

#16

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# The Progressive Post



## SOCIAL RIGHTS FOR PLATFORM WORKERS

### SPECIAL COVERAGE

Social rights for platform workers

### FOCUS

Politics of recovery – a chance for the centre-left

### DOSSIER

Changing the EU's fiscal rules

### DEBATE

Out of the stalemate: changing the approach to enlargement

*Brando Benifei*  
*Maurizio Ferrera*  
*Pierre-Emmanuel Guigo*  
*Alice Hills*  
*Andrea Nahles*  
*Ann Pettifor*  
*Dimitris Tsarouhas*  
...

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# The Progressive Post

The Progressive Post is the political magazine run by the Foundation for European Progressive Studies (FEPS), gathering renowned thinkers, experts and activists from the world of politics, academia and civil society, providing a critical analysis of policies, and clarifying options and opportunities for elected leaders.

Our ambition is to undertake intellectual reflection and debate for the benefit of the progressive movement, and to promote the founding principles of the European Union: freedom, equality, solidarity, democracy, human dignity, as well as respect of human rights, fundamental freedoms and the rule of law.

With a focus on EU politics, our crucial interest is the state and future of social democracy. We offer a platform (in print and online) for finding progressive answers to climate change, uneven development and social inequality in a European as well as global context. We invite our readers to explore with us the contradictions of our time and our authors to put forward arguments for peace, sustainability and social justice.

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by Hedwig Giusto

We are now well into 2021 and, after a year and a half in an exhausting pandemic-mode, the EU member states are busy implementing their vaccination plans. The hope is that this will allow a return to normality – or a new normality – for EU citizens soon. But the member states must also do their utmost to alleviate the severe impact of the pandemic on their economies and societies. With this aim in mind, the national recovery plans have been submitted to the European Commission for its scrutiny. The objective is for the member states to be able to draw maximum benefit from the most ambitious aid and investment package ever devised by the European Union: Next Generation EU.

**Decisions made now will be crucial in driving reforms and growth in the years to come** and in defining the EU of tomorrow. Where the accent is put in the recovery packages, and how these packages are actually implemented, will make the difference between **a Europe that reduces inequalities and enhances social justice**, and one that cannot escape the temptation of doing 'business as usual'. It will also make the difference between a Europe that truly **embarks on the paths of sustainability and of a socially responsible digitalisation**, and a Europe that once again puts the environment and social rights lower down its list of priorities.

This is a great opportunity that must not be lost for European progressives. It is an opportunity for progressives to turn the hardest social and economic crisis in the EU's history into a chance to leave a progressive mark on the future of the European Union. That is why this issue of *The Progressive Post* is dedicated to an analysis of some of these opportunities.

This issue's **Special Coverage on 'social rights for platform workers'** emphasises the effects of digital technologies on jobs, and how these technologies are likely to worsen working conditions, increase the precariousness of jobs, and leave many workers without social protections.

The online economy has been further boosted by the pandemic and is now in urgent need of more stringent regulation. The best solution may be to apply 'old' rules and protections to this 'new' economy.

The question of the strategic choices that European progressives are called to make to overcome the current socio-economic crisis is more directly tackled in the **Focus on 'the politics of recovery – a chance for the centre-left'**. In this section, our contributors look at the role, challenges and opportunities for Social Democratic parties and policymakers in the post-pandemic context.

Our **Dossier on 'changing the EU's fiscal rules'** looks at another instrument used to boost recovery in the aftermath of the pandemic: the temporary suspension of the fiscal rules. This section investigates the future of the EU's economic governance and the need to introduce wide-ranging and radical reforms to adjust to a post-pandemic world.

The future of the European integration process, is at the core of the **Debate 'out of the stalemate: changing the approach to EU enlargement'** – but from a very different perspective. For decades enlargement has been considered one of the EU's biggest success stories, but current accession processes are in a deadlock. If we want the European project to be completed, the EU needs an in-depth revision of its enlargement policy – not in cold technocratic terms, but in more ethical ones. How this can be done is open to debate.



Hedwig Giusto,  
Editor-in-chief

# Editorial



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# A new internationalism on the terms of labour

by Ann Pettifor

If progressive European political parties are to achieve both relevance and electoral success, a paradigm shift is required: away from Social Democracy's attachment to financialised globalisation. If they aim to defeat nationalism, and to end the cycle of debt inflations and deflations on the one hand and trade wars on the other, it is not only urgent, but necessary to end the class wars that globalisation generates, and to revert back to domestic and international regulation on the terms of labour and in the spirit of John Maynard Keynes. President Joe Biden's revival of the radical concept of 'full employment' is an example to follow.

The Covid-19-crisis illuminated the reality of globalisation. World leaders proved incapable of convening an international summit to prevent the spread of the pandemic and to collaborate on a vaccine for the world's people – the 99 per cent. However, and in contrast, public servants at the American Federal Reserve, the European Central Bank, and the Bank of England engaged in decisive, expansive and internationally coordinated action – to save the 1 per cent from their own risk-taking in March 2020. As the pandemic hit, asset prices adjusted sharply, and the \$200 trillion shadow banking system once again posed a systemic threat to the global economy.

As the chief economist of Britain's Trades Union Congress has explained: "globalisation is a system amounting to internationalism on the terms of capital". Instead, Social Democrats should demand a new internationalism – one based on terms set by

labour – the 99 per cent. There are hopeful signs that the new Biden administration understands this, for in a recent speech the president argued that his administration would "build an economy that rewards work, not just wealth".

## SUPPLY-SIDE ECONOMICS AND THE GLOBALISATION OF WEALTH

For decades, economists have successfully espoused supply-side economics, based on three principles: deregulation of the public good that is the monetary system by 'the invisible hand' of private capital markets; lower taxes; deregulation of the labour and other markets (and the disarming of trades unionism). **The consequences were predictable: the 1 per cent used deregulation coupled with public subsidies provided by monetary and taxation systems to make massive capital gains in private capital markets, while burying households and firms in mountains of debt.**

The deregulation of the labour market meant that wages were repressed or stagnant, leading to cuts in purchasing power. At the same time 'austerity' shrank the social wage – in the form of state benefits. Falling incomes led to increased private borrowing and lower tax revenues; and to under-consumption of locally produced goods and services, as workers found the product they produced unaffordable.

Under-consumption led to a build-up of gluts in commodities, goods, or services – in short, over-production in domestic markets. Outlets for this build-up of gluts were found in foreign export markets. The financial gains made in export markets were funnelled to the 1 per cent and the companies they control.

Germany is a classic economic model of under-consumption and over-production. With the fall of the Berlin Wall, poverty and insecurity

rose, largely due to the 2003 Hartz IV 'reforms' introduced by Chancellor Gerhard Schröder. **Tax cuts for high earners and the government's 'fanatical opposition to borrowing' for public investment shifted Germany's purchasing power away from the majority, and towards wealthy elites and their firms** – that spend far less than they earn. More than a quarter of the value generated by German workers and capital was sent abroad before 2008, mostly to Germany's European neighbours, according to Matthew C. Klein and Michael Pettis in their book, *Trade Wars Are Class Wars*. German firms were able to avoid the stagnation in their home market by selling to customers in other countries and making capital gains for shareholders. Profits rose dramatically as costs (wages) held steady and export revenues rose in line with global growth. Naturally these imbalances between labour on the one hand, and wealth on the other, led to political tensions and, predictably, to the rise of far-right parties espousing nationalism.

