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**Labour and the Struggle over the future European model of capitalism: British
and Swedish trade unions and their positions on EMU and European co-
operation.¹**

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Abstract

Based on a critical International Political Economy perspective including a strategic-relational approach to the state, this article analyses Swedish and British trade unions' position on Economic and Monetary Union (EMU) and European co-operation. Importantly, unions in both countries support EMU membership, but transnational

British labour is much more in favour of co-operation at the regional level than Swedish transnational labour. While the latter still enjoys good access to policy-making within the Swedish form of state, the former are rather marginalized in Britain and look to the European Union as an alternative arena for influence. It is further shown that on the one hand British unions continue to reject neo-liberalism. On the other, some transnational sector unions in Sweden have, however, started to accept core neo-liberal concepts.

Introduction

Economic and Monetary Union (EMU), part of the Treaty of Maastricht in 1991, was established within the European Union (EU) on 1 January 1999. Arguably, trade unions are one of the actors, which have come under pressure most as a result of monetary integration. Firstly, due to the fixing of exchange rates and the introduction of the single currency it is easier to compare the different employment conditions within the European Union (EU), while interest rates and exchange rates can no longer be used to counter economic differences between regions. The only adjustment mechanism left for less competitive regions are lowering wages and cuts in non-wage costs. 'This may happen even without asymmetric shocks, insofar as employers (and governments) seek price advantages, no longer attainable by currency depreciation, through wage and benefit cuts instead' (Martin and Ross 1999, 345). In short, there is a danger that the general deregulation and liberalisation within the Internal Market and EMU will result in a logic of competitive deregulation, leading to an undermining of national employment conditions and social standards (Bieling 2001, 94; Schulten 2000, 232). This does not mean that trade unions are necessarily excluded from decision-making. In fact, in what has been described as a shift from social to

competitive corporatism, so-called social pacts between trade unions, employers associations and the state have been established in many EU countries in the late 1990s (Rhodes 1998). The focus of these pacts was, however, on national competitiveness and included precisely cut-backs in line with the logic of competitive deregulation (Bieling and Schulten 2003).

Secondly, the pressures on the labour market are further intensified through the neo-liberal macroeconomic policy regime ‘that could keep the growth of demand in Euroland as a whole too low to allow a significant reduction of unemployment to occur’ (Martin 2000, 365). Within EMU, monetary policy for the single currency is set by the independent European Central Bank (ECB), which is solely committed to low inflation and price stability. Economic policy is tightly co-ordinated at the European level through the Stability and Growth Pact (SGP), committing members to stay within the neo-liberal convergence criteria and their emphasis on low budget deficits and national debt levels even after the start of EMU on 1 January 1999. Moreover, through the requirement to adhere to the Broad Economic Policy Guidelines including a general commitment to a balanced budget, the SGP further emphasises the overriding focus on low inflation (Jones 2002, 37-40).² The Lisbon strategy of the EU does include the goal of full employment. In the overall macroeconomic policy-matrix, however, this is clearly subordinated to the goal of price stability and, as a result, employment is mainly to be created through a deregulation of labour markets and comparatively small investment in training and education schemes (Bieler 2006, 13-14). Demand stimulation and job creation at the national level via lower interest rates and public investment in infrastructure projects has been made almost impossible. In sum, it is workers, who pay the bill for EMU and

this puts mainly trade unions as their representatives under pressure (Carchedi 1997, 85-114).

In this special issue on 'economic interests' and European integration, this article focuses on the role of trade unions. Two specific questions are asked: First, what is the position of trade unions on EMU and second, considering the common pressures of EMU, do unions shift their emphasis to the European, international level to defend the interests of their members? These questions are assessed here through a most-similar comparative analysis of British and Swedish trade unions. Both countries are outside EMU. In Sweden, EMU was rejected in a referendum on 14 September 2003 with 56 per cent of the votes against and 42 per cent in favour. In Britain, although committed to it in principle, a referendum on EMU is currently not on the agenda. Being outside, the positions on EMU are likely to be sharper than in those countries, where unions have already had to adapt to the reality of EMU, whether they had initially supported it or not. Secondly, both the British and Swedish production structures are significantly transnationalised in several sectors, indicating a similar production structure.

Since the mid-1980s, the EU has participated in the general process of neo-liberal restructuring and was moved towards an Anglo-American, market-oriented model of capitalism embodied first and foremost within the specific set-up of EMU (Bieler 2006, 9-14). Importantly, the analysis of unions' positions on EMU and European co-operation is not a case study in itself. Rather, it is used to assess whether British and Swedish unions have accepted neo-liberal economics and, if not, to what extent they may be part of a future counter – neo-liberal alliance within the EU. Before looking in detail at British and Swedish trade unions, the next section will first

assess in what way labour can be conceptualised as an international/European-level actor in times of globalisation.

Globalisation and the role of trade unions

Due to its state-centric conceptualisation of international relations including globalisation (e.g. Waltz 2000), neo-realist International Relations (IR) theory cannot understand trade unions as a potential international actor. From a liberal perspective, however, it is realised that against the background of the transnationalisation of finance expressed in the establishment of a globally integrated financial market (e.g. Helleiner 1994; Scholte 2000a, 116-20; Strange 1994, 90-118) and the transnationalisation of production characterised by production processes being organised across borders (e.g. Scholte 2000a, 51-2, 124-30; Strange 1996, 44-65), additional non-state actors such as TNCs (e.g. Stopford and Strange 1991) and non-governmental organisations also sometimes referred to as global social movements (e.g. O'Brien et al 2000) have emerged. These new actors compete for authority with states in the global political economy (Higgott et al 2000). Labour from a liberal perspective can, thus, be conceptualised as a transnational actor, next to a range of other actors in a pluralist understanding of policy-making (e.g. O'Brien et al 2000, 67-108; Scholte 2000b; Smythe 2000). This neglects, however, the underlying social relations of production. As a result, liberal approaches are actor-centred, conceptualising 'transnational actors as autonomous entities rather than as embedded in, and indeed constituted by, transnational structures' (van Apeldoorn 2004, 148). By abstracting interest group interaction from the underlying power structure, however, it is overlooked that there are significant structural power asymmetries, placing especially transnational capital in a privileged position (van Apeldoorn 2004, 163).

