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HOMO EUROPUS

To commemorate its most famous export, the German city of Trier made an unusual choice of speaker. European Commission president Jean-Claude Juncker delivered the speech honouring Karl Marx on his 200th birthday in May 2018. 'What Marx analysed, what he suggested, what he has left us', he said, '*Capital*, *The Communist Manifesto*, contributed to changing the world. It inspired many people of different provenances and fealties.' Juncker was sanguine about how Marx the 19th-century theorist related to 20th-century political history. 'One has to understand Marx in his time, and not express prejudices based on the certainties of hindsight', he urged his audience. 'Marx is not responsible for all the abominations for which his supposed heirs have to answer'. After this careful appropriation of the world's premier revolutionary thinker, Juncker turned to the present. 'The European Union is not a flawed construction, but an unstable one. Unstable because Europe's social dimension remains the impoverished dimension of European integration', he said. Channelling the eleventh thesis on Feuerbach, Juncker declared that 'we must change this'. In his native Luxembourg, Juncker has always been on the left wing of his party, the Christian Social People's Party (CSV). But as his term at the head of the EU's executive branch draws to a close, he has placed a renewed emphasis on the idea of a 'social Europe'.

Juncker's late-career paean to Marx contrasts with his Commission predecessor José Manuel Barroso, the Portuguese ex-prime minister who began as a Maoist and retired to a board position at Goldman Sachs. The Luxembourger has been more constant in his trajectory over the course of a 40-year political career, of which he has spent an astounding 35 in cabinet-level positions: 20 years as Luxembourg's finance minister, 18 as its prime minister, 8 as chairman of the Eurogroup of finance ministers and 5 as president of the Commission. Such longevity, not uncommon among Central Asian despots, is remarkable at the head of multi-party coalition governments. Juncker's political career is a metonym for the evolution of the European Union. At the same time, the peculiar history of the country that produced him illustrates how the continent's leaders have reconciled their constituents to change in an era of neoliberal globalization.

Interpreting Juncker's politics is often a projection of one's view of the EU. In the collective delirium of Brexit, British tabloids portray Juncker as a German-speaking autocrat, but he is a broker rather than a disciplinarian. The *New York Times* calls him 'inscrutable', but few European statesmen are so goofy and loose-mannered. To nationalists around Europe, his personal habitus reeks of the insider politics of the EU, in which smugness masks incompetence. A glad-hander who is fond of cigarettes and fine wines, Juncker represents the old boys' instincts of a largely masculine political class. His cheerful play-acting demeanour simultaneously offends and disarms. Yet behind the occasionally drunk buffoonery hides a veteran political operator.

The reasons to dislike Juncker are plain, but his strengths are more subtle and long-lasting. He possesses a charitable style and negotiating stamina that can only be acquired in countries with a compromise-oriented political culture. Nowhere in Europe has parliamentary politics been dominated by Christian Democrats for as long as in Luxembourg. The son of a steelworker, Juncker's strategy to preserve national autonomy in the global economic arena emerged in the wake of the crises of the 1970s. He has perfected a flexible intergovernmental style of politics among European capitals while preserving Luxembourg's welfare state by transforming its economy into a leading corporate tax haven and financial hub. In Europe, only Ireland is home to more tax-dodging multinationals, and only the City of London hosts more dark money; Luxembourg attracts both. This buccaneering business model was a symptom of the deregulated capitalism that produced the 2008 financial crisis, but it has survived even as the EU has undergone a period of great stress. A childless man with few passions beyond politics, Juncker continues to practise his craft. His jovial steadfastness in the corridors of global power has earned him respect even from Trump, who told him last summer at a G7 summit in Canada, 'Jean-Claude—you are a brutal killer.'

Between France and Germany

Wedged between the Belgian Ardennes to the north, the German Eifel region to the east and the French department of Lorraine in the south, Luxembourg has been a crossroads for many centuries. Ösling, the northern part of the country, is covered in forested hills and river valleys; its flatter southern two-thirds, the so-called Gutland, holds the vast majority of the territory's 600,000 inhabitants. Most natives speak Luxembourgish, a Germanic language with strong French influences. Juncker was born in 1954 in the village of Redange, 4 miles from the Belgian border. But 'JCJ' spent much of his youth 20 miles further south in Belvaux, an industrial hamlet on the French border located at the heart of the iron ore-rich *terres rouges*. Just 10 miles northeast of this manufacturing concentration, on an elevated plateau, lies Luxembourg City. Being able to move from village life to a factory town to the capital city in the space of 30 miles gives an indication that Luxembourgish politics is provincial in a literal sense.

