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Abstract

The paper is interested in how the repositioning of organized labour in Europe in the last 20 years has affected its capacity to answer the current fiscal crisis of the state. While there is reason to expect a growing discontent among unions' core constituencies with the unequal way that the costs of the crisis are being distributed, unions don't seem to be able to organize this discontent, and turn it into a source of countervailing power against 'markets' and the state. In order to understand this outcome, the paper makes three arguments. First, it shows that European integration since the 1980s has at its core been a neoliberal project which has aimed at restoring capitalist power and institutionalizing permanent austerity. It then argues that trade unions have become integrated into this project in a paradoxical way: while their institutional representation has been enhanced, they have simultaneously experienced a significant loss of autonomy and capacity to achieve substantial gains for their constituencies. As a result, trade unions approach the current fiscal crisis of the state from a peculiar state-dependent position, which limits their capacity to organize the growing discontent in a sustainable way.

In 1973 James O'Connor published *The Fiscal Crisis of the State*, in which he seeks to understand 'the tendency for government expenditure to outrace revenues', and

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reflects on its consequences (O'Connor 1973)[1]. A major premise of O'Connor's theory is that the capitalist state must fulfil two basic functions which are not easy to reconcile: that of accumulation and that of legitimation. Different types of state expenditures strike different balances between the two functions, and also lead to repeated crises. This is because on the one hand, even if the state has to fulfil the accumulation function, and in its course has taken over an important part of the economy, profits are still privately appropriated. Hence there is a structural gap between state expenditure and state revenues. Moreover, the crisis is exacerbated by a host of special interests which make their claims on state resources, be it business, organized labour, or the poor. These claims are politically mediated, thus leading to a great deal of inefficiency, waste and duplication of programs and services.

Arguably, since the publication of O'Connor's small book, European states have been in a permanent fiscal crisis. This paper concerns the political consequences of this condition, with a special focus on how trade unions have coped with it. By default, most of the paper is concerned with state strategies and union responses to what could be called a *latent* fiscal crisis of the state – that is roughly the period from the late 1970s to the second half of the 2000s. This was a period in which states – in cooperation with business – decided to favour the accumulation function, as it were, and to roll back the influence of organized labour (and more general, of welfare dependent people and their claims on the state). European integration has been instrumental to this.

I am also interested in how the repositioning of organized labour in the last 20 years has affected its capacity to answer to the more recent *manifest* fiscal crisis of the state, which emerged as a consequence of the global financial crisis. There is reason to expect a growing discontent among unions' core constituencies with the unequal way that the costs of the crisis are being distributed. While banks, which profited greatly from the credit bonanza preceding the global crisis, are bailed out, and industries are saved, governments are now preparing austerity packages that far outpace any past attempts of containing the fiscal crisis of the state. It is public sector workers, pensioners, and unemployed that are paying the costs. Are unions able to organize this discontent, and turn it into a source of countervailing power? To put the question in a slightly different way: Can unions use the political opportunities

[1] I presented a first version of this paper at the workshop 'Economic Integration and Political Fragmentation? Parties, Interest Groups, and Democratic Capitalism in Eastern and Western Europe', June 4–5, 2010, European University Institute, Florence. I am grateful to the workshop organizers and participants who forced me to start thinking on the topic.

of the contemporary crisis similarly to the way business did in the 1970s, when the fiscal crisis of the state first appeared on the agenda?

I will develop my thoughts on the issues in the form of three propositions:

1. European integration since the 1980s – as well as the eastward enlargement – is at its core a neoliberal project which aims at restoring capitalist power and institutionalizing permanent austerity;
2. Trade unions have become integrated into this project in a paradoxical way: while their institutional representation has been enhanced, they have simultaneously experienced a significant loss of autonomy and capacity to achieve substantial gains for their constituencies;
3. Trade unions therefore approach the current manifest fiscal crisis of the state from a peculiar state-dependent position, which limits their capacity to organize the growing discontent in a sustainable way.