Moreover, the fundamental role of labour and trade unions stemming from the capitalist social relations of production, and thus the very nature of the structural changes related to globalisation, is overlooked. As Coates makes clear, this neglect is mainly the result of an undue focus on capital mobility as the core feature of globalisation. Capital is regarded in a fetishised form as a ‘thing’ instead of a ‘social relationship’. Thereby, it is overlooked that capital can only realise itself on a global scale to the extent that real production processes are created on this scale. ‘Capital is more geographically mobile than it was in the past because it now has more proletariats on which to land’ (Coates 2000, 255). New strata of workers (e.g. women, rural workers and immigrants) have been employed in established capitalism and by spreading production processes to developing countries new proletariats have been additionally created, doubling the world proletariat to 3 billion people within a generation. Hence, through the transnationalisation of finance and production, capital ‘actually alters the balance and character of social classes, and does so increasingly on a global scale’ (Coates 2000, 256).

Comparative Political Economy (CPE) approaches provide alternatives of how to conceptualise the role of trade unions in the changing global economy. Rationale choice CPE approaches, on the one hand, take into account the production structure as one possible explanatory variable next to other factors (e.g. Frieden 1991, 438; Gourevitch 1986, 54-68). The response of trade unions and employers’ associations to opening up the economy to international competition and the related lobbying pressure on their government depends very much on the nature of the sector, it is argued. Unions and employers’ associations in export sectors are understood to favour open borders, while unions and employers’ associations in domestic production sectors generally prefer closed borders and state protectionism. In general, however,

they overlook the importance of national institutional set-ups for the strategies trade unions and employers' associations may adopt. Trade unions, regardless of a country's production structure, may continue to focus on the national level, if they enjoy good access to domestic policy-making. On the other hand, historical institutionalist CPE approaches and here especially the varieties of capitalism literature emphasise national institutional diversity. Kitschelt et al, for example, focus on how the various different national institutional set-ups mediate these pressures, ensuring a continuation of divergence of national models of capitalism (Kitschelt et al, 1999, 440-1). In short, the varieties of capitalism literature points out that there are different national institutional set-ups due to a historically specific development of capitalism, mediating globalisation pressures in different ways. Some argue that countries are likely to converge around two optimal solutions, either a co-ordinated market economy or a liberal market economy (e.g. Hall and Soskice 2001), others speak of three models of capitalism, i.e. the market-led, Anglo-American model, the negotiated/consensual model and the state-led model of capitalism (e.g. Schmidt 2002, 112-18). The main problem of this literature is, however, that in contrast to the rational choice CPE approaches, it overlooks the social relations of production underpinning particular national models of capitalism (Coates 2000, 176-7). Historical institutionalist approaches are, therefore, unable to explain why a particular set of institutions was established in the first place as well as to assess change emanating from alterations in the production structure.

Both sets of CPE approaches have further got the problem of being implicitly based on a state-centric understanding of globalisation. Increasing levels of trade and capital mobility across borders are identified as the two core characteristics of globalisation. 'More liberal trade and financial regimes have inspired vast new flows

of goods and capital across national borders, including a large increase in foreign direct investment' (Hall and Soskice 2001, 55; see also Iversen and Pontusson 2000, 23). As a result, trade unions as other actors are merely understood as domestic actors competing with each other over national adaptation policies to globalisation. Even where it is acknowledged that new actors have emerged at the international level in the form of pension funds and TNCs, they are understood as heavily connected to specific countries (Kitschelt et al 1999, 446; Schmidt 2002, 16, 27). Josselin's analysis of the position of British, German and French trade unions on EMU demonstrates this. She also treats trade unions as domestic actors, which adjust to external pressures be it EMU, be it globalisation (Josselin 2001, 55). They are not understood as being part of a wider restructuring changing the international state system. Nevertheless, globalisation as a new phenomenon is first and foremost characterised by the transnationalisation of production, not merely by increasing levels of economic interdependence (Bieler 2006, 47-54). TNCs clearly differ from export-oriented companies, the production facilities of which are still located at the national level and which, consequently, manoeuvre predominantly in one specific domestic context. Capital and labour related to TNCs are international actors, which potentially operate simultaneously within several different domestic arenas as well as at the international level.

A neo-Gramscian perspective can overcome the problems of liberal IR and CPE approaches by considering the social relations of production to be the starting-point of an investigation (Bieler and Morton 2004). Thus, the relations which organise material production are considered to be crucial for the wider institutional reproduction of social orders on both a national and an international level. By taking the social relations of production as a starting-point, a neo-Gramscian perspective

considers social class forces as engendered by the production process as the most important collective actors. Class is defined as a relation and the various fractions of labour and capital can be identified by relating them to their place in the production system. Most importantly, capital is opposed by labour. There are, however, further differences within the capitalist mode of accumulation. While production was organised on a national basis in the post-war era, significant parts have been transnationalised since the early 1970s as part of the globalisation process. As a result of the partial transnationalisation of national production structures, a basic distinction can be drawn between transnational social forces of capital and labour, engendered by those production sectors, which are organised on a transnational scale, and national social forces of capital and labour stemming from national production sectors (van Apeldoorn 2002, 26-34; Bieler 2006, 32-5).