Luxembourg City is the site of an impressive fortress founded in 963 by Sigfried of the Ardennes. Built into a promontory known as the Bock, the stronghold expanded over the centuries to include multiple hills and hundreds of towers, casemates, redoubts and tunnels. Sigfried's descendants became powerful counts who held the title of Holy Roman Emperor during the late 14th and early 15th centuries. Yet Luxembourg was too small to develop an autonomous base of political power. Ruled in succession by the Dukes of Burgundy, the Habsburgs and the French, Luxembourg was primarily the prized possession of others. The 'Gibraltar of the North' was considered the most impregnable fortress in northern Europe; even French fortress architect and master-besieger Vauban confessed to Louis XIV's Minister of War in 1684 that 'there are some events of which God alone knows the outcome and its time frame . . . the time when this place will be captured is not something that a man of good sense would dare to guess at'.[1]

After the fall of Napoleon, Luxembourg was re-established as an independent grand duchy. To quell French revanchism, the new state became

[1] Vauban to Louvois, 14 & 26 May 1684, in Albert de Rochas d'Aiglun, *Vauban, sa famille et ses écrits, ses oisivetés et sa correspondance*, Paris 1910, vol. 2, pp. 235, 239.

part of the German Confederation, with Luxembourg City occupied by a Prussian garrison; but to appease the new Kingdom of the Netherlands, the Grand Duchy was put under the control of the Dutch royal family, the House of Orange-Nassau. This convoluted arrangement came under pressure from nationalist uprisings and the vicissitudes of inter-state politics. The 'Luxembourg Question' nearly provoked great-power wars in the 1830s and 1860s. In response to the Franco-German diplomatic crisis of 1867, Luxembourg was made neutral, forbidden from having a standing army and evacuated by Prussian troops, its majestic fortress dismantled. Foreign control loosened further when the Dutch king died without male heirs in 1890, putting the country under its own ducal family, the Nassau-Weilburgs.

Despite growing political autonomy, Luxembourgers remained economically tied to their neighbours. Iron ore was first discovered in 1842. Together with the ore basins of Alsace and Lorraine, this made Luxembourg a natural complement to the coal fields of southeastern Belgium and the German Ruhr. As elsewhere, industrialization was a wrenching process. Recurring famines drove almost a third of the population to migrate to the US during the 19th century. Those who remained had little choice but to seek work on the estates of wealthy farmers or enter the iron mines and steel mills of the *terres rouges*. When the domestic labour supply began to run short, workers from Poland and Italy gravitated to the region. Vertical integration in the steel industry accelerated pan-European migration. The Grand Duchy was at the heart of a cross-border production complex that moved fuels, ores and workers across four countries.[2] As a part of the German federal customs union, the Luxembourgish economy benefited from the rapid industrial growth of the Reich, but also suffered under its disciplinary practices. Workers' living districts in the steel towns of Esch and Differdange were patrolled by the *Hüttenpolizei*, a locally recruited security force on horseback doubling as factory overseers and sheriffs. On the eve of the First World War, the steel sector provided 60 per cent of industrial employment in the country.

Luxembourg's politically astute Grand Duchess Marie-Adélaïde remained friendly with German authorities during the War, raising Allied

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[2] Carl Strikwerda, 'The Troubled Origins of European Economic Integration: International Iron and Steel and Labour Migration in the Era of World War I', *American Historical Review*, vol. 98, no. 4, 1993, pp. 1106–29.

suspicions. After the Wilhelmine armies surrendered in November 1918, workers and farmers tried to establish a soviet in Luxembourg City, without success. Socialists and liberals attempted a republican coup two months later, but they too were stopped, this time by the intervention of French troops, called in by the new grand duchess, Marie-Adélaïde's sister Charlotte. Quickly affirming her rule through a referendum, Charlotte introduced universal suffrage. She replaced the economic patronage of Berlin with that of Brussels, guiding Luxembourg into a monetary and customs union with Belgium. During her 45-year reign Luxembourg's political balance was dominated by the Party of the Right (Rechtspartei), which represented rural notables and wine-growers in the Moselle valley in the east but also attracted steelworkers' votes with Christian Socialist ideas.[3] The Rechtspartei's fusion of rural Catholic anti-communism and trade unionism pervaded the conservative working-class milieu in which Jean-Claude's father Joseph was born in 1924.

Despite the realignment with France and Belgium, Luxembourg's main steel conglomerate, ARBED, was economically dependent on German capital. Weimar industrialists parked large fortunes across the border to evade hyperinflation and labour unrest at home. Luxembourg's history as a tax haven began under the premiership of Joseph Bech (1926–37).[4] In 1929, Bech granted major tax advantages to holding companies, prompting international capitalists and wealth owners to relocate their assets to the Grand Duchy; within a decade more than 1,100 holdings had set up shop.[5] Foreign capital was not the only thing to which 1930s Luxembourg opened itself up. Influenced by the ideas of Maurras in France, Degrelle in Belgium and Dollfuss in Austria, Catholic integralists were interested in establishing an authoritarian corporatist state.[6] In 1937 they pushed Bech to outlaw the Communist Party, but this 'muzzling law' was narrowly rejected in a popular referendum, prompting Bech's resignation.

