

THE RISE AND FALL OF THE EUROPEAN DREAM

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Abstract

The European Dream is often portrayed as the benign if not benevolent counterpart to the fading American Dream. Yet, as economic historian Joseph Lough shows in this essay, the European and American dreams are linked by more than their shared embrace of free market capitalism. In this essay Professor Lough exposes the darker side of the European Dream, a side first expressed in the 1990s, but now fully revealed in Europe's conflict with Greece. As Professor Lough shows, this dark side of the European Dream was already present at its birth in the 19th century, when GWF Hegel allegorized its birth and diffusion through a story about the Self-Moving Substance that is Subject. This story has received mathematically rigorous validation through convergence theories of today's neoclassical and neoliberal economists. Yet is total domination by this Self-Moving Substance inevitable, much less desirable? Professor Lough shows how Europe could adopt an alternative, more sustainable European Dream to meet today's pressing challenges.

Key words: Europe, European Dream, Hegel, Robert Lucas, Karl Marx, Capitalism, EU, European Central Bank, WTO, World Bank, IMF

Introduction

In the mythology that enshrouds the European Dream, Europe fashions itself a benign if not benevolent force, gradually enlarging itself at no member's expense and to all members' advantage. And, yet, throughout the 2000s this mythology has suffered from a steady series of reversals, of which Greece is only the latest. The European is often contrasted to the American Dream in a comparison that nearly always favours Europe.

The European Dream emphasizes community relationships over individual autonomy, cultural diversity over assimilation, quality of life over the accumulation of wealth, sustainable development over unlimited material growth, deep play over unrelenting toil, universal human rights and the rights of nature over property rights, and global cooperation over the unilateral exercise of power
(Rifkin 2004:3).

So wrote American economic and social theorist Jeremy Rifkin in 2004 in his appropriately enough titled book *The European Dream*. What I would like to suggest here is that the European and American Dreams have always born a far more intimate relationship to one another than either most Europeans or most Americans care to admit. At the very least they are wed together by their shared dependence on an economic system that in the final instance begs agnosticism over the fates of those whose lives, for better or worse, are governed by its mediations. On its surface the European Dream casts a profile that, while irresistible and, so, inevitable, is inviting but never forceful, always giving more than it takes and never eliminating the good that preceded its arrival. Nineteenth century German philosopher GWF Hegel is the herald of this benevolent Spirit, occupying territory only when it is invited and, even then, only when it finds in its beloved object a narcissistic image of itself. Yet, if Hegel is its herald, then surely the European Dream's economist is the University of Chicago's Robert E Lucas, Jr, the elder statesman of neoliberal orthodoxy. For it is Lucas (and not Francis Fukuyama) whose rigorous mathematical modelling shows why and how the European Dream must, of necessity, gain complete and final supremacy over all the Earth.

The intimate relationship between the European and American Dreams goes beyond the economic system they share. When in the late 19th and early 20th centuries, Great Britain unwillingly ceded rights over the world economy to its former colony, the bargain included a clause that required the US to underwrite the twin fatalities — World Wars I and II — that lay just barely beyond the horizon. When Great Britain and Germany destroyed one another's industrial capacity in World War I, it fell to the United States (and more specifically to JP Morgan) to re-establish their industrial ca-

capacity. And when they did so again barely twenty years later, again it was the United States that, for admittedly less than completely benevolent reasons, stepped in to bail them out. The European Dream was, in this sense, stamped “Made in U.S.A.” Its fortunes were tied to the returns on America’s already vast and growing neo-imperialist holdings. Should these falter, the dream could easily morph into a nightmare.

What follows is a highly stylized account of the European Dream. Fellow economists will likely find it too thin on data and models. Policy makers will likely find it too thin on historical and institutional detail. On both counts, I am inclined to agree. Yet, notwithstanding these disabilities, the following account has value. For I believe that it does successfully explain the dark side of the European Dream, not as a momentary or ephemeral anomaly, which, during better times, will dissipate in the warmth of the Sun, but as a feature necessarily immanent to the European project as such. Having cast its lot with the weal and woe of economic efficiency, the driving force behind economic growth, Europe cannot help but discipline those whom it judges less efficient; Greece today, Portugal tomorrow, but eventually each and every community that fails to fall into line. This was the logic that nearly two centuries ago Hegel already perceived and portrayed allegorically in his story about the ever-narcissistic Self-Moving Substance that is Subject. Karl Marx then picked up on Hegel’s verse, translating it first into a story about every oppressed class in history, but finally into a story about the self-generating and regenerating powers of capital itself. In its earlier form, Marx hailed every working class as the emancipatory agent of history. In its final form, however, Marx perceived in this Subject a picture of domination debilitating precisely on account of its success.

The course of our account proceeds as follows. We will first review the broad historical contours that led, first to the transfer of title from Great Britain to America, but then the re-gifting of this title back to Europe and to the world in the closing decades of the twentieth century. Our aim here is to show how the European Dream was always already tied to economic mechanisms and processes that, at least initially, were loudly disavowed by its architects. We then proceed to a critical assessment of the Hegelian trope out of which the European Dream first emerged. As I have shown elsewhere, this trope begs to be interpreted in a light cast on it by the rigorous mathematical modelling of contemporary neoclassical and neoliberal economists. If, as I contend, Hegel’s story about the Self-Moving Substance is an allegory, it may be valuable for us to explore the economics behind this story. To this end I show how Robert E Lucas, Jr’s rigorous mathematical modelling casts light on and so sets in relief the topography of this otherwise opaque Hegelian trope. In our concluding section I explore some alternatives to what has often been cast as the inevitable, inescapable trajectory of the European Dream. Is Europe and its

dream destined to tumble headlong down the hole it has created, or might there be another path forward towards the fulfilment of an alternate European Dream?

Our story begins more ominously with the twin fatalities, World Wars I and II, and dream that emerged out of its ashes.