A quantitative comparison with the Austrian, French and German production structures, taking into account absolute data of FDI flows and FDI stocks, but also indicators such as FDI flows as a percentage of gross domestic fixed capital formation and FDI stocks as a percentage of GDP, makes clear that both Britain and Sweden are highly transnationalised, while Austria is hardly transnationalised and France and Germany are somewhere in the middle (Bieler 2006, 55-67). In Britain, historically a strong international financial sector emerged independently from manufacturing early on. Hence, the latter had to rely on the stock market for large investments. In the 1960s, 'merger waves had led to a level of capital concentration which gave Britain the most highly concentrated large-firm sector in the world' (Lane 1995, 35). Sweden has fostered an impressive number of large TNCs and important parts of production were transnationalised as early as the turn from the 19th to the 20th century (Andersson et al 1996, 27-47). The degree of transnationalisation in

manufacturing with TNCs such as Volvo, Ericsson, Electrolux, etc., however, increased dramatically in the second half of the 1980s, when there was a drastic upturn in outward FDI. While inward FDI had only risen from US\$ 396 million in 1985 to US\$ 2328 million in 1990, outward FDI increased from US\$ 1783 million to US\$ 14136 million during the same period (Luif 1996, 208). In short, in Britain transnational labour can be expected in manufacturing and finance, in Sweden in manufacturing. National forces of labour are especially to be found in the public sectors of the two countries. These forces are located in the wider structure of the social relations of production, which do not *determine* but *shape* their interests and identity. Overall, the identification of the various fractions of labour and capital by relating them to their place in the production system makes structural changes such as globalisation accessible, since the emergence of new social forces engendered by the transnationalisation of production and finance can be incorporated. Globalisation, thus, is not only understood as an exogenous structural impact to which actors can merely respond. It is also regarded as enabling with transnational forces playing an active role, responding to and bringing about global structural change at the same time (Bieler and Morton 2001). In turn, if it is accepted that globalisation is brought about by identifiable agents, the possibility of resistance is suddenly clearer.

In addition to the changes in the social relations of production, neo-Gramscian perspectives identify a shift to neo-liberal economics at the ideological level as a key characteristic of globalisation. Neo-liberalism regained prominence in the 1970s as a political economy critique of Keynesianism, developed then into a programme of capitalist restructuring, first implemented in the USA and the UK during the 1980s, before it became associated with a positive interpretation of globalisation in the 1990s, developing into a hegemonic creed (Gamble 2001, Overbeek 1999). The exact

neo-liberal policies including privatisation, central bank independence, liberalisation, flexibilisation of the labour market, public sector restructuring, cutting-back of trade union rights, etc. and the extent of their implementation differ from country to country. Differences are also the result of the fact that there are two strands of neo-liberalism, the laissez-faire and the social market strand, which have a contrasting assessment of how the state can ensure best a fully functioning free market (Gamble 2006, 21-2). Nevertheless, all neo-liberal restructuring projects are based on two core assumptions: 'first is the belief that inflation is a greater threat to the general welfare than unemployment. Second is the belief that phenomena such as unemployment and inflation are due to the interventions of the state into an otherwise naturally self equilibrating economy' (Blyth 2002, 147). The fact that neo-liberalism became dominant is, however, not due to some kind of inert qualities. Rather, it was its material structure, the fact that it was pushed by the increasingly structurally powerful class fraction of transnational capital, supported by important forms of state such as the USA and Britain as well as international organisations such as the IMF and World Bank, which pushed it to the fore. Neo-liberalism, therefore, has to be understood as a project by capital to restore class power (Harvey 2006, 29).

The neo-Gramscian focus on class struggle in the explanation of structural change overcomes economic determinism (Cox with Sinclair 1996, 57-8). The essence of class struggle is exploitation and the resistance to it, and this confrontation of opposed social forces in concrete historical situations implies the potential for alternative forms of development. An analysis of production structures, however, only allows us to identify the specific social forces as core actors and the wider structural environment within which they operate as well as to formulate hypotheses. It does not imply that the identification of actors' location in the production process determines

their actual behaviour and ideological outlook. In other words, the social relations of production are only determining in the first instance, indicating possible strategies (Rupert 2000, 13-14). To uncover the actual positions and activities of unions is the task of an empirical investigation.

In general, it can be conceptualised that trade unions' positions reflect to some extent the interests of employers in their sectors. Since trade unions represent these employers' workers and job security and better wages and working conditions are workers' main concerns, the economic well-being of employers is crucial. Arguably, a stable monetary environment and institutionalised free trade are highly important for TNCs' activities across borders. Unsurprisingly, European TNCs were actively involved in bringing about the EU Internal Market and they also pushed for setting up EMU (van Apeldoorn 2002). At the same time, it can be conceptualised that trade unions in transnational production sectors become aware that the national level is no longer sufficient to exert some level of control over employers in these sectors. TNCs frequently attempt to play off one national labour movement against another, while they themselves plan their strategies from a transnational perspective. Hence, the following hypothesis can be formulated in relation to EMU:

that those trade unions, which represent workers in transnational production sectors, are likely to support EMU. They are also likely to engage in more extensive co-operation with other trade unions at the European level, to regain some of the control over capital lost at the national level. National production sector unions, on the other hand, are likely to oppose EMU, since it undermines national policy autonomy, on the support of which their economic sectors depend. Relying on the state, they may also be less concerned about European co-operation.

Nevertheless, although it has been accepted that social forces of labour are of a national and transnational nature and may operate at the national and international level, the structural environment of these actions has to be kept in mind. This is, first,

the structure of the production system, which engenders social forces as core actors. It is, however, also the different national institutional set-ups that matters. In principle, a neo-Gramscian perspective accepts that social forces operate within and through different forms of state (Cox 1989, 41). What is missing, however, is a conceptualisation of the structural impact these institutions have on social forces. To overcome this shortcoming, it is here suggested to extend the above insights with Bob Jessop's 'strategic-relational' approach to the state. As an institutional ensemble the state is the framework, within which various different strategies are possible. As such, however, the state 'can never be considered as neutral. It has a necessary structural selectivity' (Jessop 1990, 268), favouring certain social forces and strategies over others. Historically, capitalism emerged within already established states. As Lacher makes clear, 'the exclusive territoriality of capitalist political space derives not from the inner nature of capital, but from the way in which capitalism came to be born into a pre-existing system of territorial states' (Lacher 2006, 16). Hence, labour movements were formed in nationally distinctive ways and it was within states that trade unions developed their potential and became most effective in influencing concrete policy-making. This historical legacy implies that trade unions still look first at the domestic level when developing new strategies. Hence, the following second hypothesis can be formulated:

that those trade unions, which continue to enjoy good access to policy-making at the national level, are reluctant to co-operate at the European level, even if they represent transnational labour. On the other hand, it is those trade unions, which have lost influence at home, which are most in favour of supranational initiatives.

