Abstract: In 1945 Karl Polanyi outlined a vision of a peacetime global state system with a political economy in which small countries could be both sovereign and democratic. The present essay reviews developments between then and now in the light of Polanyi’s analytical framework. Particular attention is paid to the history of the European Union, which after the end of Communism turned into a mainstay of the neoliberal project, culminating in its restoration of an international gold standard under Monetary Union. In the crisis of 2008 the advance of neoliberalism got stuck due to “populist” resistance to austerity and the shift of governance from the national to a supranational level. The paper explores the prospects of current attempts to replace the “Social Europe” and “trickle-down” narratives of European superstate formation, which have lost all credit, with a story about a European army as a necessary condition of a successful defense of “the European way of life”.

Keywords: Political Economy, Polanyi, Democracy, Neoliberalism, European integration, NATO, International Relations

In 1945, a year after his *Great Transformation*, Karl Polanyi published a short, densely argued article in a journal called *The London Quarterly of World Affairs*, under the title of “Universal Capitalism or Regional Planning?” (Polanyi 1945). In this article Polanyi explores the relationship between what he calls “the organization of the international life” and the structures and politics of the leading states of his time, arguing that changes under way potentially offered a prospect of new, “far-flung and meaningful policies which may, albeit incidentally, fulfil the deeply rooted aspirations of the common man”. Focusing on “Great Britain, Russia, and America” – the three global powers left standing after the Second World War – Polanyi argues that what was now “at issue” between them was “not so much their place in a given pattern of power, as the pattern itself” (italics in the original). Here, “the tremendous event of our age” was “the simultaneous downfall of liberal capitalism, world-revolutionary socialism and racial domination – the three competing forms of universalist societies”. According to Polanyi, it was precisely because of the end of globalist universalism that “a new era of international politics” had become possible, allowing for peaceful coexistence of different regimes of international order in different regions of the world, based on and including different settlements of the class conflict:

1 Lecture in Human Sciences at the Institut für die Wissenschaft vom Mensch (IWM), Wien, June 5, 2019.

2 Reprinted in Cangiani and Thomasberger (2018, 231-240). I am grateful to Michael Brie for drawing my attention to this important text.

3 While Polanyi is not explicit on where he sees “racial domination”, I believe he includes in this category both colonialism and German Nazism.
World-revolutionary socialism was overcome by ‘regional’ socialism in the sufferings and glories of the Five Year Plans, the tribulations of the Trials, and the triumph of Stalingrad; liberal capitalism came to an end in the collapse of the gold standard, which left millions of unemployed and unparalleled social deprivation in its wake; Hitler’s principle of domination is being crushed on a battlefield co-extensive with the planet he attempted to conquer; and out of the great mutation various forms of inherently limited existence emerge – new forms of socialism, of capitalism, of planned and semi-planned economies – each of them, by their very nature, regional.

Polanyi’s principal example for the salutary international consequences of the change he saw from universalism to particularism is the breakdown of the gold standard in the interwar years, ending “the nineteenth century system of world economy” and resulting “in the immediate emergence of economic units of limited extent”. Each of these was now forced “to look after its own ‘foreign economy’ which has formerly ‘looked after itself’”:

New organs had to be developed, new institutions had to be set up to cope with the situation. The peoples of the world are now living under these new conditions... Their ‘foreign economy’ is the government’s concern: their currency is managed; their foreign trade and foreign loans are controlled. Their domestic institutions may differ widely, but the institutions with the help of which they deal with their ‘foreign economy’ are practically identical. The new permanent pattern of world affairs is one of regional systems co-existing side by side.

To explore the emerging pluralist “pattern of world affairs” further, Polanyi first considers the United States, which he regards as a “notable exception” and, in this respect, a potential source of systemic instability. The U.S., he writes, “has remained the home of liberal capitalism and is powerful enough to pursue the Utopian line of policy involved in such a fateful dispensation”, namely to attempt “to restore the pre-1914 world-order, together with its gold standard” – “utopian” because, according to Polanyi, such restoration is “inherently impossible”. For various historical reasons, Polanyi continues, “Americans still believe in a way of life no longer supported by the common people in the rest of the world, but which nevertheless implies a universality which commits those who believe in it to reconquer the globe on its behalf”.

This differs from the Soviet Union where “[t]he victory of Stalinism over Trotskyism meant a change in her foreign policy from a rigid universalism, relying on the hope of a world revolution, to a regionalism bordering on isolationism”. The “startling novelty of Stalin’s policy” was that he was willing, Polanyi maintains, to content himself with building a cordon sanitaire around Russia, of countries that did not have to be socialist or communist provided their class structures were reshaped so that they were no longer likely to support deadly attacks on Soviet Russia. All that was needed was “the destruction of the political power of the feudal classes” – a revolution “far safer than the traditional, unlimited socialist one which, at least in Eastern Europe, would either provoke a fascist counter-revolution, or else could maintain themselves [sic!] only with the help of Russian bayonets, which Russia has no intention of providing [my italics]”. “Nothing”, Polanyi continues, “could be less appealing to the conventional revolutionary” than the Stalinist turn from revolutionary universalism to this new kind of regionalist particularism.