1. European integration since the 1980s – as well as enlargement – is at its core a neoliberal project which aims at restoring capitalist power and institutionalizing permanent austerity

'Low inflation, quiescent industrial relations, freedom for capital to chase profitable opportunities without restraint and the domination of market-based solutions have become familiar features of the economic landscape of the rich economies. When such a pattern becomes firmly established it soon acquires the status of business as usual. Yet 30 years ago inflation was rising, profits were squeezed, trade unions were bargaining aggressively and parties of the left were actively discussing ideas for deeper state intervention in industry. A huge shift in economic policies and behaviour was needed to launch our economies on their new trajectory' (Glyn 2006, VII).

How the huge shift came about, and how the new, neoliberal order has been institutionalized on the European and national levels is an often told – if controversial – story. In what follows, I will summarize in a very stylized way what I consider some of the most convincing arguments made in the literature.

The crisis of the 1970s has opened a 'political opportunity structure' for a new coalition of business groups, orthodox bankers, and conservative state agencies to push back the influence of organized labour and to reconfigure the boundaries of the state. New – or older, but resurrected – economic ideas, conventionally summarized as neoliberal ideas, were crucial for bringing the coalition together and also informed a major shift in public policies. Neoliberalism seeks to reassert private property rights in a competitive environment, and to put strict limits on state intervention in economic and social affairs. This way, individual liberty and responsibility – both of which have allegedly been greatly damaged under the rule of 'collectivism' – can be reconstituted.

A main venue of institutionalizing neoliberalism has been to weaken the principle of territoriality, that is the principle that has assured the congruence between'"identity space" – the unit that provides the geography of allegiance – … with "decision space" – the turf that seems to assure physical, economic, and culture security' (Maier 2000: 816)[2]. Revitalizing the European integration process in the 1980s was the way how the principle of territoriality was weakened. Specifically, the European Single Market's deregulatory and liberalizing impetus has opened up domestic markets to international competition and transnational reorganization, and thus significantly denationalized the European economies. It also decreased the scope of state activities in the economy, as infrastructural sectors, the financial and insurance industries, and a number of social services were deregulated, partly privatized, and transnationally integrated.

The European Monetary Union operates on a different type of deterritorialization. One of its major aims was the institutionalization of restrictive monetary policy and fiscal restraints in a way that neither could be challenged by popular pressures. This was guaranteed by elevating the ECB, the core institution of Europe's socio-economic governance, high above national electorates. It is probably not by chance that Friedrich von Hayek was an early proponent of such solutions to protect the economy from politics. In his 1939 essay on 'Economic Conditions and Interstate Federalism', he set out the logic underlying today's Monetary Union. A monetary union would not only do away with independent monetary policy on the national level, but also put a break on most of the macroeconomic interference states have become accustomed to. While the room for manoeuvre for macroeconomic policies on the national level is limited, it is difficult to reinstate it on a supranational level. Macroeconomic policy requires agreements over values and objectives. Such an agreement is easier achieved in homogenous societies glued together by national

2 For a most original, thought provoking and extensive treatment of the argument underlying this small quotation see Stefano Bartolini (Bartolini 2005).

solidarity than in an international federal setting, where people will be reluctant to 'submit to any interference in their daily affairs when the majority which directs the government is composed of people of different nationalities and traditions'. Government in such a federation will therefore necessarily be restricted (Hayek 1948, 264–265).

Eastern enlargement of the European Union has been a third development which resulted in a significant weakening of the principle of territoriality. It has done so in three ways. First, the fall of the Berlin Wall has reopened the question of where Europe ends, to which no firm answer can be given. As there is no obvious boundary where Europe ends, and as applications for admissions from the East have multiplied, the EU has developed into an entity whose borders are in constant flux. This, second, has completely removed the possibility earlier cherished by some political forces, to turn the EU in a new, post-national, but strictly bordered polity, in which the European institutional space would eventually be matched by a European identity space. Finally, eastern enlargement has reinforced the deregulatory outlook of the EU. Most of the east European newcomers to the EU are significantly lagging behind the older member states in terms of economic development, wages, and social norms, and pursue more liberal policies. Enlargement has therefore brought about a regime competition to a degree hitherto unknown within the EU.