The Long Boom and Its Sequel

Many economists have described the broad contours of the twentieth century global economy (Frieden 2006; Brenner 2006; Arrighi 2009). For the narrative that follows, I am depending principally on Robert Brenner's *Economics of Global Turbulence* (2006) and Jeffrey Frieden's *Global Capitalism* (2006). These accounts are important for our purposes because they establish the historically and socially specific character of the European Dream. With roots extending as far back as the eighteenth century, this dream owes its specific form to two factors: the massive destruction of human and fixed capital in the European wars of 1914-1945 and the unprecedented transfer of wealth from Great Britain to the United States over the course of this same period. The massive destruction of capital brought Europeans to adopt a cynical view of the political and economic institutions that had left their nations vulnerable to these twin catastrophes. The unprecedented transfer of wealth from Great Britain to the United States meant that following the European wars the United States was operating at near full industrial capacity, enjoying near full employment. But this also presented a huge dilemma. With Europe's economies a complete shambles, where would the economic growth come from sufficient to purchase the commodities being pumped out at a record pace by the United States' economy? For the moment, demand from domestic consumers was sufficiently robust to sustain the United States' unprecedented growth. Yet, without global consumer demand no one was so foolish as to believe that such growth was sustainable.

All told, the US sent roughly \$13.5 billion to Europe to rebuild its industrial capacity and sent another half billion to Japan to do the same (Frieden 267). For our purposes the volume of US aid is less significant than what such aid signified: the transfer of global economic power from Great Britain and Germany to the United States and the transfer of the rights to regulate global markets from London to Washington (Arrighi 284-285). Of course, as Giovanni Arrighi has noted, this transfer of rights was long in the making. By the turn of the century smart British money was already heavily invested in a booming US economy (Arrighi 270). The British drive to compete with Germany over armaments production only accelerated this trend. By the end of the Great War, Arrighi notes, "most of the \$9 billion of US net war credits was owed by . . . Britain and France; but more

than 75 per cent of Britain's \$3.3 billion of net war credits was owed by bankrupt (and revolutionary) Russia and had to be largely written off" (Arrighi 271). When added to the astronomical debt Great Britain accumulated during World War II, the combined total helps to explain why US Treasury official Harry Dexter White and not his famous British counterpart, John Maynard Keynes, held all the cards (and Keynes none) when the two nations sorted out the financial order that would govern global commerce following the war (Frieden 256-259).

Still, it is noteworthy how Europe spent its \$13.5 billion reconstruction money, not only or even primarily on aid earmarked for its gutted private industrial sector, but on a huge infusion of capital destined to create and reinforce a major expansion of Europe's social franchise. Indeed, in what counts as one of the greatest ironies of the post-World War II epoch, Europeans spent US aid on social goods that no American President or Congress would ever spend on their own constituencies. And herein Europe created a constellation of social efficiencies — in education, transportation, health care, and housing — that would eventually give its nations a competitive edge against their erstwhile patrons, the citizens of the United States of America. For eventually Europe's and Japan's industrial base recovered. And when they did European and Japanese goods, heavily subsidized by the vast social franchise that their nations erected following the war (almost entirely with US dollars), began to compete successfully against US manufactured goods. In this sense, the European Dream was clearly stamped "Made in U.S.A."

What happened next came as an entire surprise only to those who believed (mistakenly it turns out) that the global economy had outgrown its dependence upon sound Keynesian macroeconomic principles. Once again, ironies abound. At the very moment that one Nobel Prize winning economist after another were delivering "exultant obituaries on destructive capitalist economic instability" the bottom fell out of the market (Brenner 1). Arthur Okun, a top Kennedy-Johnson advisor, had just declared recessions "obsolete" and "preventable, like airplane crashes" (cited in Brenner 1). Even supposing that Okun was correct in principle, neither he nor anyone in charge of monetary or fiscal policy in the US could have prevented Germany and Japan from taking advantage of their relative competitive advantages over the United States and consequently driving prices down on global markets. As Robert Brenner points out, however, what was at issue in this global competitive cycle was not the rise of European at the expense of US industry. What was at issue was the rates of profit investors enjoyed worldwide who suddenly discovered that the decline in profit margins brought on by global competition hit all national economies simultaneously (Brenner 122-142). The long downturn had begun.

If the European Dream took shape in the aftermath of World War II's unprecedented destruction of human and fixed capital, the first faint flickers of the nightmare that was to follow appeared at the very moment when Europeans were making that dream a reality.

The first real shock to Europe came in 1971 in the form of a troubling devaluation of the US dollar, a response to declining rates of profit, escalating unemployment, and declining purchasing power. Fearful of suffering at the polls in the upcoming election, President Nixon took the dollar off the Gold Standard. The results were instantaneous: a 10 per cent drop in the dollar's value, which, in effect, imposed a 10 per cent import tax on foreign producers (Frieden 341). Suddenly consumers in Japanese and European markets found it more economical to purchase US manufactured goods. Momentarily the US economic decline was halted. Yet since it was based neither on an increase in efficiency nor a decline in costs, the fix was temporary. And so set in a decade-long descent into what economists were beginning to call "stagflation," a simultaneous increase in inflation, but without the benefit of economic growth.

Of course throughout this American drama, member nations in the European Common Market did not sit idly by. In 1979, after nearly a decade of bickering, but fearful that they too could be socked with monetary instability, EC members formed the European Monetary System, a precursor to the European Union's future common currency (Frieden 371). Japan, by contrast, enjoyed few avenues through which it could recapture efficiencies lost through global competition. As Robert Brenner notes, "by early 1975, both industrial output and capacity utilization were down more than 20 per cent from their levels of early 1973. By the end of 1975, manufacturing employment (in terms of hours) had fallen by no less than 12 per cent from its level of 1973" (Brenner 171). Germany fared equally poorly throughout the 1970s. As Brenner notes "because German exports actually fell with the collapse of world growth and demand, manufacturing profitability dropped 23 per cent" (Brenner 180).

Between 1973 and 1979, [Germany's] manufacturing gross capital stock grew less than one third as fast as it had during the 1960s and early 1970s, plunging to an average annual rate of just 2 per cent (1.85 per cent between 1975 and 1979), compared to 6.4 per cent between 1960 and 1973, and manufacturing investment stagnated, continuing a trend that had begun between 1969 and 1973. Such a profound drop in the growth of capital stock and investment sapped the economy's vitality (Brenner 180).