The upshot, then, was that “the British commonwealth and the U.S.S.R.” now were parts of a new system of regional powers “while the United States insist[ed] on a universalist conception of world affairs which tallies with her antiquated liberal economy”. Regionalism as a formula for peace among neighboring countries takes into account the communitarian particularism of the human condition and draws practical lessons from the observation during the war of “how overwhelmingly the people rally behind policies designed to protect the[ir] community from external danger”. It was in exchange for a “secure national existence”, so Polanyi, that the Russia of 1945 asked its regional neighbors to “rid themselves of incurably reactionary classes” through “expropriations and eventually confiscations”, reorganizing themselves, not in order to adopt a universal model of a good society, but to be capable of living in peace with their neighbors. “Socialization of the new kind”, Polanyi writes with reference to Eastern Europe and the regional neighborhood of the victorious Soviet Union, was “emphatically not an article for export. It is a foundation of national existence”.

It is in his further examination of what he thought was the emerging postwar peace settlement for the Eastern European region that Polanyi arrives at the core of his argument in favor of a regionally subdivided and regionally regulated, planned global order. Eastern Europe, Polanyi notes, was traditionally beset with “at least three endemic political diseases – intolerant nationalism, petty sovereignties and economic non-cooperation”. Here as elsewhere, the rise of nationalism, according to Polanyi, “coincided with the territories brought under the control of a credit system by autochthonous middle classes”. Ethnic conflicts – in Polanyi’s words “unresolved racial issues” – were also reinforced by unfettered

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4 In a footnote Polanyi explains that by “foreign economy” he means “the movement of goods, loans and payments across the borders of a country” – probably an English translation of the German concept of Außenwirtschaft.

5 I cannot judge the accuracy of Polanyi’s judgment at the time of his writing. On the surface there is much that speaks for it; that things turned out differently later (see below) may have been contrary to the intentions of the Soviet leadership at the time. For the present argument, which is systemic not historical, it doesn’t matter if Polanyi’s intuition was historically correct or not.
economic competition between countries, with a gold standard “foreign economy” forcing governments to leave it to the market to balance their countries’ external accounts. This, Polanyi claims, came to an end whenever during the interwar period “market methods were”, under Soviet-Russian leadership, “discarded for planned trading”. Then, “intractable chauvinisms lost their viciousness, national sovereignty became less maniacal, and economic cooperation was regarded again as being of mutual help instead of being feared as a threat to the prosperity of the state. In effect, as soon as the credit system is based no longer on ‘confidence’ but on administration, finance, which rules by panic, is deposed, and sanctity can prevail.”

The lessons Polanyi drew from this for the rest of the world were far-reaching. “If”, he writes, “the Atlantic Charter6 really committed us to restore free markets where they have disappeared, we might thereby be opening the door to the reintroduction of a crazy nationalism into regions from which it has disappeared.” Liberal capitalism would then become “a matter of foreign policies”, based on “foreign buying and selling, lending and borrowing, and the exchange of foreign currencies carried on between individuals, as if they were members of one and the same country”, with the market expected to balance the economic relations between countries “automatically – that is, without the intervention of their governments”. This failed in the 1930s, and the gold standard had to be abandoned. Now, however, regional planning offered “new methods of ‘foreign economy’” that were conducive to international peace and cooperation, as they allowed for a mutually beneficial “distribution of raw materials, the stabilizing of prices, and even the ensuring of full employment in all countries”. It was only the United States that was placing its hopes on a “universal system of marketing”, although this “would involve the impossible task of first restoring the market system throughout the world”. While it might take time for the United States to understand that its concept of international political economy is “doomed to failure”, the promising “alternative to the reactionary Utopia of Wall Street is deliberative development of the new instruments and organs of foreign trading, lending and paying, which constitute the essence of regional planning”.

Polanyi ends his discussion with a fascinating analysis of the situation of the United Kingdom, the country where he was then living. Polanyi saw Britain as dependent on imports, “for maintaining a civilized standard of life” and “the survival of the Commonwealth”, on “free cooperation with overseas dominions” which were no longer colonies. A “planned foreign economy” would enable the country to “reap the huge economic and political advantages of the regional organization of the world”. In fact, after the changes it had undergone since the 1930s, Britain was “no longer a free-trading country” at all, which had made it more of a popular democracy than ever – “more healthily united with every year that has passed since she left the atmosphere of liberal capitalism, free competition, the gold standard, and all the other names under which a market-society is hallowed”. This, however, was irreversible. “The real issue today”, Polanyi wrote, was that “reactionaries still hope that it is not yet too late for Britain’s own system of foreign economy to be changed back so that it may fall in line with that of America”. This way Britain would not just lose the advantages of equal cooperation with the United States and the Soviet Union but would also be deprived “of those organs of external trade which she needs for her survival”, as well as of “her freedom of action, a rising standard of life, and the advantages of a constructive peace for a long time to come”. American-style economic universalism would imply a return to the gold standard, in substance if not in name, in that it would involve “the balancing of ‘foreign economy’ through automatic movement of trade, i.e. through the undirected trade of private individuals and firms. The battle over the gold standard”, Polanyi adds, “is in reality a battle for and against regional planning”. Fighting that battle on the side of “a universalist conspiracy to make the world safe for the gold standard” were the old ruling classes of British society, afraid of “a new egalitarian impulse” that might “fuse Disraeli’s Two Nations into one… Contrary to national interest, they might attempt to restore universal capitalism, instead of striking out boldly on the paths of regional planning.”