The weakening of territorial politics, finally, has led to a shift in the balance of power between capital and labour. The logic underlying this is best captured by applying Hirschman's concepts of exit and voice to our context (Hirschman 1978; Bartolini 2005). Whereas the territorial polity locked-in economic and social actors, and thus shifted their preferences towards expressing grievances through voice, to the degree that European integration abolishes existing economic and legal boundaries, we are witnessing an increased role of exit across the board. No longer 'sentenced' to loyalty to the national economic space, and to fixing problems of domestic institutions by voice, firms can more easily exploit evasive options. Most prominently figure enhanced opportunities to physically exit the home country by producing abroad. In addition, European integration opens the possibility to explore alternative regulations, material, and jurisdictional resources without actually physically moving. Firms can for instance directly access global financial markets, recruit skilled workforce abroad or appeal to the European Court of Justice in order to enforce national change. Firms' magnified opportunities for exit, in turn, have repercussions for 'the art' of voice. As the exit options are unequally distributed in that they favour resourceful players, political actors are likelier to become attentive to them than to others who in the absence of easy alternatives will stay put.

2. Trade Unions have became integrated into this project in a paradoxical way: while their institutional representation has been enhanced in the multi-level European polity, they have simultaneously experienced a significant loss of autonomy and capacity to achieve substantial gains for their constituencies

Despite the neoliberal bias of recent European integration, organized labour has been granted – or has achieved – significant institutional representation on all levels of the European polity. On a superficial glance, therefore, it seems that neo-corporatism – arguably the institutional form most conducive to the interest representation of organized labour – has survived the weakening of territoriality. 'Euro-corporatism' however differs significantly from this earlier form, where trade union operated from a position of strength, and entered long-term exchanges which brought about positive effects for both capital and labour.

Thus, in the mid 1980s, together with the Single Market, the EU institutionalized the *European Social Dialogue*. At first an informal, consensus oriented bipartite bargaining structure, it was formalized in the Treaties of Maastricht and Amsterdam. From the end of the 1990s, the European Commission also fostered the social dialogue on the sectoral level. In addition, from 2002 onwards, a tripartite social summit for growth and employment was institutionalized, fostering the dialogue between social partners and European governments. All these forms of European Social Dialogue have however not amounted to much. Typically, employer's organizations are unwilling to take up negotiations, and only do so in the 'shadow of hierarchy'. In addition, most agreements achieved more recently through the diverse forms of social dialogue on the European level are non-binding, and/or reach only those employees that are covered by collective agreements. The latter makes these agreements almost meaningless in most of Central Eastern Europe (eg. Schäfer, Streeck 2008).

It is therefore organized labour's inclusion on the national levels that has drawn most attention in the literature. Once a practice in a handful, mostly smaller West European countries only, *social consultation on the national level* between governments, trade unions and employer organizations has mushroomed over the last decades. The 1990s saw the conclusion of a series of 'social pacts' in countries that were formerly alien to the institutions of neocorporatism, as they lacked all the prerequisites of strong and centralized interest associations. Simultaneously, Central

East European countries aspiring to EU membership institutionalized tripartite or bipartite consultations.

It is not by chance that the national level has stayed the most important level of social consultation, as it is on this level where competitiveness has to be guaranteed, and welfare states reshaped. As argued by Rhodes: 'While governments may have lost their power to expand social spending at will, due largely to their inability to sustain growing public deficits or increase taxation, they manifestly do remain the principal architects of welfare states and employment systems'. Governments, in other words, remain the principal architects of the reforms of welfare states and employment systems. State-sponsored social pacts encompassing wage coordination and public sector reforms emerged in particular, therefore, in the run-up to the EMU (Rhodes 2001)[3].