The quest upon which all of the global economies set out in earnest was how to restore these 4 to 6 per cent growth rates to which global competition had laid waste over the course of the preceding decade. Monetary union and currency de-

valuation were but partial, temporary, and ultimately unsustainable solutions. What was needed was an actual increase in productivity itself. The response to this need for increases in productivity has a name. It was Chairman of the US Federal Reserve Board Paul Volcker. In 1979, Volcker increased short-term interest rates from 10 to 20 per cent and with this adjustment “stagflation” came to an end (Frieden 372). Not to be outdone, the world’s other leading industrial powers quickly followed suit (Frieden 373), but at a prohibitively high cost.

By the summer of 1982, the US economy, subjected to the monetarist medicine since 1979, was reeling from the resulting recession. Pulled down by record high real interest rates, capacity utilization plummeted and manufacturing profitability fell 10 per cent below its level of 1978, leaving it 54 per cent below its level of 1973 and more than 70 per cent below its level of 1965. Unemployment (at 11 per cent), bankruptcies, and bank failures reached levels hitherto unapproached during the postwar epoch (Brenner 195).

Similar consequences followed in Europe’s largest industrial economy, Germany, where “the return to full capacity utilization was thus accompanied by an 8.4 per cent rate of unemployment, almost double the 4.8 per cent rate that prevailed at the end of the 1970s” (Brenner 231). More ominously, reports Brenner, “the increase of the manufacturing capital stock, already sharply reduced in the 1970s, fell significantly further, to an average annual rate of just 1.4 per cent between 1979 and 1990, from an already low 2.0 per cent between 1973 and 1979” (Brenner 231).

The long downturn in the US nevertheless differed, at least initially, from the long downturn in Europe. Where the US economy picked up efficiencies by eliminating the social safety net for millions of American families, citizens of Europe were not as yet prepared to elect political leaders who, in their judgment, would reproduce the social inequalities and political instabilities on which most Europeans still blamed the twin catastrophes of the early and mid twentieth century. Better to sacrifice a modicum of efficiency than risk economic inequality, social unrest, and perhaps even war. And, no doubt, it was in part this difference between the US and Great Britain, on the one hand, and continental Europe, on the other, that accounts for the profoundly different experiences of the 1990s enjoyed by nations on one side of the Channel and the other.

Where the US and Great Britain forged ahead, deregulating markets, reducing tax burdens, and eliminating social safety nets for the most needy members of their communities, most Europeans were still sufficiently mindful of the social causes for World Wars I and II to cast votes to maintain their costly social welfare systems. Eventually, however, the apparent rebound and stability of the US economy during the 1990s had the effect of convincing even the hard-nosed Germans that

some measure of neoliberal tinkering with their social welfare state combined with an easing of taxes and regulations could do much good without causing too much harm. Thus, with America and Great Britain in the lead, the so-called “Washington consensus” eased its way also into Europe.

At this point in the story, many scholars would want to call attention to the three events that punctuated the first decade of the twenty-first century: the bursting of the dot com bubble in 2000, the terrorist attack on the US Pentagon and New York World Trade Center in 2001 and the Great Recession of 2006. Yet, from our vantage point these events are far less important than the collapse of Soviet-style Communism in 1989 and the subsequent spread of neoliberal orthodoxy among successor republics during the 1990s and 2000s. Even if we acknowledge a relationship among these events — such that, for example, the efficiencies earned by neo-colonialist invasions in the 1990s are somehow held distantly responsible for the rise of radical Islam — what is noteworthy about the world’s response to these fatalities is how closely they hew to a neoliberal line drawn up in Washington. Neither the collapse of tech stocks in 2000 nor the Great Recession of 2006 provoked anything close to the Glass-Steagall Banking Act of 1933. Nor did the terrorist attack upon the centers of US military and commercial power bring policy makers to question the wisdom of neo-imperialist policies throughout the Islamic world. To the contrary, as George Steinmetz has noted, these fatalities instead provoked a further assault on the freedoms, liberties, wages and benefits of working families in the US. The efficiencies won by these repressive policies, what Steinmetz calls “authoritarian post-Fordism” (Steinmetz 2003), were no doubt quite substantial. But, notwithstanding the flood of critiques authored by mainstream economists of the policy choices leading up to 2006 (Krugman 2009; Stiglitz 2010; Sachs 2009; Reich 2008), there is no evidence that the social and political fragmentation or violent global responses to neoliberal policies has led policy makers to question the essential soundness of the path they have chosen. To the contrary, as the social, political, and economic fabric of communities from the Baltics to the Balkans, from Greece to Syria, and from Western China to Pakistan comes unraveled, policy makers have responded by tightening the screws even further. At what cost to the European Dream?

GWF Hegel’s Dream

If the European Dream has an author it would probably be the 19th century German philosopher GWF Hegel. If it has an economist, that economist would probably be the University of Chicago’s Robert E Lucas, Jr. Both Hegel and Lucas theorize a world

where antagonism gives way to understanding, war gives way to commerce, and the anarchy of competing laws, cultures, languages, and regulations gives way to a singular, uniform, yet highly differentiated and flexible universal system of complementary laws, regulations, and understandings. Lucas does not so much challenge Hegel's dream as lend it mathematical rigor and substance. Historically, of course, Europe is an anomaly. How likely was it that Europe, the backwater of global civilization, where each hamlet constituted its own miniature kingdom and where the uniformity of laws and regulations vanished with the retreat of Rome; how likely was it that this polyglot of languages, regulations, political fiefdoms, cultures and religions would in less than three centuries grow into the dominant force operating in the world?

One popular eighteenth century answer to this question was penned by arguably that century's most famous economist, Adam Smith. According to Smith, global convergence was a matter of simple, straightforward economic efficiency. Those nations enjoying the greatest advantages in efficiency would clearly and easily win out in the competition among nations over those that were less efficient. Eventually these less efficient nations would either fall into line, adopting the same efficiencies operating in the leading nations, or they would be conquered and disappear.