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[3] Lucien Blau, 'Un tour de force réussi: du parti de la droite au Parti chrétien-social', *forum für Politik, Gesellschaft und Kultur* 203, October 2000, pp. 25–30.

[4] Vanessa Ogle, 'Archipelago Capitalism: Tax Havens, Offshore Money and the State, 1950s–1970s', *American Historical Review*, vol. 122, no. 5, 2017, p. 1437.

[5] Luxembourg was a haven for the corsairs of Europe's airwaves, too: the English-language Radio Luxembourg was founded in 1933 to circumvent the BBC's radio monopoly in Great Britain; it used the world's most powerful private transmitter to broadcast commercial radio from the continent over the British Isles.

[6] Lucien Blau, 'Histoire de l'extrême-droite au Grand-Duché de Luxembourg au XXe siècle', PhD dissertation, Université de Metz 1995, pp. 53–75, 134–43.

During the Second World War, Hitler went much further than the Hohenzollern emperors in incorporating Luxembourg into his realm. To the Nazis the Luxembourgers were a Germanic people led astray by the malign Latin influence of France; racial re-education would return them to their Aryan roots. In 1942 Luxembourg was annexed into the German Reich, put under the control of an NSDAP Gauleiter, and had its male population conscripted into the Wehrmacht as ethnic German subjects of the Führer. Joseph Juncker was one of those drafted to fight the Red Army on the Eastern Front. After being taken prisoner, he ended up in a Soviet camp in Odessa. Luxembourgers in German uniform were lucky, since the Soviet authorities classified most of them as Frenchmen and repatriated them to the West.

Northern Luxembourg became a battlefield in the final stages of the War, as American forces beat back the last Nazi offensive in the Ardennes (upon his death in 1945, General Patton was buried in Luxembourg City). The first post-war elections were so divided that a government of national union took office. Bech returned to power to control the premiership, finances and foreign affairs together with party colleague Pierre Dupong, leaving the other ministries to Social Democrats and Liberals. The unity cabinet of 1945–47 was the first and only time in Luxembourgish history that the Communist Party was in government: the gynaecologist and French resistance veteran Charles Marx served as Minister of Social Assistance and Public Health. Without significant parliamentary opposition, the Communists and Social Democrats were able to nationalize the railways and introduce protections for workers.

The beginning of the Cold War ended this period of experimentation. Grand Duchess Charlotte moved Luxembourg resolutely into the American fold. Ending its historic posture of neutrality, Luxembourg became a founding member of NATO. Seventy-eight Luxembourgers went to fight Communist forces in Korea. In the meantime, after returning from Soviet captivity, Joseph Juncker had married Marguerite Hecker. By the time their son Jean-Claude was born in 1954, a new European political order was coalescing around the burning of coal and the tempering of steel.

From steel to finance

European integration has a powerful founding myth. Beginning with Robert Schuman's famous May 1950 speech, France and West Germany chose to transcend longstanding rivalries to mend the damage and division of war. But in the heartland of the founding Six, economic integration was nothing new. For the inhabitants of Luxembourg's steel country, the restoration of transnational production was a return to business as usual. After the War, Joseph Juncker worked at the ARBED steel plant at Belval, where he served on the factory's Christian trade union (though one rumour has it that he traded the labourers' *bleu de travail* for the khaki-green uniform of a *Hüttenpolizist*).[7] His son Jean-Claude attended middle school at a Belgian monastery and attained his high-school diploma in Luxembourg in 1974. He joined the CSV that same year.

As the successor to the interwar Rechtspartei, the CSV was a natural home for people from working- and lower-middle-class backgrounds like the Junckers. The party had rebranded itself in 1944; as its new name suggested, the CSV was more directly concerned with the Luxembourgish working class, which it wanted to tie into a national compact with farmers, steel capitalists and wine-growers through generous social provisions. The CSV's Pierre Werner embodied this outlook, governing from 1959–74 and 1979–84 in coalitions with liberal and labour support. The Juncker family was deeply embedded in this web of party, church, work and welfare. Besides his father's trade-union work, Jean-Claude's uncle was the Christian Democratic mayor of the little town of Ettelbrück. In the year that he joined the party, the CSV lost power for the first time. But in the long run, this brief interlude only served to accentuate its political hegemony: Luxembourg has had a CSV prime minister for 63 of the 74 years since the Second World War.[8] Manufacturing troubles were the root cause of the CSV's shock 1974 defeat. In that decade, the global steel industry was at the peak of its capacity. Luxembourg's output had sextupled since the War, and steel-making employed more than 25,000 workers, some 16 per cent of the national labour force. In the early 1970s, a world glut combined with oil-price spikes sent the sector into a deep recession.

The crisis refocused the attention of Luxembourg's Christian Democratic elite, keen to play a leading role in Europe, on problems at home. From 1959, Werner had aimed to position himself as a power-broker mediating the demands of Gaullist France and a strengthening West

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[7] 'Mythes et légendes', *d'Lëtzebuerger Land*, 23 September 2011.