At first sight, it could be argued that the first hypothesis is simply a reflection of rational choice CPE approaches on the positions of trade unions and employers' associations (see above). The second hypothesis then adds institutions as an

additional, separate explanatory factor and it has to be empirically tested which variable is more decisive in which circumstances and for what reasons. Such a research strategy, however, overlooks that the apparent separation of state and market as well as other factors is only due to the historically specific way of how the social relations of production are organised around private property and wage labour within capitalism and the way the extraction of surplus value is organised not politically, but economically, since those who do not own the means of production are 'free', and thus economically compelled, to sell their labour power (Burnham 1995). Empirical pluralist approaches, in developing separate explanatory variables, reify this apparent separation into ahistorical categories. As a result, they cannot understand the historical specificity of capitalism, which in turn leads to an inability to question more fundamentally capitalist social relations. Nor is it possible to analyse the social purpose underlying unions' actions. For example, Josselin's analysis of EMU remains within the realm of the given and can only assess whether trade unions are in favour of European integration in general and EMU in particular (Josselin 2001, 71). The question of what kind of EU trade unions aspire to in relation to neo-liberal restructuring is not addressed. By contrast, here the focus is on the internal relations between the 'state' and 'market' – the way, for example, private property is legally ensured by the state – as well as other factors. They are regarded as the expression of the same social relations of production and while they and other forms of these relations may appear to be separate, they are internally linked precisely through the social relations of production (Bieler and Morton 2008). Hence, the two hypotheses do not imply that production structure and institutions are conceptualised as two separate, independent explanatory variables, the respective relevance of which can be systematically assessed. Rather, through a focus on class struggle and the agency of

social forces, which operate within and through national institutional set-ups, both factors are internally linked in an holistic approach, which can then be applied to empirical situations. Similarly, as a post-positivist, critical theory, a neo-Gramscian perspective does not intend to test and verify or falsify these hypotheses in order to establish causal relationships in an assumed objective world. Rather, the hypotheses raised here need to be understood as questions, guiding the empirical research in these two particular case studies. The questions can be applied to other case studies, but the empirical results cannot be transferred. In this article, it is then possible to analyse the underlying rationale of trade unions' position on EMU and to ask whether they have started to accept neo-liberalism. Equally, it is possible in the Conclusion to reflect on possible challenges to neo-liberal restructuring in the EU. In short, thanks to the critical theory nature of neo-Gramscian perspectives (Cox 1981, 129), this analysis adds the additional focus on the social purpose of trade unions' activities. This is a separate concern in that trade unions' positions on EMU and European co-operation do not determine their acceptance or non-acceptance of neo-liberal economics. It is this additional focus, which makes a clear contribution to mainstream approaches and their analysis of 'economic interests' and European integration, which so often concentrates almost exclusively on the form of integration at the expense of its contents (van Apeldoorn 2002, 11-13; Bieler 2000, 8).

The next section will analyse British and Swedish unions' positions on EMU and European co-operation in order to determine whether the expectations as expressed in the two hypotheses are correct, while also paying attention to the underlying rationale of their positions.

EMU and European co-operation: British and Swedish trade unions compared³

Split over EMU membership

The British TUC discussed EMU from the Delors appearance at the 1988 congress onwards (Interview No.2) and swung fully behind it in 1996 (Josselin 2001, 61). This positive position was confirmed during the following years. EMU would imply that exchange rate uncertainty was overcome, helping especially export-oriented manufacturing, which was suffering from an over-valued pound (Interview No.2). Remaining outside EMU, on the other hand, could imply that Britain drifted further apart from the rest of the EU. 'The TUC is particularly concerned at the statements attributed to a number of leading inward investors that the strong pound and the uncertainty about the Euro are threatening long-term investment in the UK' (TUC, 2000, 7). There were also concerns about being squeezed with a relatively unimportant currency between the US dollar bloc and the Euro-zone. The political implications of non-membership would be the relegation to a secondary place in the decision-making process, when the 12 finance ministers of the Euro-countries took their economic and monetary decisions (Interview No.2). The Social Dimension was, however, regarded as an absolutely essential part of EMU. In its statement to the 2002 TUC Annual Congress, the TUC General Council emphasised the 'continuing balance between economic and social progress, enshrined within the European Social Model' (TUC 2002, 1). Thus, the TUC raised various elements it considered to be important including the Social Chapter, a flexible interpretation of the convergence criteria, more regional funds, a co-operative growth strategy and democratic accountability of the ECB (Verdun 2000, 142, 155). In contrast to some of its affiliated unions (see below), the TUC was less worried about the potential damaging effects of the convergence criteria on public investment levels. The criteria themselves were not

regarded as unreasonable, as long as they were interpreted in a flexible way, and they would not be a problem for Britain, since the Chancellor Gordon Brown applied even tougher targets aiming for national debt below 40 per cent of GDP (Interview No.2).