This answer did not sit well with GWF Hegel. For it seemed to offer no explanation for the ultimate goal of such productive activity — mere global supremacy? — or for the reason why, after centuries and millennia of less than efficient production, societies should suddenly feel that this was their sole or primary aim. Through a life-long study of other peoples and places around the globe, Hegel was keenly aware of the spectacular diversity of ways and understandings human beings engaged with and interpreted their worlds. Clearly something unprecedented was taking shape in Europe. Europeans now occupied all corners of the globe. Their command of the natural and theoretical sciences was without equal in history. Could such global dominance be credited simply to superior efficiencies or superior military might? Did might make right?

Such questions inspired Hegel to delve deeper into the question of global convergence. Adam Smith had answered these questions pragmatically. Human beings have a "propensity to truck, barter, and exchange one thing for another" (Smith 25). Nor was Smith the least curious over why they enjoyed this propensity. "Whether [it] be one of those original principles in human nature, of which no further account can be given; or whether, as seems more probable, it be the necessary consequence of the faculties of reason and speech, it belongs not to our present subject to enquire" (Smith 25). For Hegel, by contrast, such an assertion appeared to place efficiency in the role of dictating right, a position that only decades later would be vigorously

defended by British utilitarians such as Jeremy Bentham and John Stuart Mill. Was it possible that freedom was subject to necessity, reason to utility, mind to matter?

No, it was not. In fact, Hegel speculated, reason and right had always been the driving force behind human development. Yes, whenever communities met they exchanged. What they exchanged, however, was far more than the goods they had produced. They also exchanged cultural artifacts, traditions and understandings about how things worked; they exchanged and compared religious and moral ideas, and they shared specific judgments respecting the beautiful and the good. Efficiency belonged in this mix, but it was far from the sole or even the primary determining factor. To illustrate this point and to distinguish his interpretation from those now on offer by French and British political economists, Hegel called attention to the private producer, the private member of civil society.

In civil society, each individual is his own end, and all else means nothing to him. But he cannot accomplish the full extent of his ends without reference to others; these others are therefore means to the end of the particular [person]. But through its reference to others, the particular end takes on the form of universality, and gains satisfaction by simultaneously satisfying the welfare of others (Hegel 1991:220).

On first blush, Hegel's view appears to differ little from Smith's. The division of labour creates efficiencies for all concerned (Smith 6). For Hegel, however, since it is only when we act with and for others that we realize efficiencies, the universal takes precedence over the individual.

The selfish end in its actualization, conditioned in this way by universality, establishes a system of all-round interdependence, so that the subsistence [Subsistenz] and welfare of the individual [des Einzelnen] and his rightful existence [Dasein] are interwoven with, and grounded on, the subsistence, welfare, and rights of all, and have actuality and security only in this context (Hegel 1991:221).

Moreover, not only does individuality, whether by itself or with others, lack the universal vantage point necessary to appreciate how all individuals work together, individuality, Hegel finds, is ultimately self-destructive.

Particularity in itself [für sich], on the one hand indulging itself in all directions as it satisfies its needs, contingent arbitrariness, and subjective caprice, destroys itself and its substantial concept in the act of enjoyment; on the other hand, as infinitely agitated and continually dependent on external contingency and arbitrariness and at the same time limited by the power of universality, the satisfaction of both necessary and contingent needs is itself contingent (Hegel 1991:222).

What is still missing, according to Hegel, is a grasp of the whole, of all of the mutual dependencies, of their effects on one another, and an appreciation for the shared goal toward which this whole is moving.

In this situation, the interest of the Idea, which is not present in the consciousness of these members of

civil society as such, is the process whereby their individuality [Einzelheit] and naturalness are raised, both by natural necessity and by their arbitrary needs, to formal freedom and formal universality of knowledge and volition, and subjectivity is educated in its particularity (Hegel 1991:224).

That is to say, the individual comes to understand that his or her freedom is predicated upon grasping how his or her actions are related to the actions and knowledge of those with whom he or she has to do. And this, in turn, is predicated upon the education or training that enables individuals to appreciate this universal. For clearly, it is not the individual labourer or even the individual merchant who grasps this universal. As illustrated by the difficulty British political economists displayed thinking about anything beyond private enterprise, members of civil society could only appreciate that they were dependent on one another; not how or why. This, for Hegel, helped to explain why education was so critical an element in economic growth and integration.

Education, in its absolute determination, is therefore liberation and work towards a higher liberation; it is the absolute transition to the infinitely subjective substantiality of ethical life, which is no longer immediate and natural, but spiritual and at the same time raised to the shape of universality (1991:225).

Here then is the European Dream. But to what end? It was in answering this question that Hegel differentiated himself most decisively from French and British political economists for whom the production of wealth was reason enough to justify work. Not so Hegel.

The universal and objective aspect of work consists, however, in that[process of] abstraction which confers a specific character on means and needs and hence also on production, so giving rise to the division of labour. Through this division, the work of the individual [des Einzelnen] becomes simpler, so that his skill at his abstract work becomes greater, as does the volume of his output. At the same time, this abstraction of skill and means makes the dependence and reciprocity of human beings in the satisfaction of their other needs complete and entirely necessary. Furthermore, the abstraction of production makes work increasingly mechanical, so that the human being is eventually able to step aside and let a machine take his place (Hegel 1991:232-233).

At first Hegel's analysis seems nearly identical to Smith's. The division of labour leads to the simplification of each task. Such simplification makes it possible to develop machines to replace human labour. Yet, where Smith's analysis leads no further than the relatively greater wealth produced on account of these efficiencies, Hegel sees another, more commendable goal: freedom from the necessity of work. That such a goal cannot be appreciated from the vantage point of the individual labourer or merchant, that all she or he sees is the immediate task set before her or before him, is credited to their inability or reluctance to consider the universal in light of which alone the system as a whole makes sense. Reason was always driving this process from the beginning of time. Yet, in order for us to grasp this reason we

needed first to climb outside of ourselves, educate ourselves, and so gain a vantage point from which to view the whole.

But how should we characterize the whole from whose vantage point this comprehensive, integration of all social, political, and cultural reality was taking shape? Elsewhere Hegel identified this vantage point as the Self-Moving Substance that is Subject.