[8] Since the introduction of universal suffrage in 1919, the Rechtspartei and CSV have only been out of power in 1925–26, 1974–79 and since 2013—twelve years in a century.

Germany. He was also an avid financial innovator. As a wartime banker and delegate at the Bretton Woods conference he had cultivated connections to US financial circles that would be crucial in the next phase of Luxembourg's development. American banks and investment funds fleeing domestic regulations had opened branches in the Grand Duchy as early as 1959. Luxembourg's lack of a central bank meant that they did not need to maintain legal minimum reserves and benefited from light oversight. In 1962, the National Bank of Belgium instated direct swap lines with the US Federal Reserve, allowing the Fed to stabilize the dollar exchange rate as American capital began to pour into the Grand Duchy.[9] The Kennedy Administration imposed an Interest Equalization Tax to prevent the US balance-of-payments deficit growing too much, yet a group of European banks had already evaded these constraints by using Werner's Luxembourg. In July 1963, they issued the first 'Eurobond'—a privately created dollar loan of $15 million for Italy's state road-building company—on the Luxembourg stock exchange.[10]

Werner did more than bring in foreign banks. Anticipating that Europe would eventually grow out of the bounds set by the Bretton Woods system, he also proposed a European monetary union as early as 1968. But the possibility of monetary harmony was destroyed by American departure from Bretton Woods in 1971 and the oil crisis two years later. By then the steel sector was struggling, and ARBED's output had fallen by half. Succeeding Werner in 1974, Liberal leader Gaston Thorn devised a rescue strategy, the Steel Plan, which involved the state, industrialists and trade unions in a corporatist fix. Converting the national economy from heavy industry to banking and services was a long-term effort. The government took over almost half of ARBED's shares, offered early retirement to workers and stopped indexing wages to inflation. Public spending rose to nearly half of GDP by the 1980s. Due to the CSV presence in the unions, this transition went relatively smoothly. Luxembourg became one of the first countries to deindustrialize itself almost by consensus.

In 1979, at the age of twenty-four, Juncker finished his degree in law at the University of Strasbourg, and became parliamentary secretary

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[9] Under its Bretton Woods-era swap lines (1962–71), the volume of the Fed's exchange of currency with Belgium and Luxembourg ($2.4bn) was larger than its swaps with West Germany ($1.4bn) or France ($1.2bn).

[10] '$15m Autostrade Loan, Consortium Headed by Warburgs', *The Times*, 19 June 1963.

of the CSV. Werner had returned to power, while Thorn had gone to Brussels to become the first Luxembourgish president of the European Commission. There were other promising young politicians on the scene; Viviane Reding, a Sorbonne-educated journalist, entered parliament as the third most popular candidate among CSV voters in the south of Luxembourg, whereas Juncker ended in fifteenth place. Yet when the position of State Secretary for Labour and Social Security opened up in 1982, he was picked by the inner circle of Werner's party-state. Juncker owed some of his power to his self-presentation as the leader of a group of 'young wolves' who wanted to modernize the CSV in the wake of its 1974 defeat, emphasizing the importance of capturing the political centre. He rejected the conservative Catholic aura of the senior leadership in favour of appealing to new voter groups, including working women, in the name of a 'pragmatic generation'. Juncker raised the solidarity tax to redistribute the costs of deindustrialization. Elected to parliament in 1984, he continued the reorientation of the economy towards services and banking. At the same time, Juncker paid fealty to the CSV old guard: he always described himself as a spiritual child of Werner, and from 1984 followed in the footsteps of Werner's protégé and successor, Jacques Santer.[11] By the time the Berlin Wall fell, Juncker had climbed to the post of finance minister.

Birthing the euro

Since Luxembourg has fewer inhabitants than many medium-sized European cities, Juncker's EU colleagues have sometimes drawn into question his ability to govern large polities. But in seeing Juncker as a mere administrator, they discount his role as an ideological innovator. As the first CSV leader to be born after the War, Juncker rejuvenated the party for the post-industrial age, extending its national dominance. At its 2002 congress, he rejected the designation of a 'centre-right' party, ensuring that the CSV defined itself as a 'popular party of the social centre'. Juncker's soft neoliberalism appealed to steelworkers and bankers in equal measure.[12] The same approach would be put to work on a wider stage. In the early 1990s, Europe faced the prospect of a British veto. In the preceding years a burst of continental integration had taken place under the forceful Commission president Jacques

[11] The best overview of Juncker's persona and political career in Luxembourg is Laurent Schmit, Jürgen Stoldt and Bernard Thomas, 'Der Mann ohne Eigenschaften', *forum für Politik, Gesellschaft und Kultur* 324, December 2012, pp. 4–11.
[12] Charel Schmit et al., 'C wie Centrum', *Luxemburger Wort*, 27 January 2014.