The Rise and Decline of Neoliberalism
What became of the world as projected by Karl Polanyi at that fateful historical turning point, the end of the twentieth century’s Great Destruction? While some of his predictions were obviously falsified by the course of events, others were not. Even his misses and near-misses, however, appear astonishingly productive for description and analysis of developments since 1945. What I believe stands out in Polanyi’s approach is how he relates the political institutions of countries, their states, especially with respect to their democratic character, to the nature of their economic relations with other, in particular neighboring countries, relating this in turn to, and in part conceiving it as conditional upon, the overall architecture of the encompassing global order. Linking regional national statehood to the global international state system, Polanyi manages to shed light on the connection between national democracy and the way it is embedded, or not, in international markets, and national autonomy, or sovereignty, especially of small countries and states, as affected by the surrounding global order including its ability to keep peace. In this, Polanyi has, as I see it, forged a conceptual toolkit that carries his analysis far beyond its historical setting, the world of 1945, and indeed right into our time. In the following I will make an attempt to apply Polanyi’s analytical grid to the European state system.

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6 The Atlantic Charter was drafted by Roosevelt and Churchill in August 1941, meeting aboard the battleship HMS Prince of Wales near Newfoundland. It defined the political and economic goals of the Allies for the time after the war, months before the United States officially entered it. One of the eight items listed was a general lowering of trade barriers.
of today and explore what we can learn with its help for the future prospects of Europe.

To begin with, the regionalization of socialism inside the cordon sanitaire around the Soviet Union’s communism in one country proved less resilient to U.S. universalistic expansionism than hoped for, with far-reaching consequences for the international order. As Polanyi anticipated, the United States did indeed do its utmost to export its system to the rest of the world, in confrontation with the other remaining superpower, and was remarkably successful. Offers of Marshall Plan aid to Eastern European countries, conditional on the adoption of a market economy, threatened to turn the Soviet Union’s regional neighbors into hostile allies of its expansionist global rival, and were countered by military support for a revolutionary conversion to the Soviet political-economic order. For roughly four decades, Eastern and Central Europe became incorporated in a more or less tightly integrated Soviet-Russian empire, confronted by and confronting a Western alliance of democratic-capitalist (“liberal-corporatist”) states built, originally, on the model of the American New Deal. That other, Western empire held together even when its hegemonic power, beginning in the 1980s, embarked on a global return to the precepts of economic liberalism pure and simple, no longer allowing its client states to choose between different national economic and social policies under the protection of Bretton Woods Keynesianism. This coincided with the Soviet Union finally losing the support, not just of its client peoples, but also of its own citizenry, as a result of both heavy-handed repression and the lures of consumer capitalism. In 1990, then, communism was ready to collapse into global capitalism, which subsequently felt free to abandon even the pretense of democratic redistributionism at home and pluralist institutionalism abroad.

What looked like victory, however, even like unconditional surrender, was only of short duration. Very soon the sole remaining superpower, by then the uncontested hegemon of the, by now, capitalist world, began to suffer from overextension, just as previous imperial powers inevitably had. Lost wars, beginning in Vietnam and not ending in Afghanistan, and failed projects of “nation-building”, like in Iraq, or of “regime change” like in Syria, Iran and Libya, came together with continuing neglect of domestic problems, like a decaying infrastructure and rising inequality, as economic growth became reserved for a tiny oligarchy of private beneficiaries from public empire. Strong isolationist tendencies among the electorate and resounding calls for economic protection against a world market in which the United States was no longer able to guarantee its citizens a secure seigneurage paved the way to the U.S. presidency for an apparently isolationist-cum-protectionist – “America first!” – like Donald Trump. The result was a stand-off between the capitalist imperialism of the entrenched internationalist elites of the East Coast, aligned with the country’s huge military establishment, and a new, “populist” mainstream interested neither in international adventures nor, in Polanyi’s term, a free-market “foreign economy”.