Everything turns on grasping and expressing the True, not only as Substance, but equally as Subject. . . . Further, the living Substance is Being which is in truth Subject, or, what is the same, is in truth actual only in so far as it is the movement of positing itself, or is the mediation of its self-othering with itself. . . . It is the process of its own becoming, the circle that presupposes its end as its goal, having its end also as its beginning; and only by being worked out to its end, is it actual (Hegel 1977:10).

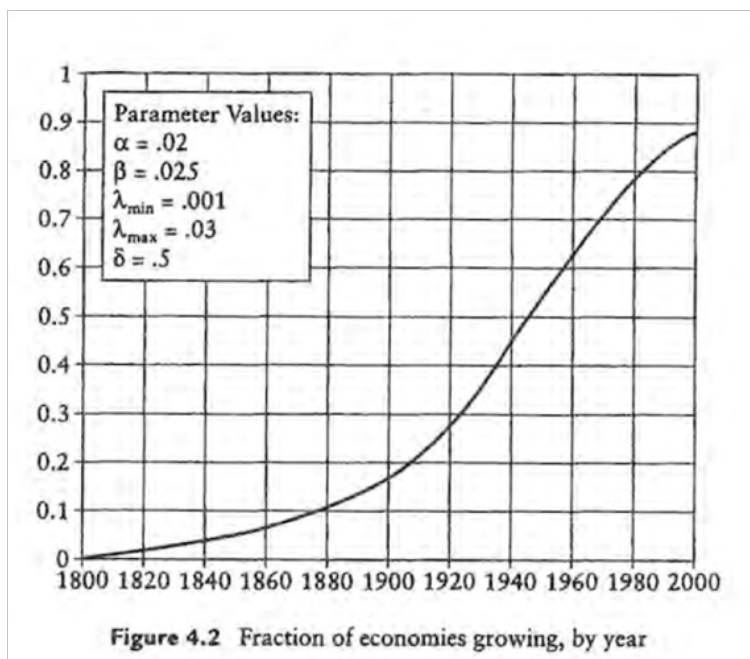
Like nearly all nineteenth century European thinkers, Hegel was eager to establish that Europe was not an anomaly. Europe was the end of history, its culmination, its goal. Yet, in order to establish this fact, it was necessary to show that the appearance of Europe enjoyed ontologically fundamental status. Europe was not an afterthought. It was not the accidental product of self-interest, however enlightened. Rather was Europe — its integration, its rationality, its coherence, and increasingly the global scope of its imperial conquests — this Europe was substantive, irrefutable proof of the Self-Moving Substance that is Subject, the patron of European exceptionalism.

We will return to this Hegelian trope in a moment. Suffice it to say, however, that stripped of its metaphysical pretensions, Hegel's analysis falls not far from contemporary theories respecting global economic, social, and political convergence. And perhaps no theorist tells this part of the story better than Robert E Lucas, Jr., elder statesman of the University of Chicago's neoclassical empire.

Lucas adds mathematical rigor

Since I have already covered the intimate relationship between Lucas' and Hegel's interpretive frameworks elsewhere (Lough 2014), I will limit my remarks here to Lucas' discussion of economic convergence in an essay titled "Some Macroeconomics for the Twenty-First Century" (Lucas 2002). In this essay Lucas aims to model the tendency of incomes around the globe to converge. According to Lucas, this convergence shows that from an initial singularity limited to Great Britain in 1800, nearly all nations will by 2020 experience incomes and economic growth converging upon a universal, global singularity. Nor is Lucas unaware of the mechanisms driving all nations toward this convergence. Like Hegel, Lucas grants education and

knowledge pride of place. “An economy departs from stagnant equilibrium and begins to grow when the world stock of knowledge attains a critical level” (Lucas 100), writes Lucas. Moreover, the growth and income of any individual economy depends upon the growth exhibited by the whole. “The probability that a stagnant economy begins to industrialize depends on the level of world income, which in turn depends on the past experience of the growing economies” (Lucas 101). Even when the rate of convergence begins to slow toward the end of the 20th century, this is “only because there are so few people left in stagnant, pre-industrial economies. According to the figure [reproduced below], almost 90 per cent of the world is now growing” (Lucas 102). Hegel’s Self-Moving Substance is becoming both actual. It has become in truth substance.



Several assumptions underlie Lucas’ model, which he has adopted and revised from Robert Tamura (1990, 1994, 1996). In a manner consistent with Hegel’s interpretation, Lucas allows that “knowledge produced anywhere benefits producers everywhere” (Lucas 103). Lucas also finds Parente and Prescott’s observations respecting political interference helpful. “Governments in the unsuccessful economies can adopt the institutions and policies of the successful ones, removing what Parente and Prescott (1994) call ‘barriers to growth’” (Lucas 103). Lucas’ model also emphasizes “diminishing returns and the flow of resources: High wages in the successful economies lead to capital flows to the unsuccessful economies, increasing their income levels” (Lucas 103). Yet, for Lucas, “the much more interesting implication of the model is that convergence is unconditional” (Lucas 104). “It predicts,” writes Lucas,

“that sooner or later everyone will join the industrial revolution, that all economies will grow at the rate common to the wealthiest economies, and that percentage differences in income levels will disappear” (Lucas 106).

But what is perhaps most noteworthy about both Hegel’s and Lucas’ descriptions of global convergence is what they do not tell us. Neither, for example, explores the human cost entailed in convergence. For presumably as all communities converge into a globally extensive, rational, and comprehensive totality, cultural and legal differences, linguistic idiosyncrasies, purely local customs and practices — call them “barriers to growth” — will have either to be rationalized or eliminated. Nor are we without some knowledge as to what might be entailed in the elimination of these barriers. For such is the story of colonialism in the 18th and imperialism in the 19th and 20th centuries. There are reasons why Great Britain is the lone nation experiencing growth in 1800 and why patterns of diffusion of growth in the 19th and 20th centuries follow fairly closely the paths hewn by imperial conquerors. Between 1800 and 2020 — between T1 and Tn — entire civilizations and whole peoples will be eliminated from the face of the earth in the creation of what could be called the European Dream.