Delors. By the time leaders convened in the Dutch town of Maastricht to sign the treaty that created the European Union, British politicians were having second thoughts about the project. A reunified Germany seemed poised to dominate the new Union. The British elite was split over Delors's plan to turn the existing Exchange Rate Mechanism (ERM) into a common European currency; London's global financial role, based on sterling, would be diminished. As Luxembourg's finance minister, Juncker was responsible for chairing the meetings on the economic and monetary aspects of the EU. In the run-up to Maastricht he charmed and cajoled just as he had at home; but instead of Luxembourgish bosses and workers, he was now shepherding German conservatives and French socialists. Juncker kept the Brits in the Union by proposing that the pound could 'opt out' of the euro, enabling the signing of the Maastricht Treaty in December 1991.

Still, financial markets nearly destroyed the common currency before its birth. Having opened their own economies in the name of competitiveness by submitting to full capital mobility, European nation-states could only get to the euro by running the gauntlet of speculative attacks. On 'Black Wednesday', 16 September 1992, investors forced Britain to take the pound out of the ERM. The shock of the British departure fed worries that the common currency and even the Union as a whole would collapse. Soon the strong export economies of Germany and the Netherlands were suggesting that they, too, might leave. But Juncker managed to keep all governments inside the new ERM by widening the bandwidth within which national currencies could fluctuate, from 2.25 per cent to a super-elastic 15 per cent.

Juncker said recently that the Maastricht period 'is a time from which there are only two survivors: the euro and myself'.[13] The commitment to a currency union, an idea that went against the grain of much expert opinion then and since, was a deeply political initiative disguised in the robes of economic necessity. Creating the euro demanded a willingness to grant concessions. British Conservatives were not prepared to offer much, but still got to join the Union. Juncker sees the ERM crisis of 1992, not without reason, as the beginning of the road that led to Brexit. This frustration is perhaps born of an appreciation for how structurally similar Luxembourg's economic posture is to that

[13] Speech at the ECB Forum on Central Banking, 18 June 2019.

of British neoliberals. During the years of Santer's premiership, 1984–95, the Grand Duchy was pursuing a policy of hyper-financialization. The continent's favoured go-between nation was also where Saddam Hussein did his banking. Under Santer the number of banks flocking to Luxembourg grew rapidly;[14] besides serving multinational corporations and tapping the thriving Eurodollar market, Luxembourg-based bankers specialized in catering to Europe's quotidian bourgeois tax evaders, a customer type they labelled the 'Belgian dentist'. Luxembourgers did not see much of a problem with this. Nor were other European countries very concerned with the issue of tax evasion in the 1990s. To the contrary, European leaders rewarded Santer by picking him to be Delors's successor as European Commission president in 1995. This meant that Juncker became prime minister of the Grand Duchy.

One year into his new job, Juncker took credit for crafting an important deal between Chirac and Kohl at an Irish summit of the European Council. France and Germany disagreed about the EU's budgetary rules, and the deal that Juncker crafted in Dublin combined German demands for fiscal discipline with French desires for their flexible application.[15] It earned Juncker lifelong support from German Christian Democrats, first Kohl and then his protégé Angela Merkel. Both Juncker and Merkel had manoeuvered into positions of influence in time to see their senior mentors' political careers tarnished by corruption scandals. Kohl lost power in 1998. The next year a report exposing favouritism, fraud and abuse of power in the European Commission produced a no-confidence vote from the European Parliament; Santer's entire Commission was forced to resign. It was the first time that the EU's executive had been held to account for its behaviour; newspapers hailed 'the passing of Europe's *ancien régime*' and predicted 'the dawning of a genuine European democracy'.[16]

Yet while he was emerging as a paragon of European cooperation, Juncker continued Luxembourg's competitive deregulation, helping to sap the

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[14] Ogle, 'Archipelago Capitalism', p. 1450.

[15] The European deficit limits could be lifted if a country was in a severe recession, which Chirac and Kohl agreed was a contraction of more than 0.75 per cent of GDP. It was a solution that would become typical of Juncker's intergovernmental style: an explicitly political compromise, bereft of any economic logic, but acceptable enough to keep everyone aboard.

[16] 'EU Chiefs Resign En Masse', *Guardian*, 16 March 1999.

very budget agreements he was brokering. The Grand Duchy's tax-haven function undermined the fiscal power of other European states, while its pandering to banks and money-market funds contributed to building an unaccountable credit bubble that would burst in the next decade. In fact, Juncker was aware of this fragility; he secretly ordered the printing of 50 billion worth of a new, independent version of the Luxembourgish franc, to be kept in reserve in case the euro flopped. When the euro was successfully introduced on 1 January 1999, the Grand Duchy's tiny army spent the entire day burning this pile of banknotes. As the Luxembourgish franc went up in flames, foreign money continued to stream into the country.