Turning to Western Europe, we find another historical trajectory that fits Polanyi’s concepts while deviating from his predictions. In the 1950s, in good part at the instigation of the United States, Western European countries did in fact engage in what came remarkably close to what Polanyi had called regional planning. The European Community for Coal and Steel in particular was created, along with similar institutions, to jointly administer a specific sector of neighboring countries’ national economies, taking into account their different economic needs and interests and thereby stabilizing peaceful relations among what were now the European members of an anti-Communist Western Alliance. Placing the key industries of industrial capitalism under supranational control was to prevent them being used for nationalistic rearmament in defeated Germany, like in the 1930s. It also gave European countries secure access to German coal, making it unnecessary for France in particular again to occupy the Ruhrgebiet, the center of German heavy industry, as it had from January 1923 to August 1925, with disastrous consequences for peace in Europe. Moreover, it helped manage the economic fortunes of an industry with strong trade unions and a tradition of labor conflict. Later, yet another sector, nuclear power, believed at the time to be of foundational importance for a modern industrial economy, was in the same way entrusted to a special international authority, EURATOM, once more very much in line with the model of regional planning envisaged by Polanyi in 1945.

Soon, however, regional sectoral planning changed into something else. Step by step the scope of supranational jurisdiction increased, and so did the number of countries involved, from six originally to twelve in 1989 and no less than 28 today. What had set out as joint sectoral planning began to appear, for a short while in the 1970s, as a prelude to regional state-building. Sectoral technocratic administration seemed to be turning into general political authority, prospectively replacing national states with a supranational European superstate, and indeed super-welfare state, as horizontal cooperation seemed to be shading into hierarchical federalism. But rather than sovereign national states merging into a sovereign supranational state – something that, incidentally, never came to pass anywhere since the era of the nation-state began in earnest after the Second World War – what happened in fact was the dissolution of national economies through international treaties into a sectorally encompassing, supranational market economy. That economy was released from redistributive state intervention, not by the political will of a democratic state coterminous with it – a state that might by popular pressure be moved to reverse its political direction – but by a regional cluster of states banding together to keep each other in the neoliberal fold. Proceeding alongside with the return of the United States to its historical drive for unfettered market liberalism, state-free market-building in economically integrated but politically un-united, and therefore only
negatively integrated, Western Europe moved, after the collapse of communism and the break-up of its East European empire, on to international empire-building – a liberal empire of 28 states embedded in a stateless, supranational, post-democratic, pre-Keynesian market economy kept together by a hard, German-style common currency.

As Polanyi would not have been surprised, the transition in the final decades of the twentieth century from “regional planning” to a new-old pattern of capitalist universalism institutionalized in a neoliberal regional superstate – for Polanyi a regressive postwar overshoot of postwar historical progress – revived the national and international conflicts of the era of the gold standard. In particular within EMU, relations between European countries are worse today than they were in the postwar period. Germany in particular, the new hegemon under the hard currency that inevitably came with it, has bestowed, willy-nilly, on its Western European allies, has become the target of deep nationalist animosities, especially among Mediterranean countries including France.7 As countries find themselves and their “foreign economies” in unmitigated competition with one another – a condition that they cannot do anything about under the “four freedoms” and, in particular, the common currency that have become constitutive for the European of “European integration” – the democratic substance of their national political economies is being eroded. In response, popular countermovements have sprung up that are rediscovering the institutional resources of national democracy to force governments to abandon their studied passivity and protect their societies’ economic fortunes and accustomed ways of life from the creatively destructive forces of “globalization”. After in most if not all of the countries involved, the center-left had by the 1990s at the latest tied its future to a neoliberal revival of capitalist growth through economic internationalization, it is only the nationalist right that is today offering protectionist nationalistic rhetoric that speaks to those who feel threatened by an “open society” identified with a neoliberal economy.

Since 2008, declining confidence in neoliberal “global governance” and its promise of universal economic advancement for those who “work hard and play by the rules” (Bill Clinton in the 1992 presidential campaign) fueled the rise of new political parties – denounced as “populist” by the established political class and its media – that have broken up the centrist politics of postwar Western Europe. The result is a profound impasse between two incompatible political-economic projects: the neoliberal, supranationally centralized top-down technocracy of “globalization” – a neoliberal superstate, or better a super-market without a corresponding state, held together by a firmly institutionalized de facto international gold standard – and the anti-liberal, nationally decentralized bottom-up democracy of, often reactionarily, popular countermovements of various kinds. One issue this raised was that of political scale: whether it was preferable for a political jurisdiction to be large or to be small, to merge with others to form a larger or split from others to form a smaller unit of governance.8 Today it appears that in this impasse the neoliberal advance has come to a halt, resulting for the time being in a political interregnum in which, to quote Gramsci, the old order is dying while a new order cannot yet be born – a time in which all sorts of monstrosities can happen.9

Polanyi’s analytical toolkit may also be profitably used to shed light on British Brexit politics – on the particularly complex configuration of interests and perceptions vis-à-vis the European Union that is breaking up the British party system.10 For reasons of space I cannot go into this here.11 Instead I will turn to how not just Britain but the European region of the global economy as a whole – the European state system – might evolve under the cross-pressures of the post-neoliberal interregnum, pres-
A New Global Context