### | A PARADIGM SHIFT?

**To defeat nationalism, to end the cycle of debt inflations and deflations and trade wars, it is both urgent and necessary to end class wars generated by globalisation.** That requires both domestic and international regulation and reforms to promote a new internationalism on the terms of labour. To bring this about, societies need to revive Keynes's demand policies for careful management of the monetary and financial system under the public authority and regulation of the state; for decent incomes to stimulate investment and activity at home; and for government intervention in a slump.

► *The consequences were predictable: the 1 per cent used deregulation coupled with public subsidies provided by monetary and taxation systems to make massive capital gains in private capital markets, while burying households and firms in mountains of debt.*



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**A paradigm shift based on Keynes's demand-side policies, as happened under America's President Franklin D. Roosevelt in 1933, and the Bretton Woods system of 1945-70, may re-emerge now under President Biden.**

In his speech to a joint session of Congress on 28 April 2021, Biden remarked that "Wall Street didn't build this country. The middle class built the country, and unions built the middle class". At a time when American corporate profits were the highest they have been in decades, and workers' pay the lowest in 70 years, Biden has revived the concept of 'full employment'. In the context of today's obscene levels of inequality, full employment is a radical, and for the 1 per cent, unsettling demand.

"When it comes to the economy we're building," Biden has said, "rising wages aren't a bug, they're a feature. We want to get something economists call 'full employment'. Instead of workers competing with each other for jobs that are scarce, we want employers to compete with each other to attract workers. [...] This isn't just good for individual workers, it also makes our economy a whole lot stronger. When American workers have

more money to spend, American businesses benefit. We all benefit."

However, complacency remains a risk. The balance of political forces in America and Europe still favours the 1 per cent – and the nationalist, intolerant authoritarianism, and even fascism, that is the Polanyian response to globalisation. **A new internationalism on the terms of labour is the necessary paradigm shift if we are to counter the rise of nationalism. What is needed are policies that subordinate and transform globalisation into a genuine, cooperative, and coordinated inter-nationalism – benefiting the 99 per cent.**

Ann Pettifor, Director,  
Policy Research in  
Macroeconomics (PRIME)







# A vision for our European future

by Maria João Rodrigues

We are entering a new phase of the European project. And the central equation of this new phase is this: if we want to renew the European economic and social model to address the ongoing ecological and digital transformations, and if we want to improve global governance to meet the current global challenges, we must ask how our economic and financial instruments should be developed and how we can deepen European democracy in such a way as to be able to take the necessary far-reaching decisions. The European Union must assert itself as a fully-fledged political entity with economic, social and cultural dimensions, which takes internal and external actions that are decided democratically by its own citizens. That is why a 'Conference on the Future of Europe' is so necessary at this particular juncture in history.

Our vision of how to live on this planet will doubtlessly be deeply transformed by our current collective experience of the Covid-19 pandemic and the looming climate disaster. Now is therefore the time to develop a common vision together.

The first step in this process is to **change the relationship between humankind and nature**. We are part of nature, and we therefore need to respect it by looking after its resources and biodiversity. This new aspiration comes at a time of technological developments that will enable a new way of producing, consuming, moving around and living. Now is the time to create and disseminate a new generation of products and services that are not only low-carbon and zero waste, but also smarter because

they are built on artificial intelligence. Our houses, schools, shops, hospitals, meeting places, cities and way of life can all be completely transformed.

► *An immense transformation of the employment structure is already underway, and it has been accelerated by the Covid-related lockdowns.*

New economic activities and jobs will emerge while others will decline. **An immense transformation of the employment structure is already underway, and it**

**has been accelerated by the Covid-related lockdowns.** Although there are jobs where the main tasks can be replaced by automation and artificial intelligence, there are also new jobs dealing with climate action, environmental repair, human relationships and creativity of all sorts – these roles can be multiplied. We need to support this transformation with massive lifelong learning programmes, as well as by using social protection to mitigate the various social risks.

All this requires us to **build a welfare system that is fit for the 21st century**, based on the assumption that we will all end up combining a range of different activities – paid work, family care, community service, education and personal creativity – throughout our lifetimes. And, of course, we also need to find



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new ways of financing this welfare system, by tapping into new sources of added value and by updating our tax structures.

These new aspirations will be claimed by many citizens, from all generations and all countries, and this will create a push for deep policy shifts.

At the same time, the current gap between global challenges and global governance has become more and more evident and requires an ambitious renewal of the current multilateral system.

Initially, this renewal is needed to cope with the current Covid-19 pandemic and the resulting social and economic crises that are unfolding. Indeed, we need to have **large-scale vaccination** ensuring universal access and more powerful financial tools to counter the recession and to turn the stimulus package into a large transformation of our economies, in line with the green and digital transitions that are underway and with the need to tackle increasing social inequalities.

Our response to the Covid-19 crisis should not delay the **urgent action on climate change**, otherwise the damage caused to the environment will become largely irreversible with implications across the board.

Additionally, the **digital transition** is in a critical phase, where the diffusion of artificial intelligence to all sectors risks being controlled by a small set of big digital platforms. But there is an alternative: we can agree on **a common set of global rules to ensure that we have different choices, and to ensure that we improve fundamental standards regarding the respect of privacy, decent labour conditions, and access to public services**. These global rules would also ensure new tax resources to finance public goods.

It is crucial that we have **a strong multilateral framework to underpin the green and digital transitions, so that we can better implement the sustainable development goals and reduce social inequalities within and between countries**. Nevertheless, we

need to identify with which actors the multilateral system can be renewed, and how we can therefore improve global governance. The way the global multipolar order is currently evolving means there is a real danger of fragmentation between different areas of influence, and there is the additional problem of increasing strategic competition between the United States and China. The recent election of Joe Biden in the United States is very good news, and it creates a fresh basis to relaunch the transatlantic alliance. But the world has changed. There are other influential players now, so we need to build a larger coalition of actors – governments, parliamentarians, civil society organisations, and citizens themselves – to push for these objectives using a model of variable geometry.

The EU should take an active and leading role in building this coalition of forces that is needed to renew the multilateral system. At the same time, it should develop its bilateral relations with countries and regional organisations so that we can cooperate and move



in the same direction. The EU's 'external action' must cover other relevant dimensions – from defence and cybersecurity to energy, science and technology, education, culture, and human rights. Promoting the sustainable development goals in all the EU's relationships should also be a priority.

► *The EU needs to build on the historical leap forward that it made when it finally agreed on the launch of a common budget financed by the joint issuance of bonds to drive a post-Covid recovery, linked to a deep green and digital transformation.*

Alongside this, the EU needs to build on the historical leap forward that it made when it finally agreed on the launch of a common budget financed by the joint issuance of bonds to drive a post-Covid recovery, linked to a deep green and digital transformation. This is a unique opportunity that we cannot afford to miss. It requires all member states to implement national recovery plans to transform energy and transport infrastructures and to promote clusters of low-carbon and smart activities while creating new jobs. This needs to be combined with the development of new public services and new social funding for health, education, and care. These changes should be at the centre of a new concept of prosperity that is driven by well-being. A welfare system for the 21st century should support all these transitions to new jobs, new skills, and new social needs, and it should be based on an advanced concept of European citizenship that includes not only economic and political rights, but also social, digital, and environmental rights.

This advanced concept of European citizenship, as proclaimed by the European Social Pillar, also needs to be underpinned

by a stronger European budget, joint debt issuance, tax convergence and European taxation. This will be at the core of stronger European sovereignty – which is needed to cope with the current challenges we face – while strengthening internal regional and social cohesion.

Stronger European sovereignty must in turn be built on strengthened democracy at local, national, and European levels, and it should better combine representative and participatory mechanisms. The current Europe-wide situation caused by the Covid-19 crisis opens new avenues of hybrid democratic activity which offer interesting potential for exploration.