Marx’s Bad Dream

At the very point where Lucas’ model shows a dramatic uptick in the diffusion of the industrial model and a rapid increase in global economic convergence — during the first half of the 19th century — Karl Marx was taking a second look at Hegel’s Self-Moving Substance that is Subject. Until that point, Marx had been fairly certain that the Self-Moving Substance that Hegel identified was not the Weltgeist or World Spirit of history, but was instead the dialectically material underclass of every generation, clashing with and then superseding its retrograde oppressor. It was not the Spirit that was first differentiating itself from and then returning to itself; it was the industrial working class.

Whenever real, corporeal man, man with his feet finally on the solid ground, man exhaling and inhaling all the forces of nature, establishes his real, objective essential powers as alien objects by his externalization, it is not the act of positing which is the subject in this process: it is the subjectivity of objective essential powers, whose action, therefore, must also be something objective. A being who is objective acts objectively, and he would not act objectively if the objective did not reside in the very nature of his being. He creates or establishes only objects, because he is established by objects —because at bottom he is nature. In the act of establishing, therefore, this objective being does not fall from his state of “pure activity” into a creating of the object; on the contrary, his objective product only confirms his objective activity, establishing his activity as the activity of an objective, natural being (Marx 1988: 153-154).

From this vantage point, Marx might have agreed with Lucas, except that where Lucas theorizes the global movement and universalization of capital, Marx theorizes the global movement and universalization of objective, object-creative, labour. Or so Marx thought in 1844 when he penned his Economic and Philosophical Manuscripts. By 1867, however, Marx had changed his tune to one far more in harmony with Lucas' theory.

Where in 1844, Marx had viewed labour as the Self-Moving Substance that is Subject, the globalizing and universalizing force of history, by 1867 he agreed with Lucas and credited capital with this role; or, more specifically, he credited the value form of capital.

[Value] is constantly changing from one form [the money form] into the other [the commodity form], without becoming lost in this movement; it thus becomes transformed into an automatic subject. If we pin down the specific forms of appearance assumed in turn by self-valorizing value in the course of its life, we reach the following elucidation: capital is money, capital is commodities. In truth, however, value is here the subject of a process in which, while constantly assuming the form in turn of money and commodities, it changes its own magnitude, throws off surplus-value from itself considered as original value, and thus valorizes itself independently. . . . But now, in the circulation M—C—M, value suddenly presents itself as a self-moving substance which passes through a process of its own, and for which commodities and money are both mere forms (Marx 1982: 255,256).

And why is this change of mind significant? It is significant because whereas Marx in 1844 was just as transfixed by the European Dream as any 19th century European thinker, by 1867 he was far less enamoured. Yes, as Lucas would later prove with rigorous mathematical modelling, capital was knitting together all social, economic, political, and cultural reality into a comprehensive, universal, yet dynamic and highly differentiated, rational whole. Yet, by 1867 Marx was far less certain that this was a good thing. Indeed, by 1867 Marx was inclined to feel that this was not the good news, but the bad news.

If, as we have suggested, the European Dream projects a benign universalism that gently embraces all social and cultural forms into its benevolent emancipatory narrative, we now know that this narrative has a dark side. In the decades following World War II, awash on a sea of cheap and easy capital, it was easy for Europe to downplay this less than benevolent dimension of its Dream. Europe after all was already well on its way to shedding its pre-war colonial holdings and transferring the responsibilities of global security to the United States of America. Moreover, unlike the American Dream, which only with great reluctance expanded its social franchise to include the elderly, unemployed, children and the poor, Europeans by contrast warmly embraced a sweeping social franchise that included education, health, housing, transportation and retirement security for all, apparently without

the least awareness that these goods were available to them only by leave of their larger than life free market benefactor, the United States of America. It was therefore only as Europe's and Japan's economies recovered and their goods began to compete successfully against goods "Made in U.S.A." that downward pressures on wages and prices began to place downward pressures as well on Europe's extravagant social franchise.

The first faint signs of this dark side of the European Dream came to light in the 1980s when downward pressures on wages and prices not only brought student and labour unrest back to the streets of Europe, but lent to this unrest a right-wing, explicitly neo-fascist tilt. Jean-Marie Le Pen's Front National was only the most visible, but also the most benign, of these reinvigorated neo-fascist movements whose overall effect on voting patterns was that they pushed all political platforms sharply to the right. They made nationalism, racism, and anti-Semitism respectable again. When in the 1990s the neoliberal gospel spread throughout newly liberated eastern Europe and Russia, the wide swath of destruction it left in its path — unprecedented unemployment, crime, government corruption, and social upheaval (Klein 2007:275-354) — were loudly trumpeted as the price newly capitalist nations had to pay to gain entry into the growing club of free market nations. Not even a genocidal war in south central Europe — the consequence of a decade of privatizations, deregulation, auctions of public assets, plant closures, and inconceivably high unemployment (Roland 2000; Lowinger 2009)— were sufficient to bring Europe's caretakers to question the neoliberal inflection of their new economic policies and regulations. Political culture in Western Europe and the Eurozone were shifting violently to the right. The social fabric of eastern and southern Europe was coming unravelled. And, yet, the response of the EU, the World Bank, the IMF and the WTO was not debt relief or forgiveness, but more privatizations, more austerity, and more auctions of publicly owned assets.

Obviously this is not what is generally meant by the "European Dream." And, yet, if the story we have outlined here is correct, then the European Dream was always already deeply indebted to an economic project with a very low tolerance for difference. The Self-Moving Substance that is Subject that enveloped the globe in the decades following World War II appeared at first blush benign if not benevolent. Yet, as Marx pointed out already in the 1860s, its ultimate aim was far less innocent. It would stop at nothing short of total global domination, which now, according to Lucas, it has very nearly achieved.