Comparing today’s world with Polanyi’s in 1945, the position in the latter of the Soviet Union is now filled by another, presumably, Communist country, China. There are similarities between the Soviet Union then and China today, but also differences. China, like Stalin’s postwar Soviet Union, at least as seen by Polanyi, has no desire to export its regime, let alone engage in world revolution, and indeed never in its long tradition as a nation seems to have aspired to anything like international hegemony.13 On the other hand, unlike the Soviet Union under Stalin, the China of today is in important respects a capitalist country, although how precisely the capitalist core of its economy and society relates to its Communist system remains a mystery in need of further research.14 Capitalism, however, is and inevitably must be expansionary, in particular where it is housed in a country too big to free-ride on another country carrying the burden — and reaping the benefits — of capitalist hegemony. Capitalism as a political-economic system needs a *Machtstaat* (Weber) as a center capable of securing for it a periphery where markets for raw materials and final products are safe and free to grow; as Rosa Luxemburg put it, it is by its very nature “land-grabbing”. That this may be so even for Communist capitalism, if such a thing can exit, is indicated in recent years by the so-called New Silk Road initiative of the Chinese state. Also referred to as the One Belt One Road (OBOR) project, it is to extend the territorial reach of the Chinese economy, to an important if uncertain extent capitalist, along the southern rim of the Eurasian continent to the Balkans and the Mediterranean and well into West Africa. All of these places have for long been part of the European and later the American peripheral back- yard and are today considered by the, more or less united, “West” as their and only their legitimate domain.

If, informed by Polanyi’s analysis of 1945, we want to understand the prospects for the European regional state system — centralized or decentralized, hierarchical or cooperative, vertically or horizontally organized — a key issue seems to be how the relationship between China and the United States will evolve. Points to consider include whether the two can work out a peaceful coexistence of different political-economic systems in a pluralist world order, like Polanyi had hoped for the postwar

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13 For more on this see Anderson (2017, 117-144).

14 For a fascinating analysis of the extent to which China is, or acts, capitalist, and what consequences this may have for its insertion of the global economy, see the recent book by Changing Kwan Lee (2017).

15 Trying to understand the causes of the Peloponnesian War between Athens and Sparta, the ancient Greek general and historian Thucydides suggested that a declining hegemon, in his case Sparta, watching a rising rival, at the time Athens, building up military strength, must be tempted, and indeed rationally motivated, to start a preventive war as long as its advantage is still enough to make victory certain, to the extent that there can be certainty in war at all. As the Journal, *Foreign Policy*, claimed in 2017, “The past 500 years have seen 16 cases in which a rising power threatened to displace a ruling one. Twelve of these ended in war.” The concept, “Thucydides’s Trap”, is credited to the American political scientist, Graham T. Allison (https://en.wikipedia.org/wiki/Graham_T._Allison#Thucydides’s_Trap).

16 According to official U.S. government statistics, 165,000 active-duty military personnel were by the end of 2018 serving outside the United States. Nearly 40,000 are assigned to classified missions. Neatly located that the U.S. government does not disclose. In 2018 the U.S. spent 649 billion dollars on its military, amounting to 36 percent of global military spending. Chinese spending is listed at 250 billion by SIPRI and 168 billion by the International Institute for Strategic Studies. Russian spending is reported by the two sources to equal 61 and 63 billion, respectively. Since 1990, the U.S. was a leading participant in twenty major wars and in an untold number of smaller military operations.

17 Allegedly, when asked, by Nixon or Kissinger, what he thought of the French Revolution, the then Prime Minister of China, Zhou Enlai, said something like, “It is too early to tell”. If the story is not entirely true, it certainly seems well invented.
its UNSC vote in favor of the occupation of Iraq and the bombardment of Libya." Above all, China patiently financed the American budget deficits by buying U.S. treasury bills, and did its best to avoid a confrontation over Taiwan, even when the Taiwanese government fell into the hands of a separatist opposition to the One China Kuomintang.

Things may, however, have changed since the global financial crisis, which put Chinese investment in the American housing market in jeopardy; with the turn of China to domestically driven growth, requiring huge imports of raw materials, especially from the Southern hemisphere; and finally with the New Silk Road, indispensable for further Chinese economic progress but inevitably challenging American and Western European interests and positions in large parts of the world. Again, according to Watkins, “the American imperium is so vast, so overwhelming in its demands, that any fast-rising power must immediately grate against it. Yet its military strength makes its overthrow impossible. Either submission or impasse must result” (p. 12). The best prediction, then, might be what Watkins calls “a concertina pattern of drawn-out attrition”: a long period of wavering, on both sides, between confrontation and accommodation, like in the present trade disputes, “summit-level agreements interspersed with alarms and shadow-boxing, sudden crises over spy planes, interventions to fan or quell revolts”, alongside tense negotiations on old and new conflicts, on the New Silk Road with its innumerable pressure points, or over islands and non-islands in the South China Sea.

A New Europe?
In which direction, if at all, will the European system move out of its present impasse into a new, stable order: downward, back to democratic-redistributionist politics “on the ground”, as demanded by nationalist communitarians? Or upward, to “more Europe” in the sense of more superstate enforcement of a politics-free market economy, as asked for by modern capital and promoted, more or less knowingly, by the European center-left, in the name of a new non-parochial, non-proletarian, middle-class-only kind of democracy? Here, Polanyi’s approach may be most helpful as it enables us to relate the structure of and the relations between the states of the European region to the evolving relationship between China and the U.S. For example, one question that Polanyi may inspire is what opportunities, if at all, that relationship may offer European centralists, faced with the resistance of populist “nationalists”, to establish credibility for a new “narrative” about a historical need for more “European integration”, replacing the abandoned social-democratic redistributionist politics “on the ground”.

