation require unanimity) or to delay decisions (such as Hungary for sanctions against Russia). By teaming up, they can have considerable influence, such as the so-called Frugal Four (Austria, Denmark, the Netherlands, and Sweden, together making up roughly 10 per cent of the EU's population) during the negotiations over a concerted stimulus during the Covid crisis.

A Specific European Governance of Capitalism

European institutions have managed to become major players by prevailing over other European and international organisations, and even over states in many areas. This process has not been a smooth one, and it could be reversed in the future. Overall, the EC and later the EU have prevailed over their competitors, because they have represented a balance between federal and intergovernmental features acceptable to many, providing both credible

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commitments thanks to its federal law, as well as the possibility of preserving peculiar national features of capitalism. Overall, European integration has been driven by two central dynamics: i) the ability of member states to assert their national interest through European integration and to control its overall direction and ii) the influence of supranational and transnational actors, notably in what appeared at first as peripheral issues such as competition policy and environmental policy.

One of the main specific features of European capitalism is the pivotal role of EU institutions. The Commission plays a particularly important role thanks to its monopoly over proposing legislation, and its shared power to implement them and to control member states. But the Commission has not always been influential. Some commissioners have indeed wielded considerable influence when they managed to combine ambition, technical skills, and political clout to secure a majority in the College of Commissioner, the Council, and increasingly the European Parliament. For instance, the flamboyant federalist activist Spinelli was less effective than the former Belgian diplomat Davignon. The Commission's influence was not one-sided: Delors strove to promote *solidarity* and *community* capitalism, whereas Brittan was neoliberal, and Vestager somewhere in-between. The Commission should neither be considered a technical and depoliticised body, nor a government in making, but rather an indispensable stage director. It interprets the laws drafted by others (the Treaties, secondary law, jurisprudence) and coordinates their implementation, taking into account all involved, from the touchy lead actors (i.e. Britain, France, or Germany among others) to secondary characters (which often end up stealing the show).

Beyond the Commission, the other EU institutions are also important and peculiar: the European Parliament has allowed marginal constituencies to voice their claims (regarding environmental issues for example), the European Court of Justice has supported a rather federal interpretation of *liberty* capitalism, and the European Council is more than a juxtaposition of states.[20] Transnational actors, including environmental NGOs, gender advocacy groups, and multinational corporations, have also sought to shape this complex institutional landscape.

Historical accounts of the decision-making process reveal alternatives that were given serious consideration in the past, and that could potentially be revived in one form or another in the future.

The Ever-Present Neoliberal Alternative

The fact that there is a neoliberal alternative to European integration probably comes as a surprise to those who already consider the EU as the epitome of

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neoliberalism, but things could have been even worse! First, many so-called neoliberal reforms were in reality old-fashioned market-based policy. The fact that several countries adopted prudent macro-economic policies to restore their competitiveness and to ease their financial constraints is not a peculiarity of the late twentieth century. France did just that in 1959 after experiencing a financial crisis, as did Britain in the 1960s. Communist Eastern countries were also affected by growing financial constraints after 1973, although they could hardly be described as neoliberal. The neoliberal orientation is particularly evident in the extreme austerity measures that led to substantial reductions in welfare provisions, such as those implemented under Thatcher or in Greece during the eurozone crisis, as well as in the extensive deregulation of numerous sectors – likely exceeding what many individual member states would have undertaken independently.

Second, without the EC/EU, free trade dynamics could have been even harsher. In 1956–58, the British wanted to replace the Common Market with a free trade area that had no elements of *solidarity* or *community*. Later on, Thatcher and the new generation of neoliberals promoted expansive deregulation. German neoliberals such as Ludwig Erhard were also tempted by the free trade area, and by worldwide trade liberalisation. As a major exporter (notably outside Europe), Germany could have lived perfectly well without European integration. Bonn could have joined the ECSC and the EEC to satisfy its US protector, and then let it wither away like so many other international organisations. The country could also have adopted a more neutral stance after 1989, neglecting the EEC and NATO, a development feared at the time by some of its allies in both the US and Europe.[21]

Third, this neoliberal alternative still exists today. The Singapore-on-Thames project of some Brexiters, who came to power under Boris Johnson (2019–22), is a neoliberal strategy. It is national in scope, but could influence the Union by virtue of its legal Darwinism: if one of the major competitors to EU countries curtails its social and environmental legislation, that would certainly influence the debate in Brussels. This would be especially true if the UK were to retain access to the Single Market without conforming to the same standards. Neoliberal Europe could also come from within, as the rise of far-right parties means growing opposition to social and environmental standards on the European level, and sometimes on the national one as well (for environmental norms in particular). Most of these far-right parties would like to reduce Europe to a free trade area, without any federal, *solidarity*, or *community* features. They could effectively hollow out the Union from within.