The Conference on the Future of Europe, which was launched on 9 May, is a first step on the long road to making our vision for our European future a reality. Let us all embark on this journey, bringing our progressive ideas, our creativity, our ambition and most importantly, our spirit of solidarity.

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*This text is based on the introduction of *Our European Future*, a book containing a collection of stimulating articles written by 36 renowned European analysts. The book was launched at the FEPS flagship event "Call to Europe" in June 2021.*

*Maria João Rodrigues,  
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of the European Pillar  
of Social Rights (2017),  
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the preparation of the  
Lisbon Strategy (2000)*





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authored by **36 top experts and intellectuals** and edited by the FEPS president,  
*Maria João Rodrigues.*





# New impetus for social dialogue in Europe

by Andrea Nahles

Social dialogue is an important prerequisite for a functioning European internal market that is balanced in terms of a social market economy. With the Action Plan for the implementation of the European Pillar of Social Rights, the EU Commission aims to contribute to strengthening this crucial social dialogue in Europe.

When Nicolas Schmit, EU Commissioner for Jobs and Social Rights, asked me in summer 2020 whether I would support him as a special adviser for social dialogue, I accepted his invitation with great delight and conviction. Social dialogue is almost part of my DNA. I have been involved in social dialogue throughout my professional career, and I share with Nicolas the view that social dialogue is one of the pillars of the European social model. The importance of social dialogue increases further in times of economic crisis such as the one we are currently experiencing in the wake of the Covid-19 pandemic. **A well-developed and functioning social partnership demonstrably helps to stabilise employment, avoid inequalities, and find ways out of the crisis more quickly. More social dialogue is good for Europe in every way.**

As part of my mandate, in early February I put forward ten concrete proposals to strengthen the social dialogue. They aim to make the European social dialogue more visible, to improve the existing structures and, where necessary, to support national social partners in building their capacities. Some of the proposals are my own, others come from the EU social partners, with whom we have an excellent cooperation.

Several of my proposals were included in the Action Plan for the implementation of the European Pillar of Social Rights, which the European Commission presented on 3 March. **In my opinion, the social pillar represents a quantum leap for social Europe.** The pillar was announced at the Social Summit in Gothenburg in November 2017, and the Action Plan, with its diverse initiatives at EU level, is the way to a social and solidarity-based Europe. At the same time, it creates better and fair conditions for economic recovery and the transition to a sustainable and digital society. The Commission will do its part to implement the Action Plan. Ultimately, however, this can only succeed if the member states, the social partners, and other actors also make their contribution.

In its Action Plan for 2022, the Commission announces an initiative to support the social dialogue. While consultations with the social partners will start this year, the Commission's initiative specifically involves the creation of a new European award for social dialogue, a new exchange programme for young people from the social partners, an inventory of the social dialogue according to professional sector, and a new support framework for agreements between the social partners.

**It is crucial to make the benefits and the importance of the social dialogue visible in all member states and also at the EU level.** The Commission's announcement of a European award for social dialogue is intended to contribute to this. There will be different categories for the award and it will be given every two years by an independent jury.

► *A well-developed and functioning social partnership demonstrably helps to stabilise employment, avoid inequalities, and find ways out of the crisis more quickly. More social dialogue is good for Europe in every way.*

**In many member states, the culture of social dialogue is weak. This is partly for historical reasons, but it is also partly because there are dominant political-ideological traditions that stand in the way of a successful social dialogue.** In order for this to change in the future, I am proposing that the EU Commission



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- *In many member states, the culture of social dialogue is weak. This has partly historical reasons, but partly there are also dominant political-ideological traditions that stand in the way of a successful social dialogue.*

invites young leaders from both sides – employers and employees – to information events in Brussels. In addition to familiarising these young leaders with the way the EU institutions and the European social partners work, the events would also enable both sides to meet in a relaxed and informal manner.

- *The social pillar, that was proclaimed at the Social Summit in Gothenburg in November 2017, represents a quantum leap for social Europe.*

Agreements between the European social partners are among of the most important and effective results of the social dialogue in Europe. But we need more such agreements. The recently signed autonomous agreement between the European cross-industry social partners on digitisation is a good example. The EU Treaty also gives the social partners the opportunity to ask the Commission to implement a negotiated agreement in EU law. In this case, the EU Commission converts the

agreement into a proposal for an EU directive, which is submitted to the Council of Ministers for approval. It is in this way that **the EU social partners' past agreements on fixed-term employment, part-time work and parental leave became binding EU law.**

Besides the cross-sectoral social dialogue, the sectoral social dialogue is another important element of EU social policy. There are a total of 43 different committees for sectoral social dialogue at European level – from the public sector to transport and services. Together, these committees cover around 75 per cent of the European workforce. In the coming months, the Commission will hold discussions with the European social partners on how the role of the sectoral social dialogue can be further strengthened.

In addition to these proposals, which the Commission has already taken up in its Action Plan for 2022, I would recommend further measures. For example, **I am in favour of an even better involvement of the social partners in the European Semester and in the European Recovery and Resilience Facility.** I also propose that the Commission sets up a social dialogue coordinator in each of its Directorates-General, in the hope that

this will result in better involvement of the social partners in planned political or legislative initiatives. It is particularly important to me to further strengthen the capacity of the national social partners. In a number of member states, the social partners are too weak to be able to play their vital role. I therefore believe the Commission and the member states should make targeted use of the available funds for this purpose, with the involvement of the social partners.

I sincerely hope that the Action Plan for the European Pillar of Social Rights can give new impetus to the social dialogue. The ball is now in the court of the EU Commission and the social partners.

*Andrea Nahles,  
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# The lights from Porto: a small step towards a Social Union?

by Maurizio Ferrera

Some social federalists are disappointed: the Social Summit in Porto, held on 7 May, was downgraded to little more than a series of workshops, the German Chancellor Angela Merkel only appeared online, the final declaration was tepid and the full endorsement of the European Commission's Action Plan on implementing the European Pillar of Social Rights (EPSR) has been delayed. However, there are reasons for celebrating the achievements of this summit: the EPSR has been recognised as the 'engine' for more cohesion and solidarity, and some leaders have proposed to push forward the already advanced social frontier of the Next Generation EU recovery plan. Without being visionary, the debate has put on the table several ideas that could be used for turning Social Europe into a more ambitious and effective European Social Union.

**N**ow that the pandemic has been contained (or at least has become containable) a renewed pledge to unity and solidarity as key values which "lie at the heart of our common project and distinctive social model" could not be taken for granted. Nor could one expect to hear explicit proposals from some leaders for pushing forward the already advanced social frontier of the Next Generation EU recovery plan. In my view, at least, the informal European Council has more bright than dark sides.

At the symbolic level, the summit has relaunched Social Europe in the public debate – a debate which involves not only

institutional leaders, but also the social partners and various civil society organisations. Thanks to extensive media coverage of the event, the EU's explicit engagement with the 'caring' side of integration has reached millions of Europeans. **Several opinion polls since 2019 have shown that the pandemic has brought the people of Europe closer to each other, and that there is now not only strong support, but also demand, for more EU-wide forms of solidarity.** The Portuguese Presidency of the EU Council deserves praise for responding to such demands from the people, as well as for responding to pressure from a transnational network of civic associations that are already busy building

Social Europe in their daily practices (a recent LSE blog has dubbed them 'insurgent Europeanists').