Eurozone crisis

When your country is in the heart of Europe but less than a thousand square miles in surface area—roughly the size of Rhode Island—there are few areas of domestic life and politics that are not directly connected to the wider world. From the 1890s to the 1970s, the burgeoning steel sector attracted Italian and Portuguese workers. With the rise of finance and services, French, British and Belgian professionals have come to dominate the banks and law firms based in Luxembourg City. As a result, nearly two-thirds of the labour force and almost half of the Grand Duchy's inhabitants are foreigners. Globally, only the Arab Gulf states have larger foreign workforces. In such circumstances, to defend openness *is* to defend Luxembourg's national sovereignty. Immigration has been presented as a threat to the welfare state in many European countries. But Luxembourgish trade unions have upheld rather than restricted the entitlements of foreign workers. The steel mills have employed many Italian labourers since the beginning of the 20th century—Juncker says that growing up around Italians is why he hugs and kisses so freely in public—and the Common Market facilitated a new inflow of workers from Portugal. These Portuguese Luxembourgers constitute a sixth of the population and have been fully integrated into the social fabric. There is only a miniscule Luxembourgish far right and no strong anti-immigrant animus. The country is, in the words of one historian, 'an immigration success story'.[17] The key to maintaining this social compact was, ironically, taxes; as finance minister and prime minister, Juncker ensured the intensive redistribution of state revenues. Since the late

[17] Joel Fetzer, *Luxembourg as an Immigration Success Story: The Grand Duchy in Pan-European Perspective*, Lanham MD 2011.

1980s the Luxembourgish economy has grown rapidly, but fiscal income has grown faster still, rising almost seven-fold from €3.4 billion in 1989 to €21.4 billion in 2017.

Though globalization did not prevent effective redistribution, it did draw into question who controlled major parts of the economy. Luxembourg's steel sector was a case in point. By the early 2000s, ARBED merged with the Spanish firm Aceralia and the French steelmaker Usinor to form a new pan-European group, Arcelor. It had to avoid becoming, in Juncker's words, 'a simple prey'.[18] Arcelor's high-quality steel beams were used to build the Freedom Tower, the Bank of America Tower on Bryant Park and the New York Times building. But European consolidation was not enough in the face of rising Asian competition in the global steel market. In 2006 Arcelor faced a hostile takeover by the Indian Mittal Steel. Juncker and other European leaders resisted it for six months before a shareholder revolt forced them to capitulate to Mittal's bid. The new company, ArcelorMittal, remained based in Luxembourg. Yet for Juncker, the takeover ended national control over the core industry that he had fought to protect since the 1980s.

Despite these global limits to Juncker's room for manoeuvre, he became an essential European politician by playing different levels of power off against each other. The 'hero of Dublin' narrative helped Juncker in European capitals, while his small-country background was an asset at EU summits. Leveraging his linguistic and cultural affinities, Juncker allowed both French and German elites to believe he was 'their man' in dealing with the other. In Luxembourg itself, his reputation as the ambitious son of a trade unionist who had made it in European politics solidified his domestic appeal. That the CSV's big-tent centrism continued to pay off was also proven at the polls. In 2005, French and Dutch voters rejected a draft European constitution in two referendums. Juncker gambled by offering to resign if the Luxembourgers did the same, and won when a majority approved it. Yet the negative results in France and the Netherlands forced government leaders to reconsider how to continue European integration. Importantly, the events of 2005 pushed EU institutions away from further supra-national federalism and towards a more intergovernmental approach, involving national leaders in regular summit diplomacy. This brokerage-heavy form of administration put a premium on pragmatism over vision. Unlike previous Luxembourgish

[18] Speech to Luxembourg Parliament, 6 February 2006.

prime ministers, Juncker did not just work in the shadows but took a self-consciously popular approach to European-level wheeling and dealing. Especially for French and German audiences, he cultivated a distinct media image as a political bridge-builder. Habermas saw in him a would-be mover of history, a man 'of the calibre and will' to launch Europe forward, but one whose country lacked the power to do so.

Global banking credit was another channel of resources that Luxembourg could pander to but not control. Whereas financial-sector deposits were about 85 per cent of GDP in 1975, they had grown to 472 per cent by 2008.[19] By then, Juncker had chaired the Eurogroup, composed of the euro area's finance ministers, for three years. As a result, Luxembourg found itself at the core of the global financial crisis in a double sense. The money-market funds that had settled in the Grand Duchy came up short of dollars. Two major banks, Dexia and Fortis, had to be bailed out by the Benelux governments to the tune of $25 billion. Given Luxembourg's dependence on its financial industry, Juncker saw no choice but to support the banks to the hilt. Yet the banking crisis exposed the flaws of short-term fixes by European leaders. 'The method', Juncker told reporters, 'by which everyone comes up with ad hoc solutions in his corner the moment a crisis starts in a financial company isn't a systematic enough method.'[20] But given his political *modus operandi*, he was hardly the man to provide thoroughgoing changes.