The Ebb and Flow of Socio-environmental Alternatives

Many projects emphasising *solidarity* were devised but ultimately shelved (tax harmonisation, controlling multinationals, planning), amended (regulating

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international trade), or adopted belatedly (environmental protection, cohesion policy, carbon tax, stimulus plan). European *solidarity* capitalism has been marked by ebbs and flows, with a favourable period (1945–50, 1968–73, 1987–92, 2017–22) followed by a backlash, often caused by economic crisis. More generally, supporters of *solidarity* must overcome three specific difficulties.

First, the intellectual hurdle is high, for solidarity measures are perceived as being more costly than free market rules, because they involve redistribution (such as cohesion policy) or impose costs on companies (such as social and environmental standards). Free market rules also have distributive consequences, but they are less visible in the short term, or are more diffuse: the cost of a depolluting device is immediate, but the cost of pollution is hard to estimate. Many health issues were recognised only after decades of scientific disputes (such as the harm caused by tobacco or asbestos). Even mitigating climate change must still be justified despite constant heatwaves and raging brush fires.

Second, the *solidarity* coalition (left-wing parties, trade unions, green NGOs) was for a long time not particularly interested in European integration. This is logical because *solidarity* capitalism (in particular redistribution) has remained mostly national, and because the issue (whether it be inequality or pollution) is international in nature, and not just European. By contrast, Christian Democratic networks long ago engaged in cooperation within Carolingian Europe.[22] The *solidarity* coalition was quite late in using European institutions. The European Trade Union Confederation (ETUC) was formed twenty years after the first European business organisation. It was active in the European arena during the 1970s, but with no genuinely EC-based influence strategy. When it began to roll out such a strategy in the 1980s, it was already too late, as the neoliberal revolution had already swept through Britain.

What is more, the *solidarity* coalition has been divided by communism, with some Social Democrats being profoundly anti-communist, especially the West Germans who were appalled by the execution of their compatriots trying to cross the Berlin Wall. Paradoxically, some French and Italian communists supported Europe, as demonstrated by the reflections of the French minister Rigout in 1982, or the actions of Spinelli. The environmentalists have also been divided between advocates of de-growth and supporters of sustainable growth.

Third, it is more difficult to organise transnationally for actors representing the weak, who are often less powerful than those representing the business community. The records of trade unions, environmental NGOs, and certain international solidarity organisations such as the ILO often reveal their financial fragility. Multinationals are more powerful and can even capture the regulators, such as in the *Dieselgate* scandal.

As a result, for a long time there have been no efficient transnational coalitions in favour of a European integration based on *solidarity*. The

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British and Scandinavians were often opposed to social Europe, refusing any form of interference with their welfare states. The poorest countries were favourable towards redistributive policies, but not to harmonising social legislation, which would eliminate their competitive advantage. The French government sometimes defended the principle of *solidarity* at the European level, especially under socialist governments (since Mollet), but also with moderate centre-right ministers (such as Robert Boulin), but did not do so systematically, balking at the cost (of regional policy and some environmental regulation, such as unleaded petrol) and the spectre of greater supranationalism. Germany has defended some environmental regulations, in addition to some targeted measures of solidarity (notably in 2015 with asylum seekers), but has generally accepted the solidarity elements of the European governance of capitalism under pressure from its partners.

The future of social Europe largely depends on the ability of its promoters to build coalitions between the North and the South, as well as with the East. In 2018, the revision of the Posted Workers Directive based on upward harmonisation of social standards was made possible by dialogue between Western, Central, and Eastern European governments. Overall, *solidarity* has often progressed when an efficient coalition has emerged in association with the *liberty* and *community* coalition, for example, with cohesion policy. Environmental measures in keeping with the *liberty* approach include market-based mechanisms for reducing pollution. Targeted protectionism (such as the Carbon Border Adjustment Mechanism) combines environmentalism and *community* capitalism.