**At the political level, the summit has sealed the 'social turn' of integration after a decade of belated, if not programmatically un-social, responses to the financial crisis and economic recession.** In the run-up to the German Presidency, Angela Merkel had served as 'a paladin of European solidarity'. This time, she limited herself to welcoming (remotely) the Commission's EPSR Action Plan. We are used to German qualms during election years, and indeed the French president Emmanuel Macron has now taken the relay, announcing that the

- *A renewed pledge to unity and solidarity as key values could not be taken for granted.*

2022 French Presidency of the EU Council has ambitious plans for pushing forward some key legislative measures included in the EPSR Action Plan – such as the directive on minimum wages. The Spanish prime minister

(in this case the eleven EU member states who presented a lukewarm non-paper in the run-up to the summit), the 'accelerators' strike back with even more ambition (as demonstrated not only by Draghi's speech at the Porto summit, but also by two non-papers from Belgian and especially from Spain, not to speak of Portugal's overall lead). **One really wonders whether this 'social turn' could ever have been politically considered if the UK had been still a member of the EU.**

understood increasingly less as 'technocratic Brussels', and more as a common centre with a policymaking process that involves greater citizen participation.

At the heart of this new 'Social Europe 2.0' there will obviously be much politics, but within the new solidary normative frame that has inspired the fight against the Covid-19 pandemic. The experience of the pandemic makes this new normative frame something more than cheap talk – indeed, the 'talk'



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- *Opinion surveys since 2019 show that the pandemic has brought the people of Europe closer together, and that there is not only strong support, but also a demand for more EU-wide forms of solidarity.*

Pedro Sánchez and especially his Italian counterpart Mario Draghi have in their turn widened the picture: the implementation of the EPSR will require a favourable fiscal and budgetary framework. The Italian prime minister has made a reference to the need to reform the governance of the European Monetary Union (EMU) and has advanced a specific proposal: turning the EU instrument for temporary support to mitigate unemployment risks in an emergency (SURE) into a permanent scheme, as a first step towards a fully fledged European unemployment insurance.

As is always the case in the EU Council arena, if the first move is made by the 'brake men'

As far as the substantive and policy levels are concerned, the final declaration from the Porto Social Summit basically confirms the key points of the EPSR Action Plan, making clear that the implementation of the EPSR will have to comply with the division of competences between the EU and member state levels, as well as comply with the principles of subsidiarity and proportionality. Reading between the lines, however, a picture emerges of the overall profile of 'Social Europe 2.0'. **Social rights and policies will remain in the hands of national governments. But these hands will move within a new structure of opportunities, mainly anchored to the EU level** – which will be

at the July 2020 European summit was far from cheap, as it cost €750 billion, funded by common debt.

'Social Europe 2.0' will clearly be founded on the 20 principles of the EPSR. Some of these principles will turn into binding provisions – extending and deepening the *acquis*. Other principles will essentially orient (at least for the time being) the European Semester through headline targets and recommendations, as well as possibly through new forms of social conditionality. Using these binding and non-binding – hard and soft – provisions, 'Social Europe 2.0' will also experiment with novel, mixed forms of rights-making and rights-implementation.



**A good example of this is the 'guarantee' instrument. This has been used for the Youth Guarantee since 2013, and will soon be used for a complementary Child Guarantee – a recommendation envisaged by the EPSR Action Plan. These guarantees are not binding, but their implementation according to the EU template is required if European funds are to be received.** The template emphasises a component of social rights which is often neglected, and which often proves to be even more relevant for people than justiciability. In other words, the template provides access to the concrete outputs of rights (services, counselling, material support) according to the legal provisions of the member states (because guarantee schemes must be adopted by national legal authorities). Draghi has announced that the Italian Recovery and Resilience Plan includes a more ambitious 'employability' guarantee, while Macron has highlighted the French scheme of 'individual learning accounts' – a skills guarantee stemming from the European Skills Agenda. Both the Italian and French guarantees should be considered seriously by the Commission.

be re-committed to the symmetric objective of contributing to 'unity' (keeping the EU polity together, especially during economic and financial shocks) and solidarity. The speeches of Macron, Draghi and Sanchez at the Porto summit all made explicit reference to these needs.

**Recently, the contours of a European Social Union were under discussion. The Porto summit did not even begin to contemplate this vision. But a step forward has been made, and the Conference on the Future of Europe will provide opportunities and channels – for those who share the vision – to stand up for a European Social Union.**

► *The Summit has sealed the 'social turn' of EU integration after a decade of belated, if not programmatically un-social, responses to the financial crisis and economic recession.*

**The EPSR will be the central engine of the new 'Social Europe 2.0'** and will run alongside the EMU engine. And just as the final Porto declaration commits the EPSR to contributing to Europe's global competitiveness, EMU must

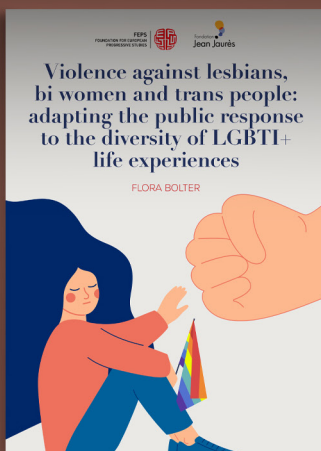
*Maurizio Ferrera, Professor  
of Political Science at  
the University of Milan*





# Stop gender-based violence

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# Artificial intelligence and social rights – an initial assessment

by Brando Benifei

The European Commission's recent proposal for regulation of AI is the first of its kind in the world. It is an excellent base to shape a domain that opens up enormous opportunities. But the door to abuses and wide interpretation by some member states, as well as by illiberal regimes worldwide, is not yet fully closed. And against the backdrop of a technology that can be highly invasive of workers' rights, better protection is still necessary.

On 21 April, the Commission unveiled its long-awaited proposal on regulating artificial intelligence (AI). This can be considered the first endeavour of its kind across the world, which is why expectations were very high – in Europe, as well as abroad. Regulating the use of fast-evolving technologies with such broad implications for all sectors of our economies and societies is undoubtedly no easy task. Indeed, it is a task that has thus far required years of work, study, and consultations with a wide range of stakeholders.

The European Parliament has actively contributed to this effort from the outset. From as early as 2017 it was calling on the Commission to establish a legislative framework on AI, and the Parliament's latest resolutions on AI were adopted last October. It has also created a Special Committee on Artificial Intelligence, in which work continues apace. At first glance, the

Commission's proposal undoubtedly contains a range of positive elements – but there are still some challenges that remain.

First of all, despite having announced for months that the focus would only be on high-risk applications of AI, **the draft proposal introduces four categories of applications, with different degrees of legal obligation.** These categories range from low-risk applications (like the management of high volumes of non-personal data), to applications requiring transparency (such as chatbots), to high-risk applications (like robotic surgical devices, predictive tools for granting and revoking social benefits, or for making decisions on the termination of employment contracts), to prohibited applications. The introduction of these four categories is undoubtedly a response to the concerns that many in the Parliament, but also in civil society organisations, have been voicing

over recent months when they have called for a more nuanced approach rather than merely a binary one.