Building an army is a classical avenue to state-building, not least since it comes with the identification of a foreign enemy establishing a Schmitian Freund-Feind-Verhältnis helpful for social integration. While for some time now the designated “security risk” for Europe as an imagined community has been Russia, it is increasingly joined by China and even, in hostile reaction to Trumpist isolationism, the United States. European army-building as a pathway to European state-building had been tried before with the European Defense Community project of the early 1950s, which in the end was vetoed in 1954 by the French National Assembly.

Now it is above all France that is pushing European military unification. Like in the 1950s, centrally important for this is Germany, which since 2002, confirmed in 2014, is pledged to almost double its defense spending from 1.1 (in 2017) to 2 percent of GDP in 2024. While this is in response to long-standing demands by NATO, it is also inspired by China with a view to the creation of a sovereign European defense capacity. By spending two percent of its GDP on defense Germany would become the biggest military power in Europe, far ahead of Russia. Since Germany cannot and will not acquire nuclear weapons, all of its additional spending would be on conventional arms. To the extent that the German military would be Europeanized, in whatever form, increased German defense spending would ideally close the gaps in the French arsenal caused by the high costs of France’s nuclear force. Using defense as a lever for supra-

19 In October 2018, Jürgen Habermas, together with a handful of former Christian Democratic and Social Democratic politicians, issued an appeal, “For a solidarity Europe”, characterized as “a Europe that protects our way of life” (published in Handelsblatt, October 21, 2018). “Trump, Russia and China”, according to the authors, “put Europe’s unity, our readiness to jointly stand up for our values and to defend our way of life to the test.” Further down, under the subtitle, “We Call for a European Army”, they demand “to begin now with a deepened integration of foreign and security policy on the basis of majority decisions and with the aim of a common European army”. This would not require more money, given that “European NATO members together spend about three times as much on defense as Russia”, but only “eine Überwindung der verteidigungspolitischen Kleinstaaterei”. Like in the 1950s, centrally important for this is Germany, which since 2002, confirmed in 2014, is pledged to almost double its defense spending from 1.1 (in 2017) to 2 percent of GDP in 2024. While this is in response to long-standing demands by NATO, it is also inspired by China with a view to the creation of a sovereign European defense capacity. By spending two percent of its GDP on defense Germany would become the biggest military power in Europe, far ahead of Russia. Since Germany cannot and will not acquire nuclear weapons, all of its additional spending would be on conventional arms. To the extent that the German military would be Europeanized, in whatever form, increased German defense spending would ideally close the gaps in the French arsenal caused by the high costs of France’s nuclear force.

20 If Germany would now be spending two percent of its GDP on “defense”, it would in absolute terms be spending 40 percent more than Russia, whose budget includes its nuclear hardware. The Russian defense budget is expected to decline in coming years in absolute terms.

21 It is not clear how seriously the German government takes its commitment under NATO to boost its military spending. Almost under the public radar, the Grand Coalition is spending 47.32 billion euros on defense in 2019, an increase of more than five billion compared to 2018, or of roughly twelve percent in terms of GDP, this would amount to 1.38 percent of GDP in the previous year and to 1.12 percent in 2017. For 2020, a further increase is envisaged to 1.38 percent. As German Minister of Defense, Ursula von der Leyen promised Germany’s allies that this ratio would con-
national political integration requires that European elites can point to an unstable or hostile international environment threatening peace, prosperity and “the European way of life” (a phrase adopted by Merkel’s would-be successor, Kramp-Karrenbauer, now Defense Minister in addition to CDU party leader, in her response to Macron’s project of a “refounding of Europe”, and taken up by von der Leyen as the new President of the European Commission, where she was installed on pressure from Macron). While external dangers can always be overstated – like in the case of Russia – real tensions in the international system are obviously helpful.

Taking my cues from Polanyi’s 1945 essay, I conclude by discussing three ideal-typical European trajectories out of the present political-economic interregnum. The first would lead to a decentralized system of democratic nation-states, loosely integrated horizontally through negotiated economic cooperation (with Polanyi, “regional planning”) – which in Europe would require replacing the Euro with a more flexible monetary regime. Globally, this would presuppose something like the international economic cooperation (with Polanyi, “regional planning”) – which in Europe would require replacing the Euro with a more flexible monetary regime.