While resembling democratic corporatism in its form, the functions of central-level coordination have become very different. This is well captured by terms such as 'competitive corporatism', or 'supply-side corporatism'. In a nutshell, trade unions have entered social pacts from a significantly weakened position, and have accepted the overall agenda of meeting EMU requirements and improving external competitiveness. At stake is not any longer the exchange of wage restraint against a guarantee of full employment or gains in social security. Wage restraint is rather seen as a 'functional equivalent of the now unavailable option of currency devaluation in the quest for improving competitiveness of national economies. … The new pacts are also likely to entail reductions in public spending that weaken the security guarantees of the welfare state. In this sense, there are much less favourable to labour than the corporatist deals from the 1970s.' (Avdagic, Crouch 2006: 10; see also among many others Hancké, Rhodes 2005, Hassel 2005). The new social pacts are also less routinized, social partners are more likely to exit the agreements, and are more dependent on the shadow of hierarchy than their predecessors. There is also a new type of 'political exchange' (Pizzaro, Crouch, eds. 1978) underlying social pacts. This time, it is more likely to be a *coalition of the weak*, in which governments under pressure to administer reforms seek to broaden their legitimacy by co-opting trade unions into the process (Crouch 2002: 276–304). Trade unions, although weakened, have enough strength left to credibly threaten with their potentially disruptive power, especially in the public sector which has been at the core of reforms.

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3 Examples are Ireland, the Netherlands, Italy, Portugal, Spain, and among the new EU member states Slovenia and Slovakia.

The characteristics that distinguish the new generation of social pacts are even more pronounced in Central Eastern Europe. Here, the strongest momentum for cooperation between governments and trade unions – with employer organizations being embryonic at best - was at the beginning of the transformation when the former, fearing social unrest in light of the reform measures they were about to take, sought to enlist the latter's support. The challenges facing 'transformative corporatism' (eg. Iankova 2002), however, were gigantic. Even governments initially genuinely committed to more substantial social consultation and coordination were not able to live up to their promises, as they kept being surprised by the depth of the crisis of the early 1990s. Trade unions, on the other hand, had a difficult time transforming themselves from "transmission belts" which basically managed state and enterprise sponsored social policies into institutions of genuine interest representation. Having been an integral part of the socialist system, they moreover faced a grave crisis of legitimacy. As argued by Crowley and Ost, 'the point in Eastern Europe is not so much that labour has been *weakened* since 1989 … but that it had been *created* as a weak actor. Thus, unions in Eastern Europe confront the new global economy [and European order – D.B.] not from an initial position of strength but of weakness' (Crowley, Ost 2001: 228). Typically, therefore, trade unions hoped to gain legitimacy by supporting reform measures which – at least in the short run – imposed huge social costs on their members.

It is no small wonder then, that the initial system-legitimizing pacts in East Central only rarely implied real exchanges that could be monitored, and that they were soon phased out. While formal institutions of policy concertation stayed in place in all new member states, and got reinforced during the EU-accession, *de facto* inclusion of labour typically depended on the governments' will, which was much reduced after the initial phase of transformative corporatism. Although labour inclusion has to some extent been mediated by the political orientation of the governing coalition, with left-wing parties more supportive than their right-wing counterparts, it usually ended when governments launched sweeping reforms. Typically, major austerity packages have been prepared and implemented as 'coups'. (eg. Myant, Slocock, Smith 2000; Avdagic 2005; Ost 2000; Bohle, Greskovits 2010; Gardawski, Meardi 2010) [4].

Trade Unions' *integration* – albeit in a subordinate position – via competitive or transformative corporatism in the neoliberal European political order, has gone hand in hand with a weakening of their capacities to defend the interests of labour and to

[4] Slovenia with its institutionalized corporatist features is the exception.

pursue aims independent of those imposed by the neoliberal/Maastricht Agenda. The former is highlighted by real wage development, unit labour costs, the persistence of high unemployment, and the incremental reforms of the welfare states which have taken place[5]. The latter can be demonstrated by the difficulties trade unions have to organize and coordinate transnationally – which would arguably be the only way to counter the competitiveness and decentralization logics embedded in the European integration. Attempts at transnational coordination of wage bargaining could not break the trend of a competitive wage setting in exposed industries. This is partly due to employer resistance to transnationally coordinated bargaining (Hornung Drauss 2002: 217). At the same time, the national institutional context unions are operating in is still of primary importance. Unions therefore only resort to transnational cooperation once they exhausted the possibilities of national protection (Bernaciak 2010).