► *The current draft proposal of the Commission restricts the cases in which real-time biometric identification systems in public spaces for law enforcement can be used (like child abduction, imminent terrorist threats, and the localisation of suspects of severe crimes).*

Indeed, back in March, 116 MEPs from across the political spectrum co-signed a letter to European Commission President Ursula von der Leyen and the commissioners involved

with the topic, asking for fundamental rights to be put first when regulating AI. In her reply, von der Leyen shared the concerns of those of us at the Parliament who had co-signed the letter, and confirmed the need to "go further" than strict obligations in the case of AI applications that are clearly incompatible with fundamental rights. The prohibited uses listed explicitly in Article 5 of the draft regulation – for example, subliminal manipulation, the exploitation of vulnerable groups for harmful purposes, social scoring, and mass surveillance – confirm this commitment. **The accent on immaterial damage to persons and society is also to be appreciated, as well as the strict requirements on high-quality datasets, robust cybersecurity, and human oversight for high-risk applications. However, several aspects remain to be clarified.**

The issue that has attracted most attention from commentators, and on which Commissioners Margarethe Vestager and Thierry Breton spent most of their presentation on 21 April, is that of real-time remote biometric identification systems in public spaces for law enforcement purposes. Compared to the leaked text that was circulated a week prior to the Commission's presentation of the proposal and that generated numerous discussions and concerns, the current draft Article 5, point d) and subsequent paragraphs provide for a

more detailed and limited framework for the implementation of this practice, restricting the cases in which it can be used (now limited to cases such as child abduction, imminent terrorist threats and the localisation of suspects of crimes punishable with over three years of detention) and making it subject to judicial authorisation and activation by national law. Nevertheless, although this constitutes a substantial improvement compared to the previously leaked text, concerns persist as to remaining possible abuses and as to wide interpretation by some member states.

Another area of the proposal that should be highlighted as cause for concern is that of labour rights. Annex III lists high-risk applications, including those that monitor and evaluate workers' behaviour and performance, and those that control the time a worker spends in front of a computer when teleworking, or that even assess their mood by detecting their emotions when making calls. According to Article 43, which details the conformity assessment procedures to be followed, this and other sensitive applications can undergo an internal conformity assessment (or self-assessment) instead of a third-party one. **Regulating so loosely a practice so invasive for workers' rights can be very dangerous – and even more so, as we consider these rules will apply to all AI developers targeting the EU**

**market, including non-EU entities that might not necessarily share our European values.**

Affixing the CE mark autonomously would entail potential violations only being discovered at a later stage by overburdened market surveillance authorities, when damages have already occurred. If we consider that allocation of social benefits, irregular migration, or crime prevention are also on the same list, we can see the risk of undermining constitutional concepts such as the presumption of innocence or non-discrimination.

► *We cannot afford to make mistakes in an era where authoritarian regimes are setting their own, illiberal standards.*

**We cannot afford to make mistakes in an era where authoritarian regimes are setting their own, illiberal standards.** On the contrary, similarly to the case of the General Data Protection Regulation (GDPR), **we have the unique opportunity to set a world standard for a human-centric, trustworthy AI, to allow our citizens and businesses to make the most of such promising technology**, whose benefits we are already experiencing in a wide variety of sectors. The European Parliament therefore stands ready to improve the text, to ensure appropriate safeguards are in place for high-risk applications, and to stimulate good innovation and the creation of a true internal market for AI that serves humanity, and not only the interests of the few.



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# The question that haunts President Joe Biden: can America deliver on climate?

by Alice Hill

President Biden has placed climate change at the centre of American domestic and foreign policy. Yet the wide partisan divide on the issue in the United States threatens to hinder the efforts of his administration to increase global climate ambitions.

No one watching President Joseph Biden can miss the signals. Since the very first day he assumed the American presidency, he has put climate change front and centre, making a slew of announcements to put the federal government back on track. To do so, he had to execute an immediate U-turn from the direction set by President Donald Trump, including seeking re-entry into the historic Paris Agreement. In a complete reversal, Biden has appointed an important number of experts with the word 'climate' in their titles, including, most visibly, former Secretary of State John Kerry as his Special Presidential Envoy for Climate. Kerry even has a seat at the table on the National Security Council, the group responsible for assisting the president in formulating foreign and national security policy. Biden has ordered the creation of task forces and working groups designed to gin up action on climate change, and has rescued Barack Obama-era policies that Trump had tossed into the rubbish bin. Biden's proposed \$6 trillion budget for the federal government is laced with new programmes and money to address the climate threat.

All of this is good news for global efforts to limit planetary warming to 1.5°C to avoid the very worst impacts of climate change in accordance with the Paris Agreement. But **lurking in the background is whether Biden can overcome the partisan split that stymies climate action in the United States.** In other words, will American climate action prove lasting in line with all the signals sent by the Biden team?

► *The question lurking in the background is whether Biden can overcome the partisan split that stymies climate action in the United States.*

The American people are dramatically split on the issue of climate change. An April 2021 Gallup poll confirmed a strong partisan divide on even the acknowledgment of the role human activities play in climate change. While 88 per cent of Democrats believe that human

activities have primarily caused the increases in the planet's temperature, just 32 per cent of Republicans believe so. And, sadly, the gap has widened between the parties in recent years. In 2003, 52 per cent of Republicans and 68 per cent of Democrats believed in human-caused climate change. The split continues regarding whether global warming should be a priority for Congress and the president. According to a 2020 Yale Program on Climate Change Communication poll, the vast majority of liberal Democrats (86 per cent) and moderate/conservative Democrats (72 per cent) think global warming should be a top priority. Conversely, only around a third of liberal/moderate Republicans (38 per cent) and just over one in ten conservative Republicans (12 per cent) agree.

But it is not just a divided electorate that Biden faces. He also faces a divided Congress. Currently, America's 100 member Senate is evenly split between Republicans and Democrats. In addition to navigating that schism, Biden faces challenges from his



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left-leaning flank who criticise former Obama-era climate measures, many of them crafted by political appointees to the Biden administration, that failed to sufficiently address environmental justice issues or the need for greater climate ambition regarding natural gas production and fracking. After President Biden proposed a \$2.25 trillion jobs and infrastructure package, Greenpeace USA released a statement saying that "the president's ambition in this moment does not meet the scale of the interlocking crises facing our country. It is not enough to go back to normal".

**Internationally, the scepticism is palpable. After all, the United States has emitted more greenhouse gas than any other country in history, and is currently the second-largest emitter after China.** As Saleemul Huq, a long-time climate advocate in Bangladesh, wrote after Special Envoy Kerry's stopover in Dhaka, if Biden wants to lead on climate, he "will need to earn that position of leadership. This means that his actions will speak louder than his words".

► *To restore American stature, Biden will need to demonstrate that the United States can deliver dramatic greenhouse gas emissions reductions rapidly.*

**To restore American stature, Biden will need to demonstrate that the United States can deliver dramatic greenhouse gas emissions reductions rapidly,** and that it will make good on the 2015 promise by developed countries to mobilise \$100 billion per year by 2020 for developing countries for climate action. Just since 2015, the world has experienced ever-greater impacts from climate change, including invasions of voracious locusts in Africa and Asia, the highest wind land speeds recorded from a cyclone, and 30 named storms in the Atlantic basin – so many that meteorologists had to turn to the Greek alphabet to name them – including two back-to-back Category 4 hurricanes striking Central America. Many of these impacts fall on

countries, including small island developing states, which have had the least to do with creating the climate crisis, but which are most in need of assistance to prepare mitigation. They will want to know the American plan to address the inequities.

Given these dynamics, it is not surprising that Kerry has engaged in shuttle diplomacy, visiting Bangladesh, China, India, South Korea, and the United Arab Emirates to quell doubts about the ability of the United States to honour its commitments and spark greater ambition. **After four years of backsliding, withdrawal, and outright denial of climate change during the Trump administration, confidence in the United States is weaker and scepticism is higher.** With another presidential election less than four years away, can Biden shake the country's reputation for being fickle?