This positive position on EMU was not shared by all affiliates. As expected in the first hypothesis, a split between unions representing workers in transnational production sectors and unions representing national social forces of labour can be identified. The Amalgamated Engineering and Electrical Union (AEEU) is taken as an example for transnational sector unions.⁴ Considering that the vast majority of the AEEU's members are in export-oriented or transnational manufacturing, which have suffered from exchange rate fluctuations in recent years, EMU membership was deemed to be absolutely necessary. The AEEU linked job losses in manufacturing directly to the launch of EMU in 1999. As Maureen Rooney stated on behalf of AEEU, then already re-named as AMICUS, at the TUC Annual Congress in 2002, 'in the past 18 months we have lost 250,000 jobs in manufacturing, and when the Engineering Employers' Federation talk to us they are saying that the threat of job losses are not threats but they will become a reality before we have a referendum, if we put it off for much longer' (TUC Annual Congress, 2002). Moreover, key investment decisions by foreign companies would be made on the basis of whether Britain participated in EMU or not. Finally, it was asked in what way Britain can continue to be a full EU member without actually being also a member of EMU. The convergence criteria were not feared, since public investment levels were at an all-time low anyway. There would also be some room for increased public investment within the criteria. The ECB was asked to consider more strongly employment levels in its monetary decisions, but one should not forget that unemployment was not necessarily due to EMU, but due to restructuring in times of globalisation. New jobs

should be the result of a strong economy, not created by the government for the sake of creating jobs (Interview No.4; see also Mulhearn 2004, 305).⁵ Together with four other unions organising workers predominantly in transnational and export-oriented sectors, i.e. the print union GPMU, the community union ISTC, organising workers in the steel and metal industries, the general union GBM (see below) and the National Union of Knitwear, Footwear and Apparel Trades (KFAT), the AEEU formed the movement *Trade Unionists for Europe* (TUFÉ). It is pointed out that even outside EMU 'Britain is already subject to the Growth and Stability Pact, the EU's common rules for government borrowing' (TUFÉ 2000, 11), while it would not have the same political input as other EU countries, who are also members of EMU.

On the other hand, unions in national production sectors fiercely oppose EMU. The public sector union UNISON is taken here as a representative example. UNISON's criticism was three-fold. Firstly, the convergence criteria would limit what countries can spend on public services. On behalf of UNISON, Jane Carolan made this clear at the TUC Annual Congress in 2002: 'The fundamental part of the Growth and Stability Pact is that the only goal of European economic policy is price stability, a policy based on tight control of interest rates and public expenditure' (TUC Annual Congress, 2002). Secondly, EMU would have a negative effect on employment and growth levels. Finally, EMU is rejected because of the ECB's lack of democratic accountability. In short, EMU is criticised for its underlying neo-liberal rationale and the concomitant restriction of an active employment policy. Rather than concentrating solely on low inflation, Britain would need strong investment in the public sector to create further employment (Interview No.3; see also Strange 1997, 17).

This split between national and transnational forces of labour is also noticeable within the general unions. Being a part of the TUFÉ movement, the GMB executive

supported by a majority of its members favours EMU membership at an early date. The main worries of the union were related to the job losses in manufacturing due to the overvalued pound (Interview No.1). At its congress in June 2001, the Central Executive Council of the union put forward a statement, which pointed to the problems of the current exchange rate for manufacturing, the potential loss of FDI in the future and lack of political influence on decision-making in the EU while remaining outside EMU (GMB, 2001). Nevertheless, about a third of the GMB members are employed in the public sector and this wing of the union opposed EMU (Interview No.1).

In Sweden, a similar split between transnational production sector unions and national sector unions can be observed. The Trade Union Confederation (LO), organising blue-collar workers, and several of its affiliates are taken as an example here. On the basis of an internal report on EMU (LO 1996), the LO executive board decided against membership in February 1997. It was concerned about the potentially deflationary implications of EMU (Bieler 2000, 103). At its congress in 2000, however, the position was re-assessed and a conditional 'yes' formulated. Politically, the strongest concerns were voiced about the danger of remaining outside the inner decision-making circle of the EU as a non-EMU member (LO 2000, 3). Economically, membership would help the Swedish economy to retain competitiveness as it most likely implied slightly lower interest rates in the long-term and even more room for a national fiscal policy (LO 2000, 4-5). The most important conditions put forward deal with the possibilities of how to counter asymmetric shocks within EMU, once adjustment via a free floating currency is no longer possible. Membership should only be an option, if a stable wage formation system

was secured in Sweden and so-called buffer funds established, which could be used in times of economic recession to stimulate domestic demand (Interview No.10).

Within LO, it was the Metal Workers' Union in 1997, which came out first in favour of Swedish EMU membership. The Metal Workers' Union represents workers in the transnationalised manufacturing sector, dominated by TNCs such as Ericsson, Electrolux and Volvo. It was argued that considering that the union's sector depends on TNCs, which operate on the European and even global level, the union simply had to follow capital to the European level to re-establish a balance between capital and labour lost at the national level. The convergence criteria were not considered to be a problem. If at all, they had a positive impact on Sweden, forcing it to focus on low levels of inflation and a consolidated budget, putting it now with a budget surplus of 2 per cent in a position to employ more people in the public sector. The establishment of buffer funds as a safeguard against asymmetric shocks was rejected. It would make no sense to take money out of the economy in times of stable budgets (Interview No. 38).

On the other hand, the Transport Workers' Union and the Union of Commercial Employees, both affiliated to the LO, opposed Swedish EMU membership. Both have experienced some transnationalisation within their sectors - in the areas of transport and the security industry in the case of the former, and the appearance of some large chains in the retail and wholesale sectors in the case of the latter. Overall, however, the members of both unions still work for small domestic companies and shops, indicating a predominantly domestic production structure. The Union of Commercial Employees took its first view of expression on EMU in 1997. Politically, the union was concerned about the loss of influence on monetary policy vis-à-vis the democratically unaccountable ECB. Economically, higher Swedish wage

increases due to near full employment would require a fluctuating exchange rate to counter asymmetric economic shocks. Moreover, the convergence criteria would cause mass unemployment and the ECB stifle economic growth due to its unnecessarily high interest rates (Interview No.5). This position was echoed by the Transport Workers' Union, the executive board of which decided to recommend its members a 'no' in the referendum. It pointed to the 1992 Swedish currency crisis, when the rigid peg of the Swedish krona to the Ecu had cost about 200,000 jobs in Sweden. Hence, the exchange rate was considered to be absolutely necessary for the stabilisation of the economy in times of crisis. The idea that buffer funds and/or a budget surplus would be enough was not regarded as realistic (Interview No.11).