The limited capacity of trade unions to defend the interest of labour has a number of reasons. Most importantly, they have experienced a loss of autonomy and a significant weakening of their membership base. Trade unions are increasingly dependent on the 'shadow of hierarchy' in order to get any concessions. This is also due to a transformation of employers' organizations, formerly engaged in the conclusion and administration of multi-employer collective bargaining, into mere special interest groups lobbying their causes on the national and European levels. If employer federations are still engaged in bargaining or consultation at all, they typically agree to recommendations rather than agreements (European Commission 2011, Chapter 1 [Visser 2011]: 24; European Commission 2006: 26).

Finally, union strength has significantly been undermined by a rapid decline and change in membership. The negative trend of union density has been uninterrupted for decades now. Whereas in the 1970s (net) density rates around 20 percent were the exception, and rates above 50 percent the norm in the EU-15, the picture is very different at the end of the first decade of the 2000s. Average union density in the EU-15 stands now at 34 percent, and in the EU-27 at 30 percent. While these averages

5 Ironically, real wage development, unit labour costs and fiscal austerity developed very differently once the EMU started operating. Although I am concerned here only with social pacts, which with few exceptions ceased to matter once a country entered the EMU, this development does not contradict my thesis of union weakness. It was not due to union's strength that the competitiveness and austerity logic inscribed in the Maastricht treaty did not assert itself. Rather, once the 'stick' of being left out of the EMU ceased to operate, governments were not any longer willing to pursue unpopular policies. Moreover, financial markets were ready to finance economic imbalances of majestic proportions.

hide big differences, there is only one country that has escaped the overall negative trend in the last 20 years, namely Belgium. Another striking feature is the change of membership composition. Trade unions have become significantly more 'feminized', and the share of public sector workers in trade unions has become much more important. The share of female members stands at almost 45 percent, and is strongly related to the unionization of the public sector. In the vast majority of EU member states trade union density in the public sector is – sometimes significantly - higher than in industry or services (European Commission 2011: 16). Moreover, in some countries – notably Italy and some of the new member states – it is retired rather than working people that make up an important share of the trade union membership.

What all of this amounts to is that *trade unions have increasingly become part of the state*. Their strength and legitimation is dependent on the shadow of hierarchy, a significant share of organized labour works in the same hierarchy, and agreements between states and unions are getting more important, while business increasingly disengages from its coordinated interaction with labour. This is the position from which trade unions face the current acute fiscal crisis of the state.

3. Trade Unions therefore approach the current manifest fiscal crisis from a peculiar state-dependent position, which limits their capacity to organize the growing discontent in a sustainable way

In retrospect, it is clear that fiscal austerity and the logic of competitiveness has been pursued much less vigorously over the last decade than European leaders intended when they designed the rules of the Single Market and the Monetary Union. When push came to shove, European leaders and institutions were ready to bend the rules. The Stability and Growth pact was quickly amended when Germany and France failed to meet its requirements. The Monetary Union also liberated the eurozone members from the Bundesbank's 'interest rate dictatorship' of the previous decade. Lower interest rates contributed to growth in almost all countries except Germany, and were at the origin of unprecedented housing booms in some places. European authorities allowed the building up of major imbalances, with some countries accumulating huge current account surpluses, and other countries gradually losing their competitiveness. Most importantly, over the last 10 years, the 'markets' were happy to finance growing imbalances, unsustainable levels of debt, and huge asset bubbles, all of which was very profitable indeed.

The global financial crisis put an end to all of this. Three developments combine to turn this crisis into an acute and manifest fiscal crisis of the state. First, the bursting of asset bubbles, the resulting contraction of the global liquidity, and its repercussion on the real economy quickly turned the existing levels of public debt unsustainable. Second, many governments passed huge bail-out programs for ailing banks and industries, as well as significant economic stimulus packages, all of which let to skyrocketing budget deficits and public debt. The Greek crisis finally brought the European debt levels under the spotlight of financial market actors, especially as a Greek sovereign default cannot be ruled out, which would add significantly to the financial burdens of the EMU member states.