As this question about America's ability to deliver continues to dominate, it is important to remember that Biden won this election with climate change as a central pillar to his platform. Since his election, financial markets have signalled greater concern with climate risk, with hundreds of companies making carbon pledges. Similarly, the chorus of young people pressing for change has grown, adding wind to the new administration's sails. So as all eyes are on President Biden's commitment to climate, the world should expect that he and his team can deliver. **Given the partisan divide, Biden's path remains cluttered with hurdles – but since this is the only planet humans have, what is his alternative?**

Alice C. Hill, David M. Rubenstein Senior Fellow for Energy and the Environment at the Council on Foreign Relations





# The EU needs a cool-headed Eastern policy

by Reinhard Krumm

Despite what looks like increasing tensions between the European Union and Russia, both blocs will stay neighbours, also in the future. The EU should face up to this reality, work on a common policy that is based on interests and norms, and set the agenda. In times of increasing global challenges, both Moscow and Brussels need to understand that they must work together – whether they like it or not.

It is in the interest of the EU to be engaged in international affairs. According to its Global Strategy of 2016, "the Union cannot pull up a drawbridge to ward off external threats. Retreat from the world only deprives us of the opportunities that a connected world presents". In this document, the EU not only specifies the need for engagement (responsible, targeted, long-term, deeper, selective, innovative and balanced) but also the geographical framework for it (taking "responsibility foremost in Europe and its surrounding areas").

But what should be done if one of the powerful states in the wider European neighbourhood seems unwilling to engage? With Russia being geographically situated on two continents, the Kremlin might indeed have come to think that it has no part in setting a common agenda with the EU and that it has little, if anything, to gain through cooperation. **At least for the moment, Moscow has decided to focus on its bilateral relations with individual EU member states, rather than with the EU as a whole.** It has also decided to concentrate

on Asia. One could perhaps call this a 'Rexit': even though Russia has never been part of the EU, this could be the end of its historical love-hate relationship with Brussels.

What would the end of this relationship mean for EU policy towards Russia? It is a country that, among other things, challenges the EU and its representatives, has annexed Crimea, is involved in conflict in and around Ukraine, and has poisoned its own citizens with a deadly chemical weapon. Yet it is also the country with the largest number of nuclear warheads in the world, according to the Arms Control Association.

► *Moscow has decided to focus on bilateral relations with individual EU member states, rather than with the EU as a whole.*

Russia has certainly made an impressive comeback since the collapse of the Soviet

Union – and the Russian government is now keen to underline its new strength whenever possible. **Thanks to its Covid-19 vaccine 'Sputnik', the Russian economy might even be "on a path to sustained recovery"**, according to the World Bank. Indeed, the World Bank's lead economist in Russia has stated that other countries "could try to replicate" some of Russia's microeconomic decisions from the last years. In other words, Russia is stronger than we believe, but weaker than it pretends to be.

**Even though today Russia is not as powerful as it was during peak Soviet times, the EU still portrays it as "a key strategic challenge".** Indeed, that Russia represents a key challenge is especially true if the EU, aspiring to be more geopolitical, concentrates on its Eastern neighbourhood, which includes countries like Belarus, Georgia, Ukraine – and also Russia. So, the question is not whether an Eastern policy is needed, but rather what kind of Eastern policy is appropriate – how it should be prepared and how its level of ambition should be defined.

Such a policy should be based on a cool-headed approach, should serve EU interests, and should fall within the framework of international norms, all of which Russia has endorsed. **Even if Moscow is currently not interested in engagement, the EU and its member states should work towards a common strategy, including a clear roadmap for now, and a vision for tomorrow.** The result should go beyond the existing 'five guiding principles on Russia' – which consist of the implementation of the Minsk agreements on eastern Ukraine, strengthening of relations with the EU's Eastern partners, enhancement of EU resilience, selective engagement with Russia on issues of interest to the EU, and support for civil society, in order to offer a clear framework in which the EU and Russia can co-exist.

- *Even though today Russia is not as powerful as it has been during peak Soviet times, the EU portrays it as "a key strategic challenge".*

When formulating a common strategy, the EU should also take into account the security dilemma of the other side, which shapes Russia's Western policy. **Defensive measures from one side might be interpreted as offensive by the other and vice versa.** For the moment, each side is increasing its own deterrence. Yet the threat analysis is extremely complicated as the criteria are highly subjective – perceptions can be totally right but they can also be totally wrong. Mutual restraint would be better.

Currently, it seems that the EU and Russia perceive each other as not particularly relevant for the future of European security. The EU portrays Russia as economically weak and hopes that Moscow, further pressured by sanctions, will evaluate Russia's mistakes and change its political behaviour accordingly.



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However, this seems to be wishful thinking. One reason for this, which is mostly ignored, is that **since the collapse of the Soviet Union, Russian governments have taken decisions based not only on reason and emotion – which is usual in politics – but also on the desire for dignity and recognition. This is a third component in Moscow's decision-making, and it has been increasingly important as part of identity politics.** It might indeed explain – but not excuse – some of Russia's behaviour.

The huge task of an EU Eastern policy is to formulate common interests. This needs to be done cool-headedly and with clear analysis – no friendship or strategic partnership can be envisioned for now. The EU Commission and the European Parliament have to think primarily about managing relations, and about finding a modus vivendi to de-escalate the increasingly antagonistic EU-Russia relationship. This will not involve a one-size-fits-all solution for now. It will instead involve a process of converging within the EU towards a common policy to achieve stability, security and prosperity in Europe – a Europe that includes the Eastern Partnership countries and Russia as well. This thinking has to be rooted in the realisation that it will not be the EU that is the most powerful actor deciding European security. For now, however, **the EU is still strong enough not only to formulate a common policy, based on interests and norms, and to set the agenda, but also to**

- *Russian governments, since the collapse of the Soviet Union, take decisions based not only on reason and emotion, as is usual in politics. Russia has added a third component for decision-making, the importance of which has been increasing as part of identity politics: the desire for dignity and recognition..*

**design the tools that are needed to implement this policy.** Both Moscow and Brussels need to understand that in times of increasing global challenges, they must work together – like it or not.

Reinhard Krumm, Head of Office, Friedrich-Ebert-Stiftung Regional Office for Cooperation and Peace in Europe (Vienna)







# Turning the clock forward

by Ursula Huws

The Covid pandemic has drawn new attention to the key importance of personal services for household survival, ranging from food delivery to care services. But all too often such services are provided by precarious workers, often employed via online platforms.

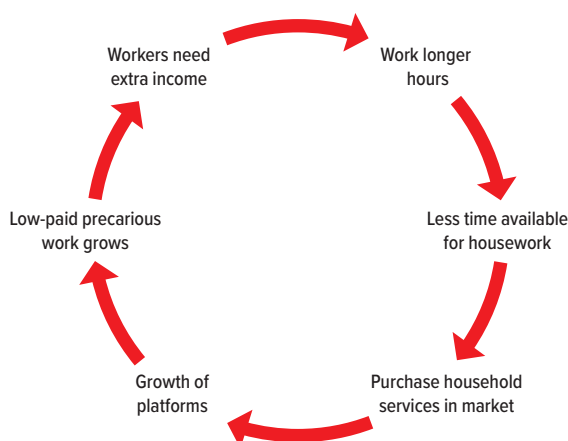
Platform work is widespread across Europe and growing rapidly, as research funded by FEPS and the European services workers union UNI-Europa reveals. Surveys in 13 European countries, carried out by the University of Hertfordshire with Ipsos MORI, found that the proportion of the workforce finding work via platforms such as Upwork, Uber, Deliveroo or Myhammer ranged from around one worker in 20 (in Sweden and the Netherlands in 2016) to over a quarter in Czechia in 2019. In the UK, platform work doubled between 2016 and 2019. Since the Covid-19 outbreak, there has been further growth, especially in delivery services.