British and Swedish unions and the issue of European co-operation

The division between British transnational and national sector unions on EMU was mirrored in a different emphasis placed on the importance of European-wide co-operation. UNISON considered both the national and European levels important for exerting influence and generally supported British EU membership (Strange 2002a, 348). Nevertheless, being in favour of an active employment programme in Britain, it had concentrated on the national level since Labour's return to power in 1997 (Interview No.3). It was the transnational sector unions, which were most in favour of European-wide co-operation. The AEEU was strongly involved with the European Metalworkers' Federation (EMF) and its attempts to co-ordinate national collective wage bargaining (Gollbach and Schulten 2000). In relation to European macroeconomic policy, the ECB was asked to consider more strongly employment levels in its monetary decisions (Interview No.4). The GMB with its majority of members from transnational manufacturing went furthest in its direct involvement in

Brussels. The EU level was considered to have become increasingly important and the union had maintained its own presence in Brussels for many years. It lobbied the Commission directly and had a close relationship with the Commissioner for Social Affairs (Interview No.1). Moreover, support for EMU did not imply acceptance of neo-liberalism. The union was strongly in favour of employment creating programmes at the national and European level, especially via European-wide infrastructure projects. It supported a larger budget for the EU to finance these projects and was in general in favour of a more expansive fiscal policy. If this implied going beyond the limits set by the convergence criteria, the GMB would not be worried (Interview No.1). UNISON's rationale for rejecting EMU clearly indicates its opposition to neo-liberal economics. Nevertheless, transnational labour and the TUC too, despite their support for EMU and European co-operation, continued to question neo-liberal restructuring. They made the further development of the Social Dimension an absolute precondition for their support of EMU (Interview No.2). The TUFÉ movement spelled this out most clearly by pointing out that 'without a strong framework of employment and social rights the EU will fail to gain the support of its citizens' (TUFÉ 2000, 6). This emphasis on the Social Dimension also included a commitment towards 'developing a European industrial relations system as part of this process' (TUFÉ 2000, 16).

While the positions on EMU by Swedish unions showed a similar split between national and transnational production sectors as in Britain, the attitudes towards co-operation at the European level by transnational sector unions was markedly different. National sector unions, as in Britain, were sceptical about the possibilities of European co-operation. The Union of Commercial Employees could not make out any substantial, concrete results of the Social Dimension. More

international co-operation was necessary, it was argued, but only in order to strengthen trade unions at the local and national level, since change had always come from below. Due to the different national labour legislations, tax systems and social insurance systems, the co-ordination of bargaining at the European level would be impossible. The transfer of union competencies to the European level was rejected outright (Interview No.5). From the perspective of the Transport Workers' Union, the EU social dialogue was valued too highly. The results would be simply too meagre and the fact that there was no right to take industrial action at the European level would significantly weaken the potential role of unions. Because there was no threat of transferring production abroad in the union's sectors, the co-ordination of wage bargaining was not deemed to be urgent (Interview No.11).

Unlike transnational labour in Britain, however, the Metal Worker's Union, although arguing that a balance between capital and labour needed to be re-established at the European level, stated in contrast to the expectations of the first hypothesis that the lobbying of the Swedish government was still the most important way to influence policy-making. European-wide collective wage bargaining was rejected and the attempts of co-ordinating wage bargaining by the EMF would play no role in collective bargaining in Sweden. Rather, manufacturing unions and employers would still look at what happened in Germany and sometimes other EU countries (Interview No.7). What is additionally striking in contrast to British unions is the fact that a further development of the Social Dimension was not put forward as a condition for support for EMU, nor was it mentioned in the context of EMU. In 1996, the LO team stated in its report on EMU that 'if a monetary union is to be discussed at all, in our opinion it must be balanced by an equally strong employment union' (LO 1996, 64). The conditional pro-EMU conference decision in 2000, however, neither referred

to the idea of employment union, nor did it mention a further development of the Social Dimension (LO 2000). In general, the whole debate in Sweden about EMU oscillated around the question of how to stabilise the national economy as an EMU member in times of economic recession. Transnational sector unions argued that a budget surplus was enough, some argued in favour of additional buffer funds, and those unions opposed to EMU argued that retaining the exchange rate was essential. The possibilities of how to generate economic growth and jobs at the European level were not explored in the discussion on EMU (Interview No.9). Nor was there an outspoken criticism of neo-liberalism with the exception of the domestic production sector unions. In order to explain the reluctance of Swedish transnational labour to cooperate more extensively at the European level, the next section will compare the British and Swedish forms of state. The potential for trade unions to influence policy-making in each country is analysed, thereby turning to the second hypothesis of this article.

Unions position within the British and Swedish forms of state

Historically, a cornerstone of unions' influence on British policy-making was their close link to the Labour Party (Ludlam et al 2002, 223-5). This ensured that unions had excellent access to government, when Labour was in power. Moreover, British unions had experienced a remarkable growth in strength from the mid-1960s to end-1970s as far as membership levels and political influence were concerned (Howell 1999, 28). Nevertheless, this was based on voluntarism and depended on full employment and state support. Unions did not seek the institutionalisation of their rights. This made it easy for both the state, then led by a Conservative government, and the employers to push back unions in the 1980s and 1990s. The Conservative

government made industrial action more difficult for unions and employers moved towards a decentralisation of collective bargaining, opted for flexibility and some even de-recognised unions outright. As a result, 'collective bargaining between unions and employers is no longer the dominant system of industrial relations' (Howell 1999, 30). Looking at the British form of state during the 1980s and 1990s from a strategic-relational point of view indicates that whatever position unions adopted and whatever policies they wanted to influence within Britain, there was no contact point. It was during this time of Conservative government, that the British unions changed their historically negative position on membership in the European union (Rosamond 1998, 134). Since then, the TUC and its affiliated unions concentrated on the further expansion of the Social Dimension. First results of the social dialogue between the European Trade Union Congress and the Union of Industrial and Employers' Confederations of Europe at the European level leading to a directive on parental leave in 1996, a directive on atypical work in 1997 and a directive on fixed-term work in 1999 transformed British unions into one of the strongest supporters for European integration in the UK. As demonstrated above, there is a internal union conflict over EMU, but none of the unions opposed to EMU would link this to a general rejection of British membership in the EU (Strange 2002a and 2002b).