Since 2022, the socio-environmental alternative has been on the defensive. Its progress depends on implementing already-existing measures. At the same time, old projects are being revisited (such as international taxation on certain exchanges), and others are emerging, notably to address new sources of pollution, from nanoparticles to the data centres powering AI.

The Challenge of Community *Capitalism*

Community capitalism has been ubiquitous in post-war Europe, and it is making a comeback after a decline under the 'high neoliberalism' period. All countries have adopted strategies to promote their own community, either to protect sectors that are non-competitive but essential to political stability, such as agriculture, or to foster the development of new industries. The archives show that even Thatcher supported a select number of ailing companies, and that the Germans actively supported its farmers and Airbus for economic reasons. Even actors considered to be liberal, such as Schlecht or Bangemann, envisaged targeted measures of industrial policy.

Enterprises frequently resort to such non-competitive practices. Examples from the archives demonstrate this, although they are rare, for it is difficult to

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access primary sources on cartels. The few accounts that emerge, such as Scandinavian cartels for paper, or the cartel involving electrical equipment manufacturers in Brazil, show the hidden reality of how markets function. Sometimes, as with steel or synthetic textiles around 1980, public authorities establish or tolerate crisis cartels. Cartels have therefore been part of industrial policy.

Industrial policy has always been limited on the European level, with the exception of steel in the early 1980s. European cooperation was primarily developed in high technology, due to its prohibitive cost, mainly in military cooperation and aerospace. It was done on an intergovernmental basis, although the Commission slightly increased its competence in these areas even before the Russo-Ukrainian War. Attempts by Delors to Europeanise industrial policy in high technology failed, with his neoliberal colleague Commissioner Brittan strongly opposing the merger of ATR/De Havilland. Even the implementation of preference in public markets proved impossible.

The examples of Airbus and the European Space Agency show that a successful industrial policy revolves around a dual balance. First, state authorities must both provide long-term financial and legal stability (usually for strategic reasons, including for Germany), all while preserving flexibility for industrial actors to pursue a business-oriented approach. State authorities should be able to 'pick the winner', but also to 'let the loser go'.[23] Second, a successful European industrial policy must combine intergovernmentalism (with long-term state subsidies and a favourable legal environment to avoid hostile foreign takeovers) and federalism (in terms of an integrated industrial and commercial structure, as well as the Commission's involvement to defend the company in case of trade conflict). Such projects work best in a new sector with high development costs, no dominant national actor, and a limited number of countries, thereby limiting the problem of fair return.

By contrast, subsidies for the French–British Concorde airplane were fairly inefficient due to bad luck (the oil shock), protectionism, and an approach based more on political prestige than business opportunity. Other counter-examples include the consortia established by political authorities, which bring together European companies engaged in fierce competition with one other. They often prefer to partner with US firms (which provide technical know-how and access to new markets) rather than with European neighbours.

The Airbus model is difficult to reproduce, and illustrates the economic and political difficulties associated with developing European industrial policy. Economically, many countries consider European industrial policy to be unnecessary (if their trade balance is already in surplus), and even detrimental, for promoting European preference could lead to retaliatory trade measures and a subsidy race. Politically, many promoters of European industrial policy are reluctant to accept the delegation of power that such policy would entail. Paris has often defended an intergovernmental logic, for instance with the

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Eurekâ project in 1985. The logic of 'fair return' has often paralysed the debates. In the end, *community* capitalism requires a genuine political 'community', a stable and cohesive group that is still lacking in the European Union. This is true even though the EU is the heir to the European 'Community' set up in 1957, but it has been a community with no communitarianism, failing to establish any kind of European preference.

The Union has reacted to the return of *community* capitalism since 2016 by finally adopting measures that had been under discussion for decades, but always refused in the past: targeted protectionist schemes in trade policy, European preference (only in the weapons industry), and tolerance on subsidies to enterprises. Moreover, while this study has documented numerous instances of EU–US tensions over trade and NATO, as well as a multitude of international protectionist agreements up to the late 1980s, the Trump II administration has presented unprecedented challenges since 2025, featuring protectionist measures unseen since the 1930s and territorial threats reminiscent of the pre–World War I era.