The austerity wave that is currently sweeping across Europe with the aim to trim budget deficits and public debt and restore competitiveness is unprecedented in the continent's history. The heavily indebted east European countries Latvia, Hungary and Romania set the new age of austerity off. The IMF-led crisis management in these countries was then exported to Greece. For different reasons, all of these countries adjust by 'internal devaluation', that is by deep cuts in wages and public spending rather than currency depreciation. Feeling the pressure, other peripheral states have been forced into harsh austerity packages as well. The Irish, Spanish and Portuguese parliaments have all adopted drastic measures. Most recently, the austerity wave has also swept into Europe's core with Germany taking the lead, and the United Kingdom following suit. Both countries have unveiled plans for the biggest cuts in their history. Invariably, the packages involve huge public sector cuts and lay-offs, and retrenchment of welfare programs targeting the long-term unemployed, families with children and pensioners, and tax hikes.

Arguably, the extreme austere turn in Europe should offer fertile ground for the return of class politics, that is for the re-politicization of distributive questions. The adjustment packages violate basic norms of social justice, as they put an overly large burden on poorer strata of society, while those social groups and economic sectors who already profited most from the past boom years, are again being spared. They are typically welcomed by business, while trade unions oppose them[6]. In some respect, trade unions seem therefore well positioned to mobilize the growing discontent, as it is their core constituency – public sector workers – that are among those being hardest hit. This very same fact however might also hinder a sustainable – or forward looking – type of mobilization for three reasons. First, unions which are very weak and have become too dependent on the state for their own survival might not want to risk a confrontation with the state, and might therefore be more inclined to continue their role as responsible co-designers of austerity, even in today's hard times. Second, the social basis of trade unions might be too narrow to allow them to go beyond the representation of very special interests, in this case those of public sector workers and pensioners, who have led an overly sheltered existence in the past. Finally, unions are in need of allies or coalition partners in order to turn anger and discontent into a long-term political strategy, and these hardly appear to be present today.

At this point it is too early to shed more than a cursory light on trade union responses to the manifest fiscal crisis of the state, as in most countries the austerity packages are just being implemented. In the remainder of the paper I will therefore only briefly share some observations which help to illustrate and further elaborate on the dilemmas pointed to above.

The first reactions to the impact of the global crisis have broadly followed the coordination pattern established in the 1990s. The *crisis management pacts* have focused on the employment consequences of the crisis, and included agreements on short term work, employment flexibility, wage moderation, etc., with the aim to stabilize employment despite the deep economic recession[7]. As earlier, these were typically agreements concluded in the shadow of hierarchy. Another interesting parallel to the 1990s is that the practice of social pacts extended to countries where pacts so far were not part of the trade union repertoire. A number of East Central European countries, most notably Estonia, Latvia and Lithuania concluded social pacts for the first time in their history.

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6 For instance out of the € 80 bn of Germany's four-year-austerity package 37 percent will directly hit social spending, 7 percent banks, and 16 percent other businesses. 15 000 public sector jobs are at risk. German industry and leading economists welcome the package, mostly because it does not include broad tax increases (*Financial Times*, June 9, 2010).

7 To my best knowledge, this was the case in Belgium, the Netherlands, France, Poland, Slovakia, Slovenia Estonia, Latvia and Lithuania. This and the following is based on European Commission 2011 (Chapter 2: The crisis: challenges and social partner perspectives, and Chapter 3: The Crisis – Social Partner Responses); Maarten Keune and Vera Glassner 2009: 25–27.

The first wave of coordinated responses occurred in a relatively benign phase of the crisis, in which governments were defying the austerity impulse in order to contain social and economic consequences of the crisis. In contrast, *coordination broke down or never materialized* in those countries where the severity of the crisis forced governments to implement austerity policies from the beginning on. This was the case in Ireland, for example, where an unbroken series of tripartite agreements came under big pressure. The attempt to form a tripartite national economic recovery plan failed because of government plans to cut public expenditure and public sector pay, not honour an existing pay deal, and give only limited support for employment preservation[8].