Since Labour's return to power, trade unions have re-gained better access to government. New Labour introduced a minimum wage, established statutory union recognition and signed up to the EU social chapter, the latter going hand in hand with unions' own focus on EU level developments. Those, however, who thought that with a Labour government the national form of state would provide better structural possibilities for influencing policy-making were disappointed. Already while the Labour Party was still in opposition, the close party-union ties had been relaxed.

Unions' share of the party conference vote was reduced to 49 per cent in 1995. The number of seats on party committees was cut back as was the union share of party funding (Ludlam et al 2002, 228-30). Moreover, despite the Labour government's advances, actual policies did not fulfil unions' hopes. The minimum wage remained below union expectations, the statutory union recognition was watered down, Conservative employment legislation was not repealed and social partnership in the form of tripartism not institutionalised beyond the Low Pay Commission (McIlroy 2000a, 16-26). Privatisation in the public sector has continued through New Labour's attempt to attract private investment to the public sector via Private Finance Initiatives (PFI) (McIlroy 2000b, 9-12). Finally, trade unionists were side-lined in the selection to advisory groups and task forces established by New Labour. 'Only 31 places were occupied by trade unionists, and more than 350 by business people' (McIlroy 2000b, 5). In short, unions are still disadvantaged in their influence on policy-making within the structural selectivity of the British form of state. It is clear, why in this situation unions especially in the transnational production sectors have been looking towards the EU level for improvements. They simply have no structural alternative than to move their emphasis abroad.

In Sweden, the developments at the form of state level were different. Traditionally, unions had close contacts to the Swedish Social Democratic Party (SAP). Collective bargaining took place at the national, multi-sectoral level, with LO on the trade union side and the Confederation of Swedish Employers (SAF) on the employers' side setting a 'solidaristic' wage across the whole economy (Ryner 2002, 82-4). The SAP supported union-employer co-operation through a policy of full employment and an active labour market policy. At the beginning of the 1990s, this favourable position of the institutional set-up within the Swedish form of state

changed drastically. First, the SAF withdrew from collective bargaining in the spring of 1990 (Pontusson 1995, 39). Then, the SAP government abandoned full employment as its main policy goal, replacing it with low inflation (Notermans 1993, 148). When, in 1991 a coalition government led by the conservative Moderate Party came to power, possibilities for trade unions to influence policy-making were at an all-time low. The SAP returned to power in 1994 but continued with its focus on low inflation and a consolidated budget as main priorities (Blyth 2002, 237). Some austerity measures were pushed through parliament against LO's will. Especially the 1996 Congress was a congress of conflict with the government over changes in the labour law (Interview No.10).

Collective bargaining, however, experienced a revival in 1997. The Engineering Employers' Association (VI), representing employers in the transnational manufacturing sector, would have preferred further decentralisation of wage bargaining towards cross-collar agreements at the firm or divisional level (Mahon 1999, 134). Nevertheless, VI was isolated within the Swedish Employers' Association in this respect, there was resistance within the VI by smaller companies and unions did not respond positively towards decentralisation of bargaining either. Finally, VI itself felt the disadvantages of decentralisation, when a higher wage settlement in the paper and pulp industry in 1995 forced VI to settle with the Metal Workers' Union at a similarly high level (Thelen 2001, 87). Hence, transnational employers retained a commitment to sectoral wage bargaining. However, not only transnational sector employers, but also unions were in favour of a revival of sectoral bargaining. This can only be understood against the background of a favourable economic development reflected in economic growth in the second half of the 1990s with up to 4 per cent in 1999 and 2000 (OECD 2001, 23-4) and a resulting changed position by the unions on

inflation. Once the Swedish government had decided to focus on low inflation as main policy target and renounced the possibility to devalue the Swedish krona in order to restore competitiveness of the Swedish economy - policies which were also strictly adhered to by the SAP when returning to power in 1994 - the pressure was put on wage formation not to lead to higher agreements than in neighbouring countries. Hence, nominal wage increases were much lower than in the 1970s and 1980s. Nevertheless, due to low inflation levels (consumer price index) of under 2 per cent between 1996 and 2000 (OECD 2001, 34), real wages actually increased, while large nominal wage increases in the past had often been crowded out by high inflation. Suddenly, low inflation levels were regarded as positive. This favourable assessment was further supported by the fact that Sweden despite its policy of consolidated budgets managed to half unemployment from 8 per cent to 4 per cent between 1996 and 2000 (OECD 2001, 23, 88). Overall, as a result, trade unions no longer question the neo-liberal low inflation policy and they have accepted that it has been and will be absolutely essential to keep wage formation under control to retain the international competitiveness of the Swedish economy and the related high levels of employment (Interview No.6).

It is, therefore, no surprise that it was the transnational sector unions, white-collar as well as blue-collar, which signed in 1997 an industrial agreement, updated in 1999, with their counterparts of the employers covering all private sector industries. The agreement included the formulation of common assessments of the economic situation and an agreement on rules and procedures about collective wage bargaining at the sectoral national level, including the imposition of an impartial chair should negotiations stall. 'The purpose is to allow each party to conduct their union negotiations constructively, without industrial action, and to reach a new agreement

with a balanced result before the old agreement expires' (Industrial Agreement 1999, 2). This Industrial Agreement was path breaking in the re-co-ordination of collective bargaining at the sectoral level, with one trade unionist hailing it as the new Saltsjöbaden agreement (Interview No.8).⁶ It was soon followed by similar agreements in other sectors. In 2000, the Swedish government established a new Mediation Authority to support further a smooth running of the wage formation system. By then, following the example of the Industrial Agreement of 1997, already '60% of the Swedish labour force [had been] covered by collective agreements that provide their own framework for mediation, and are thus excepted from the statutory rules' (Eironline 2001). In short, corporatist bargaining has been re-organised in Sweden, albeit at the sectoral level and with stronger government involvement.