Therefore two challenges remain. First, will Europeans create an effective *community* capitalism by moving beyond the fair return principle, and by linking economic and security matters in their foreign policy? This does not mean that Europeans should federalise their industrial and security policy, but that they should probably coordinate their policies in those areas more effectively if they want to play a role in a world increasingly dominated by more nationalistic dynamics. The second challenge will be combining a rising *community* approach with *liberty* and *solidarity*: fostering assertive European industrial policy runs the risk of sparking a subsidy race, which would fuel protectionism and deprive the government of resources for social and environmental policies.

The Trinity of European Capitalism in the Future

If the European Union does not disappear, the trinity of capitalism will be helpful in distinguishing several scenarios for the future (see Figure 11.1). The three poles of the triangle all lead to an 'ideal-type' of Europe: a free trade area with no regulation (similar to what Hayek envisaged in 1939); 'fortress Europe' with assertive power (in terms of trade, migration, and defence); and the European welfare state. Depending on one's perspective, the latter can be seen either as a paradise or a catastrophe. For British Eurosceptics, it conjures up an apocalyptic vision: in his dystopian novel *The Aachen Memorandum,* published in 1995, the Thatcherite Andrew Roberts imagined a semi-authoritarian Union limiting working time to thirty-two hours a week, and applying a top European tax rate of 95 per cent![24]

The future will most likely be some combination of the three. Continuing momentum around a regulated market could lead, as advocated in the 2024

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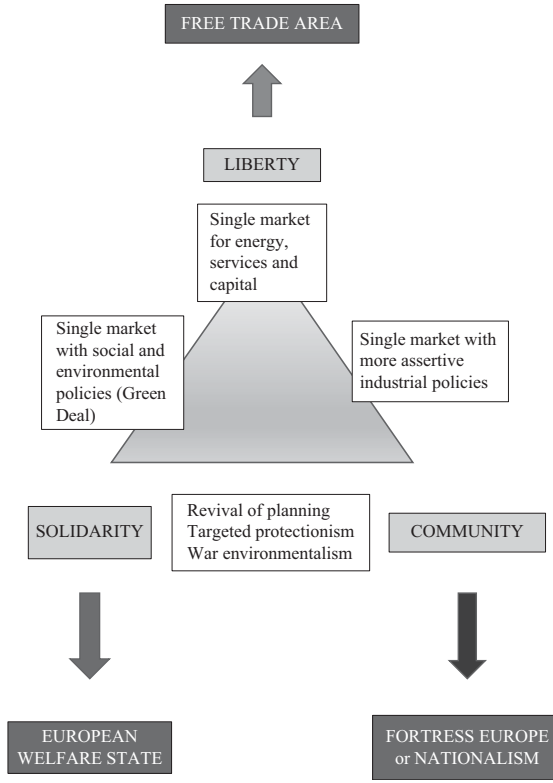


Figure 11.1 Scenarios for the future of Europe

Draghi and Letta reports, to a deepening of the Single Market (for example for financial markets or infrastructure). A push to the far right would combine *community* Europe (with respect to migration) and neoliberalism (because of the far right's opposition to high European social and environmental standards).[25] It could lead to the transformation of Europe into a mere free trade area, and the return of nationalistic tensions. The Russo-Ukrainian War could lead to an assertion of European diplomatic and military clout (a genuine 'Fortress Europe'), or conversely to the reassertion of the national dimension, or to the continuity of the post-war compromise in which Atlantic logic plays a dominant role. *Community* and *solidarity* approaches could come together as part of a so-called war environmentalism.[26] For example, developing renewable energy and integrating national energy grids in Europe would reinforce the Union's autonomy and reduce its dependence on external suppliers of hydrocarbons. Developing local production chains could diminish

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industry's carbon footprint and reduce dependence on China, whose domination in so many areas of manufacturing is unparalleled in history. But these solutions are costly in the short term, and could potentially lead to inflation and a trade war. Protectionism needs to be carefully calibrated to avoid a 1930s-like escalation. As always, European integration must manage the tensions around *community* capitalism, albeit in unprecedented fashion.

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