Though he had designed the Stability and Growth Pact rules of the Maastricht settlement, Juncker was by nature a rule-bender. Financial speculation had almost wrecked European monetary cooperation in 1992, and he favoured hashing out a backroom agreement before facing the press. In the discussions about bailouts for embattled Eurozone governments in Greece, Spain, Portugal and Ireland, Juncker often found himself in the minority of budgetary moderates. In 2011, he joked that he was 'for secret, dark debates' to avoid triggering a negative reaction from financial markets; southern European debtors were being unfairly depicted by northern Europeans as lazy and corrupt. But as an instinctive seeker of compromise, Juncker could soften but not transcend the divisions of the Eurozone crisis. Too undisciplined for the Dutch and Germans, too strict for the Greeks and Italians, there was a rather dark

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[19] IMF Data, available on the Global Economy website.

[20] 'The US Financial Crisis Is Spreading to Europe', NYT, 30 September 2008.

humour to his tendency to squeeze and fake-strangle colleagues during Eurogroup meetings.

Disgrace and promotion

If any scandal should have ended Juncker's political career, it was his enabling of Luxembourg's colossal role in global tax evasion. But in a bizarre twist, his eighteen years as prime minister ended due to an unresolved episode of state terrorism from the Cold War. The so-called Bommeleeër affair concerned 24 bomb blasts in 1984–86. The unknown bombers mainly targeted electricity pylons but also set off explosives, stolen from stone quarries, at Luxembourg's airport, police barracks, newspaper headquarters, gas plants and even at a European Council summit. The attacks appeared designed not to cause casualties. Although the perpetrators were never found, the bombings had the hallmarks of an Italian-style 'strategy of tension'.

Investigations into the bombings only began in 2004. Suspicion fell on two gendarmes, who were thought to have conducted the attacks to pressure the government into increasing funding for the police. Their defence claimed that they had been carrying out orders on behalf of a secret NATO stay-behind network. The Luxembourg secret service, SREL, received tips implicating far-right sympathizers. One witness claimed to have seen Grand Duke Henri's brother, Prince Jean, in a car near the airport just before a bomb went off there. Although the much-delayed Bommeleeër trial is yet to commence, the affair has been a headache for Juncker for many years. There were rumours that the secret service had recorded a conversation between him and the Grand Duke about Jean's involvement. In 2008, SREL chief Marco Mille used a special wristwatch to record a conversation in which he tried to get the prime minister to confess he had withheld information about the bombings.

SREL had reasons of its own to gather *kompromat* on Juncker. Over the course of the 2000s, the activities of the secret service had spiraled out of control. The decision to exploit Luxembourg's position as a financial and fiscal paradise to gather corporate intelligence created dangerous opportunities for individual self-enrichment. SREL agents extorted payoffs from Russian oligarchs, ran cigarette-smuggling rackets in the Middle East and were reported to have facilitated the transport of nuclear technology to Iran as US sanctions were beginning to kick in. There were also conflicts of interest between secret-service personnel and employees of CargoLux, the second-largest freight airline in Europe, with a fleet of over twenty Boeing 747s.[21] Juncker ignored this shady business for too long. Since becoming Eurogroup chairman, he had spent more time networking in Brussels and courting German newspapers than running the affairs of the Grand Duchy. In July 2013, the spy scandal had grown so all-consuming that the Social Democrats withdrew from their coalition government with the CSV. Even though Juncker's party came in first in a snap election, parliamentary support for his continued reign was gone. The liberal Xavier Bettel became prime minister, and Juncker was out of political office for the first time since the end of the Cold War.

During the two decades that he governed Luxembourg, Juncker profited from self-reinforcing policy choices and advantageous global trends. Substantial labour immigration, the crescendo of European integration and a rapid influx of corporate and financial capital boosted GDP. Fiscal largesse softened the effects of neoliberal reforms. A deliberate embrace of social centrism, appealing to women and professionals, made the CSV a hegemonic party. Yet by the time he became president of the European Commission in 2014, most of these pillars were crumbling. The Union was mired in economic stagnation and unemployment. Far-right sovereigntist parties had emerged to challenge the euro. Immigrants were increasingly seen as a political problem rather than an economic godsend. Budget cuts rather than spending and tax increases dominated elite discourse. In any case, the EU's budget was only 2 per cent of the continent's public spending, and the Commission had no capacity to levy taxes.

As a bureaucracy with a large public-facing component, the Commission was not the place where Juncker had planned to end his career. His bartering talents were better suited to the more reclusive European Council, a forum out of the limelight where heads of government meet to make and break EU policy. In 2009, Juncker had tried to get the Council's inaugural presidency, but was passed over in favour of the Belgian ex-prime minister Herman van Rompuy. Five years later, the crisis had highlighted the EU's democratic inadequacies, and the Europarliament elections became the focus of efforts to revive its popular appeal. This is why the European People's Party (EPP), the centre-right bloc in the EU

[21] See the investigative work of Véronique Poujol, 'Vengeurs masqués', *d'Lëtzebuerger Land*, 6 September 2013.