It is this focus on co-operation with employers over wage bargaining at the national level against the background of a favourable economic development, which explains Swedish unions' acceptance of a low inflation policy as well as their relaxed attitude towards the neo-liberal convergence criteria. This revived system gives unions clear structural possibilities of influence within the Swedish form of state, which make a stronger focus on EU level developments appear less urgent. To summarise, this confirms the second hypothesis that those unions, even if they represent transnational production sectors, are less likely to opt for European co-operation, if they enjoy a strong position within the structural selectivity of the national form of state.

Conclusion

This article introduced a neo-Gramscian, critical IPE perspective extended with a strategic-relational approach to the state, able to comprehend labour's role in the

processes of transnational restructuring and, thus, able to conceptualise labour as a potential international actor without neglecting specific national institutional set-ups. Applied to a comparative analysis of British and Swedish trade unions and their positions on EMU and European co-operation, it was revealed that in line with the first hypothesis transnational forces of labour in both countries were in favour of EMU, pointing to the importance of gaining political say via membership. By contrast, national labour opposed EMU, referring to the deflationary implications of a monetary and economic policy, which is mainly focused on price stability and low inflation. The views of transnational labour, however, diverged over the emphasis on European co-operation. While transnational British unions put stronger emphasis on further developments at the European level, transnational labour in Sweden relies predominantly on its co-operation with transnational capital and the government at the national level. It concentrates on the question of how the national economy can adjust in times of economic recession, once a free-floating currency is no longer available as a stabiliser within EMU. In contrast to Britain, where the form of state leaves labour hardly any space of structural impact, the Swedish form of state with labour's privileged access to the Social Democratic government and the strong bargaining structure with capital at the sectoral level allows labour much better influence on policy-making than the EU institutional set-up currently offers.

The different orientation has a potentially drastic impact on the formation of the future European model of capitalism. Concentrating on the social purpose underlying British unions' positions, it has been shown that not only UNISON, which opposes EMU, but also those unions in support of British membership reject neo-liberal restructuring and demand a further development of the Social Dimension and a stronger emphasis on employment instead. As Strange outlines, Euro-Keynesian

macro-economic management based on an ultimately centralised fiscal and monetary policy in a federal union combined with EU social partnership industrial relations is put forward by the British labour movement as a new project (Strange 2002b, 356-7). This framework could provide the basis for a challenge of the currently dominant neo-liberal development of the EU. In the mid-1990s, Swedish transnational labour indicated that it may become a powerful ally of such a project. While it had supported Swedish EU membership along with transnational capital, it had made clear that this should not lead to the further neo-liberal restructuring of the Swedish form of state. Instead, it 'demanded additional joint employment programmes and sometimes even a relaxation of the convergence criteria and the acceptance of a slightly higher rate of inflation in order to create more jobs' (Bieler 2000, 120). The Swedish debate over EMU membership, however, indicated a departure from this international outlook. The main debate was about how Sweden could adjust in times of economic recession, not about developments at the European level. This was based on the acceptance of a policy focusing on low inflation and the emphasis that wage formation was responsible for the maintenance of Swedish competitiveness, thereby adopting some core neo-liberal tenets. Whether unions can maintain this position in future economic recessions is an open question. What is relevant for the prospects of Euro-Keynesianism is that Swedish labour is currently unlikely to be a driving force in this project. Only a further development of unions' influence at the European level may convince Swedish unions to turn their focus to the EU again.

Interviews

Interview No.1: General Secretary, General, Municipal and Boilermakers' Union (GMB); London, 28/03/2001.

Interview No.2: Senior Economist, Trade Union Congress (TUC); London, 28/03/2001.

Interview No.3: Head of Policy, UNISON; London, 2 May 2001.

Interview No.4: International Officer, Amalgamated Engineering and Electrical Union (AEEU); Hayes (Kent), 23 May 2001;

Interview No.5: Economist, Union of Commercial Employees/LO; Stockholm, 20 June 2002.

Interview No.6: Head of Research Department/Researcher, Building Workers' Union (BYGGNADS); Stockholm, 20 June 2002.

Interview No.7: EU - co-ordinator, Research Department, Metal Workers' Union/LO; Stockholm, 20 June 2002.

Interview No.8: Researcher/Researcher/Union Officer, Negotiator/International Secretary; Industrial Workers' Union/LO; Stockholm, 24 June 2002.

Interview No.9: Head of Research, Paper Workers' Union/LO; Stockholm, 24 June 2002.

Interview No.10: International Economist, LO; Stockholm, 25 June 2002.

Interview No.11: International Secretary, Transport Workers' Union/LO; Stockholm, 26 June 2002.

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² France’s and Germany’s repeated failure to fulfil their obligations within the SGP has led some commentators to argue that the Pact has been abandoned. Nevertheless, while the reform of the SGP in March and June 2005 made its implementation more flexible, member countries are still obliged to meet the criteria and be it in a slightly longer time frame. Additionally, it has to be noted that both France and Germany continue working towards meeting the criteria in the future. In short, the price stability policy as exemplified by the SGP continues within the EU (Howarth 2006: 84-5).

³ In this article, a limited, but representative sample of British and Swedish unions are analysed. For a more comprehensive study, which confirms the findings of this article, see Bieler (2006).

⁴ In January 2002, the new union AMICUS was formed as the result of a merger between the AEEU and the union Manufacturing Science Finance. In this research, the AEEU is considered as a separate actor, since its policy on EMU was formed prior to the merger.

⁵ UNIFI, representing around 150,000 workers in the highly transnationalised finance sector, also endorsed EMU membership as expected in the first hypothesis (Bieler 2006, 134).

⁶ In 1938, Saltsjöbaden was the place of a famous agreement between the central organisations of capital and labour, preparing the way for industrial peace and the establishment of the Swedish Model.