22 Although European army-building would remain difficult enough. What would be the role of the nation-states in “European” defense? Who would be Commander-in-Chief, the successor to Herr Juncker, Frau von der Leyen? Would there be an integrated General Staff? How would the French nuclear force come in? Would it be turned over to a “European” government? This is not to say that there wouldn’t be some short-term benefits, of the usual, frugal European Union sort. A “European army”, even if it was in fact a collection of national army units, in particular German and French ones, could presumably recruit in places like Croatia or Kosovo, where military manpower is abundant and cheap; traditionalist resistance against mercenaries is more easily overcome if they are to fight for the “European project”, for example in French West Africa. A “European army” could also be a legitimate pathway to legal immigration, from Libya or Afghanistan. It being governed by “Europe”, in whatever way, the German Bundestag may perhaps be persuaded to give up its postwar insistence on the German Bundeswehr being run as a Parlementarmarine, with even the tiniest deployment of German troops having to be approved by a parliamentary majority. Probably the most practically important aspect of the “European army” project in the short term is that it comes with a commitment of France and Germany, laid down in the Treaty of Aachen of January, 2019, to merge their arms industries, with the consequence that the still quite ungovernable German guidelines on arms exports would be effectively preempted. (Maybe this is why several seasoned CDU politicans, now earning their money in private industry – in particular someone like Friedrich Merz – joined Habermas in his newly acquired love for military action.

23 There is now a long literature on alternatives to the euro in its current form. It includes splitting the euro bloc into North and South, or allowing for dual currency regimes, with national currencies floating against the supranational euro, as currently envisaged by the “populist” government of Italy (“Mini-Bots”). This is not the place to discuss the various projects and its prospects.
Returning to the global context of Europe, it appears that just as in Polanyi’s analysis, the main obstacle to a pluralist global order may be the United States. Having conquered the Soviet Union, the U.S. would have to learn to withdraw from its far-flung network of allies and outposts and confirm “America first” to mean prioritizing domestic over international needs. The question is, of course, if this is possible – whether for example the U.S. economy has become too dependent on its country’s international dominance to be able to do without it. In this case the U.S. would have to perceive the rise of China as a deadly threat, as it would mean diminished American access to global resources and higher prices for American imports of raw materials. Also, continued American hostility to countries like Iran might make these natural allies, not just of Russia but also of China, which would further exacerbate tensions between the two twenty-first century superpowers. Such tensions would, of course, advance the credibility of a military justification for a superstate-like centralization of the European state system.

The armed superstate project of “European integration” apparently comes in two versions, French and German, linked to different perceptions of the constraints and opportunities inherent in a Chinese-American struggle for global hegemony. In both, European state-building proceeds via European empire-tightening, curtailing the autonomy and suspending the democracy of member states. The French version sees Europe as a third big player in rough equidistance from the U.S. and China, whereas the German version envisages something like a sub-empire of the United States joining it in its fight with the Chinese and, for not entirely obvious reasons, the Russians. In practice, distinguishing between the two “visions” is not always easy, not just because the exact nature of the future American-Chinese relationship is not known, but also because France and Germany are struggling over the EU’s finalité while hiding as much as possible their quite fundamental disagreement. The matter is further complicated by the fact that there still is in the German foreign policy establishment a minority “Gaullist” faction contesting the pro-American majority “Atlanticist” faction, as represented above all by Angela Merkel and her hand-picked could-be successor.

A few selected points must suffice to illustrate the differences between the French and German visions of a European state system organized as an armed European superstate. The French concept of a third hegemon presumes global tensions strong enough to unify Europe but not strong enough to force it to choose sides. It also presupposes the hefty increase in German military spending that is currently being promised, which will compensate for the large share of French defense expenditure having to be spent on the national nuclear force. Since the force de frappe will remain under French control, it will ensure a dominant role for France in the geopolitics of a future European superstate, also because France will after Brexit be the sole EU member state with a permanent seat on the United Nations Security Council. German conventional forces under European command, in particular German ground troops, will be needed to fight postcolonial wars in French Africa and perhaps the Middle East, in order to secure European access to natural resources and keep Europe’s Chinese and American rivals in Southern Europe and Northern Africa at bay. Inside Europe, priority would be given to keeping the Mediterranean countries on board and ready to be governed from the European center, which would require compensation for the damage inflicted on their economies by the hard common currency. One form of such compensation could be a special budget for the Eurozone paid for, in effect, by Northern European surplus countries, above all Germany. A French third hegemon strategy would also allow for some sort of détente with Russia, given the lower importance for France of Eastern compared to Southern Europe and, importantly, Northern Africa.

Unlike the French European superstate, its German alternative would fundamentally be a market state with strong interests in the European East, in potential collision with Russia and with a strong Trans-Atlantic affinity to the U.S. National, or supranational, security would be derived, in addition to Europe’s own efforts, from a nuclear military pact with the United States. Its hour would come with a reassertion of American expansionism and a serious confrontation with Chinese expansionism. One role of Europe as a sub-empire of a re-founded American-led West, perhaps including the United Kingdom in a “special relationship” after its separation from the EU, would be to keep Russia in check, preventing it from projecting its power into the Middle East and the Mediterranean and binding Russian forces that might otherwise be used to support an alliance with China in Africa or elsewhere. A confrontational European stance with Russia would also keep the Eastern European countries in the Western European empire, insuring their elites against the risks of taking a hostile view of Russian regional security interests (preventing, in other words, the kind of regional peacemaking through “regional planning” envisaged in 1945 by Polanyi or later practiced in Scandinavia in the form of what came to be called “Finlandization”). German conventional superiority over Russia would be backed up by Ameri-

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25 Discussions on the subject, to the extent that they are taking place at all, are cloaked in diplomatic secrecy, as are all other important discussions on “European integration”. One is forced here to rely on personal contacts and current reporting in the “quality press”, the latter restrained by a strong determination not to appear “anti-European”.