**Platform work is at its highest where earnings are lowest.** In more than nine out of ten cases, those doing platform work are using it to top up income from other sources. Being a platform worker is not their primary identity and some feel that it is stigmatising even to admit doing it. Nevertheless, their willingness to undertake this kind of precarious work lowers the bar for others. **The demand for platform services is especially strong among full-time workers, including many in low-income households.** On average nine out of ten of those who work via platforms providing taxi and delivery and 84 per cent of those who provide platform-based household services are

also customers for these services. It seems that many of the millions of Europeans who use platform services are buying ready-cooked meals, cleaning or care services in the market because they simply do not have the time to do this work themselves. **Platforms form part of a vicious cycle whereby the need for extra income leads to working longer hours which leaves less time available for housework, leading to greater use of platforms which, in turn, increases precarious work still further.** The challenge for Social Democrats is how to break this cycle.

Current platform labour practices undoubtedly represent a part of a general degradation of work: another threat to the decent employment standards painstakingly put in place across Europe in half a century of social dialogue. **A knee-jerk reaction is to try to put back the ingredients of this standard employment model – job security, clear occupational identities, a standard working week, and full social protection – and to bring the platforms under the scope of tax and regulatory regimes.** But such demands position Social Democrats as people who want to turn

## MONEY POVERTY CHASES TIME POVERTY: THE VICIOUS CYCLE OF PLATFORM WORK



the clock back: old-fashioned politicians on the side of rigidity and bureaucracy who are trying to hold back unstoppable forces and do not want to encourage innovation or progress.

► *The demand for platform services is especially strong among full-time workers, including many in low-income households.*

Meanwhile, the employment model is not the only feature of the mid-20th century welfare state that is at risk. European governments are facing multiple challenges including an ageing population (leading to increased demand for care and other household services), growth in two-earner households (with less time available for household work), and a reduction in the supply of public services because of cost constraints and, in some countries, austerity policies.

**Could it be that instead of seeing digital platform technologies as a threat to the old welfare state model we might instead treat them as building blocks for a new kind of welfare state, fit for the 21st century, that addresses some of these challenges?**

It is true that as presently constituted, online platforms are often run by global corporations that put nothing back into the communities in which they operate, but extract a large rent from each transaction. All they contribute is poor working conditions, income insecurity, and forms of digital surveillance and control that threaten individual liberty. **But what if they could be developed under different forms of control, in ways that are democratically accountable, and under conditions that guarantee decent working conditions and job security?**

The ability enabled by platforms to match supply and demand for services in real time could provide a key to making our public services more efficient and sensitive to user demands. Using modern technologies to deliver services

in new ways might change their form but could, perhaps, bring them more closely into alignment with the fundamental aims of welfare states: to provide the wherewithal to ensure that all citizens obtain the basic services that enable them to live dignified, safe, and healthy lives and bring up their children free from the blight of poverty.

Public platforms could be integrated with existing public services to make them more efficient and responsive to citizens' needs – for example for transport to medical appointments, meals on wheels for the housebound, emergency childcare services, or care for people with unpredictable medical needs. Savings could be achieved by delivering services only when they are actually needed on a just-in-time rather than a just-in-case basis. **Devices such as voucher schemes could make it possible to integrate services provided free or at a discount on the basis of social need with commercial services. New forms of public-private partnerships and social enterprises could link local firms with service delivery agencies, boosting local economies.** Involving public sector trade unions in the development of these services would ensure that the rights and work standards of the traditional workforce are not undermined and would put in place appropriate forms of training, professional development, and management of the new workforce.

Could using platform technologies to build a digital welfare state offer a way to turn the clock forward, rather than back?



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*Ursula Huws,  
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# Old rules and protections for the new world of work

by Sacha Garben

The labour status of people working in the online platform economy is key to their socio-economic protection. But it has proven a difficult issue for courts and regulators. The EU is considering introducing a 'rebuttable presumption of employment' to help address this problem. What could this look like in concrete terms?

For some time now, one of the hottest topics in the 'world of work' has been that of online platform work. Online platform jobs can present opportunities, in terms of lowering barriers to labour market integration and moving activities out of the shadow economy. But there are also clear challenges. Most importantly, this type of work often entails a high degree of precariousness.

In recognition of this, the European Commission is planning to take action to ensure dignified working conditions and adequate social protection in platform work. In its initial consultation of social partners, the Commission has identified a number of areas in which improvements may be needed, including (i) employment status; (ii) working conditions, including health and safety; (iii) access to adequate social protection; (iv) access to collective representation and bargaining, and (v) algorithmic management.

The most crucial element is undoubtedly the first – the question of whether the people working via online platforms are to be regarded as 'workers/employed' with the attendant rights under EU and national law, or instead as 'independent contractors/self-employed' – as most

other issues are directly dependent on this question of labour status. **Given that online platform workers are often formally contracted by the platforms as self-employed and have working arrangements that do not always correspond clearly to a traditional employment relationship, online platform workers have been difficult to classify in many jurisdictions.** While national courts seem increasingly confident to (re-)qualify online platform workers from self-employed to employed, they may feel that under the current legal framework(s) they have to fit a square peg into either a round or a triangle-shaped hole.

As a possible way forward, the European Commission suggests introducing a rebuttable presumption of employment. This could provide an elegant solution that would significantly shift but not totally tilt the legal balance in favour of the increased socio-economic protection of online platform workers. **It would mean that the majority of online platform workers would receive the protection that workers and employees receive under EU and national law,** filtering out the false self-employed, while leaving scope for the possibility of the genuinely self-employed working via

platforms without imposing worker status or treatment on them. What could this look like in concrete terms?

Here are some tangible suggestions for the key provisions of a possible directive on the labour status of online platform workers.

## **Article 1: Application of EU law to online platform workers**

*Online platform workers are entitled to all the rights and protections applicable to workers under EU law, unless their relationship to the platform clearly does not feature the essential characteristics of an employment relationship and they are to be regarded as self-employed in light of, in particular, their full autonomy in terms of the pricing, organisation and execution of the work in question.*

## **Article 2: Application of national labour protections to online platform workers**

- 1) *Member States shall ensure online platform workers all the rights and protections under the relevant national law applicable to persons with an employment contract.*

2) By way of derogation to paragraph 1, Member States may decide to disapply the relevant provisions of national law to those online platform workers whose relationship to the platform clearly does not feature the essential characteristics of a work relationship and who are to be regarded as self-employed in light of, in particular, their full autonomy in terms of the pricing, organisation and execution of the work in question.

Article 153(b) of the Treaty on the Functioning of the European Union (TFEU) would be the most likely legal basis for a measure containing these provisions. While the issue of labour status is sensitive with the member states, the obligation to apply national labour laws and protections to certain groups of atypical workers (by requiring equal treatment in relation to working conditions) is a central one in various already-existing EU directives, such as on Fixed-Term, Part-Time and Temporary Agency Work.