Parliament, picked Juncker as its *Spitzenkandidat*. The 2014 campaign was the first time that Europarliamentary candidates ran actual campaigns to persuade voters across the continent. Juncker zipped around in private jets as well as in an EPP campaign bus, both equipped with ashtrays to accommodate his smoking. While he displayed suppleness with French and German audiences, there was strong British opposition to his candidacy. Cameron, who had already conceded the promise of a Brexit referendum in a bid to shut down his party's Eurosceptic wing once and for all, duly attacked Juncker as an EU super-stater. Given the common interests of London and Luxembourg as financial centres, he need not have worried so much. In the end, the irony of the 2014 European elections was that the first move towards picking heads of EU institutions democratically produced a Commission president who was a consummate insider.

Given the manifest social costs of austerity policies, Europe's conservatives were under pressure to address the unemployment crisis. The first big initiative of Juncker's self-declared 'political' Commission was an investment scheme that would spend €315 billion ($390 billion) over three years—a number larger than anything ever produced by the EU. Yet the Juncker Plan was a neoliberal beast in Keynesian clothing, designed to cover up the lack of any European fiscal state. The core money spent was taken from other parts of the EU budget, which was then used as a guarantee to 'catalyse' private investment. Effectively, banks and investors were expected to sink money into Brussels-picked projects; no new net spending was being undertaken. Judging from pre-crisis levels of growth, by 2014 the investment gap of the European economy had grown to over €800 billion; in the face of this the Potemkin stimulus of the Juncker Plan was woefully inadequate.[22]

Political challenges rather than economic plans defined Juncker's tenure at the Commission. In 2016, right-wing nationalists in Britain, Poland and Hungary rattled Brussels. Hoisted on the petard of Brexit, Cameron appeared to European officials as a flippant dissolver of union, a Gorbachev without historical necessity. Understanding that a country which does not wish to share any common institutions with the rest of the continent will have little urge to negotiate, Juncker took a strong line in the Brexit talks. His toughness on Brexit stands in contrast with his

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22 'Will Juncker's €300 Billion Plan Close the Investment Gap?', *Wall Street Journal*, 13 October 2014.

measured response to the nationalist antics of the Polish and Hungarian governments; although provocative, they are in no way preparing to leave the Union (a striking 84 per cent of both Poles and Hungarians polled by Eurobarometer this year said that they feel they are citizens of the EU, a figure much closer to Luxembourg's 93 than to the UK's mere 58 per cent). Of course, there is little love lost between Juncker and Orbán, whom he called a 'dictateur' to his face—Juncker exquisitely understands that being handsy is how you get away with slapping your political rivals. But despite calls to crack down on Hungary's disparagement of liberal values, Juncker has avoided a direct confrontation. If a country shows its desire to be a member of the European club, he prefers to engage rather than penalize them. 'I'm no great fan of sanctions, as they make the conversation more difficult', he recently told the German tabloid *Bild*. 'Countries are like wild horses, punishing them is not the way to tame them.'[23]

Yet since 2016 it has been hard to maintain a normal conversation with the American government. At first, Trump's aggressive talk about American global power did not pose a direct threat to Europe. But when he pulled out of the Iran deal and re-imposed economic sanctions on the Islamic Republic and its trading partners, a more serious rift emerged. Juncker has called the US extra-territorial sanctions a 'Nixon moment' for the EU, akin to Washington's 1971 departure from the Bretton Woods system. He has not been meek in organizing a response. The European Commission has countered Trump's tariff hikes with import dues of its own, sued the US in the World Trade Organization and threatened asset seizures as retaliation for US action against European firms trading with Cuba.

Answering to British delusion and American obstreperousness has provided a good outlet for Juncker's desire to run a 'political' Commission. At the same time, the EU has adopted a critical but not uncooperative attitude towards China's Belt and Road Initiative, which is advancing further into southern and eastern Europe.[24] Once again, there is a cast of outsiders against whom the meaning of the European project might

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[23] 'How Was That with the Greeks, Mister Juncker?', *Bild*, 31 May 2019.

[24] While Juncker was still prime minister, Luxembourg had already moved into the domain of Asian offshore finance; in 2011 it became the first European country to issue renminbi-denominated assets outside the control of the Chinese government—so-called 'Dim Sum Bonds'.

credibly be defined. Whether these orientations will be continued by the new European Commission that takes office on 1 December 2019, led by German Christian Democrat Ursula von der Leyen, is an open question. But today the main cost of this growing political unification has been borne by those at Europe's gates, especially African and Middle Eastern migrants clamouring to enter the continent with the highest living standards in the world. Juncker's maintenance of internal openness and dialogue has gone hand in hand with his strengthening of European borders. Frontex, the EU's border police, is undergoing a ten-fold personnel increase from 2016 to 2020. Meanwhile, as refugees cross the Sahara in search of capital and respite in Europe, Luxembourg has been rebranding itself as a leader in the commercial exploitation of space. Talks with Russia about an asteroid-mining agreement are in the works.