Another case of a failed coordination response to the crisis is Hungary. In this country, socialist government coalitions have pursued sustained austerity policies since 2006. In 2009, in the wake of an agreement with the IMF, another ambitious fiscal package was adopted. The Socialist government tried unsuccessfully to achieve a social pact over its reform measures. The initiative failed for three reasons. First, the government was not really committed to achieving a social pact, but was only 'going through the motions'. Second, there was no solid tradition of social pacts in the country on which actors could draw on. Finally, trade unions could not agree among themselves on their stance to the government's austerity proposals. More precisely, *politicization* of trade unions prevented them from entering a political exchange with the government. While there is a lot of popular anger and discontent over the austerity course successive governments have taken, it is not trade unions who can mobilize the discontent, but rather political parties.

The major exception to the 'rule' that trade unions break away from coordination once confronted with austerity packages is Latvia. This seems the only country in which trade unions entered a pact with the government to agree on austerity measures without getting any concessions. Latvia is possibly even harder hit by the crisis than Hungary. GDP dropped by almost 20 percent in 2009, and unemployment rates surged. The negotiated austerity package included public sector wage cuts up to 40%, and pension cuts between 20 up to 70 percent. Overall, real wages in 2009 dropped by over 10 percent. In this case, it seems that the coordinated responses to the crisis take the previously established logic of social pacts to its extreme. In Latvia, trade unions are so weak that they were ready to accept significant material losses for the social groups they supposedly represent in exchange for being recognized – for the first time in their existence – as a legitimate social actor.

8 In Spain, Finland and Bulgaria existing tripartite negotiations also came under pressure.

If coordination has been the exception rather than the rule of trade unions' reactions to governments' austerity packages, which strategy has replaced coordination, and what has it achieved so far? Most typically, public sector trade unions have successfully organized large mass demonstrations, involving between tens of thousands to a million workers. Although in a number of cases, trade unions have also attempted (or planned) to organize general strikes, it is most typically public sector workers who are involved in protest action. Strikes and mass demonstrations peak in the aftermath of the announcement of a package, to then lose momentum. But the social tensions are palpable, and easily mobilizable. Following Beverly Silver, these waves of protest and demonstrations might be understood as 'Polányi-type' movements, signifying "the backlash *resistances* to the spread of a global self-regulating market, particularly by working classes that are being unmade by global economic transformations as well as by those workers who had benefited from established social compacts"[9].

Backlash resistance may very well bring about some results, most notably for core trade union's constituencies. It seems to me, however, that this is a limited achievement. So far there seems to have been no attempts to carry the issue beyond the particular problems of public sector workers and pensioners. This is perhaps not surprising. Trade unions, as argued in the paper, have weakened in the last two decades, and have become integrated into the state. Their current struggles, therefore, are over how to keep a type of state alive that can guarantees collective interest representation, social protection and social rights. In these struggles, trade unions have few allies. This is partly because they are often pitted against left-wing parties which administer the austerity packages. Moreover, the overall balance of social forces and the way it is institutionalized in the European multilevel policy makes it difficult to oppose the imperative of "market forces", especially in the context of an ongoing crisis in which a number of market actors have become more jittery than usually. Currently, there is a strong incentive for the eurozone as a whole and each individual EU government to be twice as responsive to market signals as to domestic constituencies, as the spectre of sovereign default is looming large. Finally, there is also a lack of alternative ideas which could guide policy making in new directions. While the short revival of Keynesianism has completely backfired, new paradigms are not in sight either. In contrast to neoliberals, who often spent the better parts of

[9] In contrast, 'Marx type of unrest' is defined as the 'struggle of newly emerging working classes that are successfully made and strengthened as an unintended outcome of the development of historical capitalism even as old working classes are being unmade' (Silver 2003: 20).

their lives sharpening their intellectual tools for the distant moment in time when the political opportunity structure would finally open up for their ideas[10], trade unions and left-wing parties were busy attempting to manage the latent fiscal crisis of the state. This left them short of ideas when the crisis turned into a manifest one.

All of this implies that while a return to class-politics is indeed becoming a reality in many parts of Europe, it is class politics without a transformative agenda. Political actors – trade unions and parties alike – do not seem to have either the resources or the ideas on how to get from an existing social contract in its final stage of exhaustion to a new one which could in some way recreate a balance between the accumulation and the legitimation function of the state. The return of class politics is thus a manifestation of a political crisis which cannot be processed in the European multilevel polity.

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[10] One of the most intriguing accounts see Cockett 1995.

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