26 Merkel has, as is generally characteristic of her, avoided taking a public position, both denying that there are differences at all and liberally making unfulfillable and incompatible promises to all sides, hoping to get away with it by contingently arising emergencies diverting attention from them or rendering them outdated. That time is running out for politics of this kind, also because too many promises have been accumulated which sooner or later require to be either redeemed or one reason why Merkel’s time is also running out.

27 In a nutshell, what is Eastern Europe for Germany is Northern Africa for France.
can nuclear power, which would be enlisted for European interests by providing the United States with vital logistical support for their Middle Eastern wars, for example and in particular through military bases in Germany.\footnote{28} In political terms, an imperial “European project” integrated in an American-led “West” might be difficult to sell to voters outside of Eastern Europe as long as Trump or another “ugly American” holds power in Washington. But the same may be true under a new-leftist Democratic president. While culturally a Kennedy of the twenty-first century (for example Alexandria Ocasio-Cortez!), politically he or she might be even more isolationist than Trump initially tried to be. It would seem that the German version of a military path to European unity, unlike the French one, presupposes a return to power (or at least a realistic possibility of such a return) of Clinton-style American liberalism or, more likely, a successful resistance of the American “deep state” – the country’s military-industrial-intelligence complex – against isolationist attempts, left or right, to subordinate international priorities to domestic ones.

**Conclusion**

An interregnum is a time of high uncertainty, with respect to both how long it will last and how it will end. Nobody knows how the United States and China will settle their relationship, if at all. They may for an indefinite period be wavering between conflict and accommodation, between peace, cold war, and war, shrinking back or not from the abyss as they (perhaps repeatedly) approach it. Nor do we know what the ongoing rapid digitization of military technology will contribute: drones being only the beginning, followed by robots fighting robots as they attack infrastructures and troops, accompanied by ever more sophisticated cyber warfare against vital domestic telecommunications and data processing systems.

Equally uncertain is how long the “populist” defense within the European state system of local autonomy against supranational centralism will endure. International scare mongering by integration-minded European elites may push back centrifugal forces, or it may not. French hopes for a more isolationist United States and German hopes for an American return to “multilateralism” may both be disappointed as the United States may remain torn between an “America first” electorate and strong domestic expectations, nourished by the Merkel government, of a German armed forces and controls its “war on terror” drone operations in Iraq, Afghanistan, Somalia, Yemen and Pakistan (https://de.wikipedia.org/wiki/Ramstein_Air_Base). All in all there are currently about 32,000 American troops stationed in Germany.

Perhaps here, too, all one can predict is a drawn-out period of indecision, amid doubts whether Germany will be able and willing to pay the rising price of keeping its liberal European empire together, above and beyond the two percent for a larger and better military.

What we may be in for, then, is a long *Hängepartie*, a period of irresolution with uncertain events but still productively conceivable within the parameters of Polanyi’s 1945 essay: universalism vs. pluralism, one world or more, gold standard vs. “regional planning”, empire vs. sovereignty, countermovement from the right vs. the left, etc. In all this uncertainty complexity, or complex uncertainty, the architecture of the European state system – its politics of scale and hierarchy – may remain an open question, preventing Europeans from politically defining and pursuing their interests in peace, democracy, and prosperity. Playing around with military means to centralize European politics, European political elites may at some point cease to understand what they are getting into and, like in 1914, unintentionally start a wildfire beyond their control.\footnote{29

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\footnote{28} The biggest of them, and indeed the biggest installation of the U.S. Airforce outside the United States, is Ramstein in Rhineland-Palatinate. It houses about 9,000 troops, including civilian personnel. The air base is used as a European hub for the transport of troops, materiel and prisoners worldwide. It is also used for evacuation flights as it is close to Landstuhl Regional Medical Center, the biggest military hospital outside the United States. The hospital is also used for debriefing American troops and the interrogation of prisoners. Importantly, from Ramstein Air base the U.S. military plans to provide the United States with vital logistical support for their Middle Eastern wars, for example and in particular through military bases in Germany.

\footnote{29} The politics of the arming of Europe is in rapid flux. By the end of 2019 an open rift had appeared between Germany and France, caused not least by Macron’s and the French military’s refusal to hand over the *Force de frappe* to “European” control. In response Germany confirmed its commitment to NATO, Trump and all, after Macron had publicly pronounced NATO “braindead”. For a preliminary assessment see a brief analysis I contributed to the Spanish internet magazine, El salto: https://wolf-gangstreck.files.wordpress.com/2019/12/el-salto-19-11.pdf.
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