An Alternative Dream

This is not to say that matters might not have turned out differently. Consider, for example, the declining rates of profit investors enjoyed when in the mid-1960s Germany and Japan got back into the game. As the French economist Thomas Piketty has recently reminded us, rates of growth beyond 1 per cent are an historical anomaly (Piketty 72-73). Even Lucas, whose neoliberal credentials are beyond dispute, willingly admits as much, when, in the conclusion of his afore-mentioned essay, he asks:

How did the world economy of today, with its vast differences in income levels and growth rates, emerge from the world of two centuries ago, in which the richest and the poorest societies had incomes differing by perhaps a factor of two, and in which no society had ever enjoyed sustained growth in living standards? (Lucas 106)

Assuming for the moment that a sufficient number of policy-makers enjoyed a similar epiphany at the outset of the 1970s, and assuming that rather than search for ways to sustain the 4 to 6 per cent returns investors enjoyed in the 1950s and 1960s they instead opted for a redistribution of efficiencies downward and outward, it would then have been theoretically possible for workers in the developed world to ease their way into Hegel's fantasy of stepping aside and letting machines take their place. The result surely would have been an initial overall contraction in global economic growth, a leveling off at Piketty's recommended 1 to 1.5 per cent growth annually (Piketty 74-75). And, yet, the effect might have been a fresh lease on freedom.

Or let us further suppose that, as Jeremy Rifkin has postulated, the European Dream "emphasizes community relationships over individual autonomy, cultural diversity over assimilation" (Rifkin 3). Such, I would argue, are admirable ideals. Nor were they lacking from the blueprints proposed at the creation of the European Dream. Yet, within the framework of neoclassical economics, every purely local particularity, every cultural specificity, every legal or regulatory exception, introduces an efficiency-sapping distortion into the overall system. Communities are fine things. Yet, when parents show a preference for children or the elderly over work, or when traditional religious holidays or local celebrations intrude upon the working day, they necessarily draw upon efficiencies created elsewhere. Lucas' growth model shows that whenever we emphasize community relationships over individual autonomy, this emphasis introduces distortions into normal patterns of growth. Social, legal, and cultural particularities pose "barriers to growth."

Readers will recall how much we heard in the 1970s and 1980s about the

burdens social programs, taxes, and government regulations placed on economic growth. No doubt, there was much truth in these claims. And, yet, our response need not have been a reduction of the tax burden shouldered by industry or wealth, a reduction in social spending, or an easing of government regulation. Our response might have been that, since they contributed to a world worth sharing, such burdens were well worth the 4 or 5 percentage points of growth that their elimination would produce for investors.

Or, let us take another, more contemporary example: Greece 2015. Again, we could subject European policy toward Greece to a cynical Machiavellian rational choice matrix, where politicians in France and Germany and managers of the European Central Bank and World Bank calculate the political and economic costs of debt relief or forgiveness and stack these costs up against the floods of refugees and the price-tag of possible military operations that almost certainly will result from imposing further austerity measures on Greece. This, as we have seen, is the dark side of the Europe Dream, where investor returns and corporate welfare are protected at all costs, even if they threaten the viability of Europe itself. An alternative would be to reinforce and protect the administrative mechanisms in Greece charged with enforcing the tax code and collecting revenues from its oligarchs. Combined with targeted debt relief or forgiveness, such policies might bring us closer to something approximating Rifkin's European Dream. In this case, however, the net efficiencies lost or earned are much clearer. For, as Gerard Roland has shown, there is a huge cost to be paid where weak governments insufficiently protected from oligarchic corruption and crime are granted charge over the affairs of state (Roland 328-334). When, by contrast, we strengthen public institutions and independent governing mechanisms, contrary to predictions based on neoliberal assumptions, society earns huge net efficiencies in return.

Conclusion

The European Dream, I have argued, is inseparable from the dream of universal global hegemony after which it was initially modelled. Hegel's allegory is now Greece's nightmare. Ignoring this fact will not make it go away. Nor will it prevent this nightmare from spreading first to the volatile regions on Europe's periphery, but then and finally to Europe's core states as well. The question is: how shall we then proceed?

Let us assume for a moment that Marx's reinterpretation of the Hegelian trope is in most points accurate. Let us assume that Lucas' rigorous mathematical modelling captures this point. Only as we eliminate cultural, social, religious, and

legal particularities, only as we fashion a comprehensive, integrated, rational, and completely unified world; only then will the entire world benefit from the efficiencies that today only some small number of individuals enjoy. But let us also assume, with Lucas, that the ultimate goal of our collective productive activity is not this or that good, this or that service or benefit, but is instead, as Marx showed, value itself. And, with this in mind, let us now ask how much value is sufficient for any individual investor. How many zeros would any of us add to the value of our investment portfolios? How much is enough?

It was in recognition of the validity of these questions that an aging Marx was brought to reconsider the formula to which he owed his fame: the labour theory of value. In fact, Marx had lifted this formula more or less directly from the pages of none other than Adam Smith.

The value of any commodity, therefore, to the person who possesses it, and who means not to use or consume it himself, but to exchange it for other commodities, is equal to the quantity of labour which it enables him to purchase or command. Labour, therefore, is the real measure of the exchangeable value of all commodities (Smith 1776:47).

But whereas Marx had once counted this an ironclad law, as sure and irrefutable as any law of physics, the aging Marx now questioned its immutability. Why, in spite of extraordinary technological advances, had human beings not seen fit or even capable of stepping aside, as Hegel had imagined, and installing machines in their place? Was it simply a matter of time? Eventually human beings would cash in on the efficiencies of mechanization. Or was something else impeding this final step towards freedom?

But then it occurred to Marx that if the human appetite for value was infinite and yet their capacity to work finite, then they never will reach that point when more will be enough. As already noted, 1 or 1.5 per cent growth may be the maximum rate our world can sustain (Piketty 74-75). Yet clearly our appetites for value are such that only rates of 4 to 5 per cent or greater will satisfy our desire, even if such rates of growth end up destroying our communities and eventually our planet. To what then shall we credit this ultimately self-destructive compulsion for more?

Marx believed he had an answer, but it was an answer that overturned everything he had written up until that point. Let us suppose, suggested Marx, that we are not the author of this insatiable appetite. Let us suppose rather that Hegel was correct and that his Self-Moving Substance that is Subject is in fact the author of this bottomless compulsion for more. Upon what does this irrepressible Subject feed? What propels it forward uncontrollably until it has destroyed everything in its

path? And then it hit Marx right between the eyes. The answer was labour. Hegel's Self-Moving Substance feeds upon labour. As this is so, reasoned Marx, the only sure way to rid the earth of this self-destructive compulsion for more is to deny it the labour it requires to reproduce. Freedom would come not from the realization of labour, not from its universalization, but from its gradual and final elimination.

The realm of freedom really begins only where labour determined by necessity and external expediency ends; it lies by its very nature beyond the sphere of material production proper. . . . This realm of natural necessity expands with our development, because our needs do too; but the productive forces to satisfy these needs expand at the same time. Freedom, in this sphere, can consist only in this, that socialized communities, the associated producers, govern the human metabolism with nature in a rational way, bringing it under their collective control instead of being dominated by it as a blind power; accomplishing it with the least expenditure of energy and in conditions most worthy and appropriate for their human nature (Marx 1991: 959).

What follows may strike many of us as a highly un-Marxian solution: not world revolution, not elimination of the bourgeoisie, not seizing and socializing the means of production. "The reduction of the working day is the basic prerequisite" (Marx 1991:959).

What would the European Dream look like were Europeans to adopt this conspicuously un-Marxian solution? A provisional answer to this question might look as follows. Consider, for example, the efficiencies Europeans adopted following World War II: a vast, extensive social welfare system to ensure that no individual ever again became so desperate as to see in nationalism or fascism a solution to their political or social ills; a public transportation system designed not to feed the insatiable appetites of private oil producers, but designed instead to serve the transportation needs of its citizens; health care for all, publically financed and readily available; virtually free education and vocational training; affordable and safe housing for all; and old age security second to none. From the vantage point of Hegel's Self-Moving Substance all of these goods must count as unacceptable inefficiencies dragging the entire system to a screeching halt. Yet, from another vantage point, all they entail is simply a redistribution of efficiencies from the top of the income hierarchy to the middle and the bottom, from regions that produce these efficiencies more easily to regions where efficiencies are much harder to come by.

In the late 1960s and early 1970s, with Japan and Europe back in the game, it surely would have been theoretically possible to interpret the decline in rates of profit not as a signal to reduce corporate taxes, deregulate industry, and restrict the social franchise, but, to the contrary, as an indication that the post-war expansion of the social franchise was achieving its intended goal: more individuals than ever before enjoying sufficient leisure and wealth to attend institutions of higher learning;

more individuals than ever before working fewer hours for better compensation; more individuals enjoying better health and taking more time to spend with their friends and families than ever before in history. Surely these goods were well worth the 4 to 5 percentage points growth transferred to achieve such spectacular results during the twenty years that followed World War II.

But the same might be said today. Are instability and war on Europe's periphery worth the 4 to 5 percentage points of growth purchased at the expense of Europe's most needy members and neighbours? Is the spread of neo-fascism in France, Germany, and Eastern Europe the price Europeans must pay to satisfy investor demands for more? That European efficiencies could theoretically be redistributed downward and outward has never been in doubt. The quality of life so closely associated with the European Dream need not be sacrificed to the bottomless compulsion for more. Indeed, among the hallmarks of the European as distinguished from the American Dream, is that by sharing its efficiencies more widely it was able to create efficiencies in education, transportation, health care, and industry foreclosed upon in America by its restricted social franchise. Austerity by contrast disables the very institutions and instrumentalities upon which true efficiency depends. Weaker central governments, as Gerard Roland has shown, are less equipped to fulfil the very functions upon which commerce relies to create its efficiencies. Weak central governments are more vulnerable to the kinds of oligarchic rent-seeking opportunities that are the hallmark of inefficiency. Moreover, wherever publically regulated economies prove themselves unable to satisfy the most basic human needs, wherever the social franchise is restricted or eliminated entirely, underground grey and black market alternatives appear in their place — markets whose beneficiaries are not the communities served, but the efficiencies seized by their underground purveyors (Roland 265-286).

What if, by contrast, Europe were to set itself the task of shortening the working day and so liberating its citizens from the compulsion to produce and consume more? What if Europe were to free itself from its bondage to the Self-Moving Substance that currently manages its affairs? Within decades, perhaps within years, we could see such an outbreak of freedom not witnessed in Europe since the decades following World War II. Efficiencies transferred downwards and outwards would begin immediately to express themselves in the kinds of social security that alone are nationalism's and fascism's most sure antidote. And far from chasing Europe's many disenfranchised outliers into the waiting and open arms of Vladimir Putin and his network of underworld thugs and warlords, Europe might instead inspire a fundamental transformation that spreads even to this empire of oligarchs. Just as fascism feeds upon fear and want, so freedom feeds upon freedom. Where

austerity begets the fear and want upon which fascism feeds, efficiencies redistributed downward and outward feed the freedom that alone has the chops to oppose systemic oppression.

And, yet, I at least am not very hopeful. The current leadership in Europe — the EU, the WTO, the World Bank, and the IMF — are so thoroughly under the spell cast by Hegel's Dream (or nightmare) that they would prefer the complete collapse of Europe, its descent into social, political, and economic anarchy, to the redistribution of efficiencies that I have described above. Even in Sarajevo, Bosnia and Herzegovina, in its cantonal seats of authority, where the political leadership should from past experience know better, efficiencies are being redistributed not from the top downward, but from the bottom up. Instead of shortening the workday, the workday is being lengthened, and rather than protecting the few remaining dignities that workers enjoy, these instead are being sacrificed in the name of wealth production at the top. Bosnia and Herzegovina is no exception. The same could be said all across Europe and all along its periphery, where, as a direct consequence, nationalism and neo-fascism are everywhere on the rise. But it is precisely here that true statesmen and true stateswomen must distinguish themselves, step out and let their voices be heard, even or specially when such speech exposes them to danger. Europe's future cannot be grounded in the obsessive compulsion for more. This future is unsustainable. Rather must it be grounded in the gentle yet steady philosophy of enough; enough for me, enough for you, enough for everyone. This, I take it, lies at the heart of the European Dream.

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