In addition to a rebuttable presumption of employment, the EU measure could provide specific protection for all online platform workers – including those that are genuinely self-employed. It is not impossible to argue that Article 153 TFEU could be used to improve the working conditions of the self-employed. This is, however, not entirely certain, as it could also be said that for such additional protection concerning the self-employed, Article 53 TFEU applies, or that Article 352 TFEU would have to be added. The question of legal basis would be for another piece to explore in more detail, but if it was decided that additional protection for all online platform workers should be provided, it could look like the following provision:

**Article 3: Specific protections for online platform workers**

*Member States shall ensure that the functioning of online platforms complies with the rights and principles contained in the EU Charter of Fundamental Rights. In particular,*



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► *The merit of this approach lies in its acknowledgement that to protect workers in what is often called the 'new' world of work, the 'old' rules and existing protections are usually the best tools.*

*the activities of online platforms must fully respect the fundamental principles and rights to fair and just working conditions, non-discrimination, transparency, data protection and consumer protection. This includes the design, operation and application of algorithms, for which the online platform is fully responsible.*

**The merit of this approach lies not just in its capacity to efficiently tackle the issue of precariousness in the online platform economy. It lies in its acknowledgement that to protect workers in what is often**

**called the 'new' world of work, the 'old' rules and existing protections are usually the best tools. They may need some updating and tweaking for best results, but most importantly, it needs to be made clear that they, quite simply, apply.** This no-nonsense approach rejects the omnipresent but shallow narratives of technological exceptionalism that trade on the idea that the 'digital revolution' has made labour codes, and other important norms, redundant. Quite the contrary: it has underlined their primordial importance.



Sacha Garben,  
Professor of EU law,  
College of Europe, Bruges





# Like a boss – management by algorithm is taking over at the workplace

by Valerio De Stefano and Antonio Aloisi

All managerial functions can now be entrusted to algorithm-powered tools, raising large expectations, but also new risks. This trend is not limited to platform work. No economic sector is immune from the adoption of such systems. The EU institutions are engaged in a promising process that may lead to new regulatory solutions, but social dialogue and collective bargaining will remain essential.

Facial recognition and shift scheduling, smart badges and QR codes, GPS tracking and wristbands, job application assessment, and health self-reporting have ballooned in the last year. The labour market is experiencing a bewildering dystopia, and to a certain extent, we are docilely enjoying it.

A long-lasting process of *datafication* of working relationships, combined with ubiquitous tracking devices, the dizzying blurring between professional and private lives, and enhanced reliance on digital devices, results in an enticing opportunity to redesign power dynamics at the workplace, thus aggravating existing information asymmetries. AI-driven and more mundane software is now widely used to complement the role of managers and supervisors in all their tasks, from onboarding to promoting, from monitoring to firing. **Often marketed as unbiased, fraud-less, and objective, algorithms fuelling these practices are in fact abstract, formalised instructions to conduct a computational procedure aimed at achieving**

**a result, by increasing efficiency and enhancing performance.** Game-changing technologies reflect business needs and specific preferences and, on many occasions, have proved to be far from perfect as they replicate and reinforce human stereotypes or measure pointless parameters. **What is worse, given their obscure nature, these models end up limiting the understanding of employers' strategies, jeopardising the possibility of contestation. This also leads to an aggravation of societal inequalities.**

► *Often marketed as unbiased, fraud-less and objective, algorithms fuelling these practices are in fact abstract, formalised instructions to conduct a computational procedure aimed at achieving a result, by increasing efficiency and enhancing performance.*

In the past, forms of all-encompassing surveillance were used to make classifications and get a sense of workflow bottlenecks or deviant conducts (the use of data was eminently descriptive). Nowadays, a deeper dependence on inferential analytics, favoured by machine learning, helps managers to detect patterns and generate predictions about team dynamics, future behaviours and career prospects. At the same time, the overwhelming system of tacit penalty and reward is also expected to force compliance, thus reconfiguring interactions and nullifying autonomy. Workers' choice will therefore be severely constrained. Katherine C. Kellogg, Melissa A. Valentine and Angèle Christin have recently argued in 'Algorithms at Work: The New Contested Terrain of Control' that new models of algorithmic management are more "comprehensive, instantaneous, iterative and opaque" than before. From a labour law perspective, **this allows employers a much more fine-grained, intrusive and adaptive form of control, which is not matched by increased**



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### **powers of workers to defend their rights.**

Addressing this widespread augmentation of contractually unbalanced situations is vital for two main reasons. First, to escape a process of commodification of working relationships and dilution of corporate obligations. Second, to avoid workers associating technology only with increased control and exploitation. Such a loss of trust could result in active resistance to new technology, and hence foreclose positive uses that increase competitiveness and workers' well-being.

**PLATFORM WORK WAS ONLY  
THE APPETISER. ALGORITHMIC  
HR MANAGEMENT IS THE  
ICING ON THE CAKE**

Besides permeating all aspects of our societies, technology is therefore significantly rewiring workplaces and reshaping labour processes. The Covid-19 crisis has further accelerated a trend towards the digital transformation of managerial functions. Homeworking arrangements have been

ramped up to limit infection risk, scattered teams have resorted to collaborative platforms for project administration, interviews for new hires have migrated online due to travel restrictions, and academic centres have been panic buying supervisory software. In the last decade, platform workers have witnessed large-scale experimentation of practices such as rating, task allocation, incentivisation, customer reviews and gamification, which have now spiralled beyond the growing boundaries of this sector. Courts, inspectorates, and legislatures are effectively closing loopholes in enforcement, after years of perilous propaganda and uncertain litigation. The drawn-out fight on the appropriate legal classification of riders and couriers will probably end soon. The wildest inventions tested in this arena are instead here to stay.

**Advanced technologies are not making humans redundant, they are making workers obedient and managers superfluous.**

There is an urgent problem to tackle. The existing limits to the expansion of managerial

powers were conceived when the potential of new techniques was admittedly unthinkable, at a time when supervision was exercised by humans in a direct, physical fashion. We are now witnessing an attempt to track sentiments and predict mood changes.

**This profound sophistication should encourage us to rediscover the prominent principles on which labour regulation is premised: human dignity at work, above all.** And this should prompt an open discussion on the social convenience of algorithms at work. On closer inspection, perpetuating the techno-determinist narrative risks downplaying the much-needed collective scrutiny and bottom-up dialogue on ground-breaking innovation. Indeed, as the OECD states, "collective bargaining, when it is based on mutual trust between social partners, can provide a means to reach balanced and tailored solutions [...] to emerging issues, and complement public policies in skills needs anticipation or support to displaced workers" in a flexible and pragmatic manner.



## DATA PROTECTION LAWS RISK BEING A BLUNT WEAPON

Excitement at the adoption of management by algorithms, as well as anxiety around the patchiness of this adoption, is gaining momentum, and institutions seem aware of the ramifications of the expansion of managerial functions in warehouses, offices and apartments. Not only has the European Commission's consultation on the legislative initiative on platform work tackled this issue, but the Action Plan on the EU Pillar of Social Rights – a flagship political initiative – has also been tasked with untangling digitised management, in order to reap its benefits while addressing its harmful consequences (the proposed aim is to "improve trust in AI-powered systems, promote their uptake and protect fundamental rights").

► *Advanced technologies are not making humans redundant, they are making workers obedient and managers superfluous.*

However, current privacy standards may fall short of providing meaningful protection, if narrowly interpreted and applied. **Given that AI and algorithms are now substituting bosses in a variety of functions, we need to deploy a wide-ranging set of initiatives to regulate, if not ban, automated decision-making.**

While creating a strongly consistent framework, the EU General Data Protection Regulation has a limited scope and has been designed to encourage data flow. Its key mandatory requirement in workplace relationships is to implement the least rights-intrusive option available. Article 8 of the Council of Europe's Modernised Convention 108 can in fact offer a more human rights-based shield against pervasive control.

To ensure the quality of decision-making and improve working conditions, policymakers and social partners must revive the importance of anti-discrimination and occupational safety and health instruments. In particular, there is an urgent need to challenge domination at work. Regrettably, the ample set of principles informing data collection may be powerless in the face of the repurposing of information for less benign ends, or when vendors' pre-built or bespoke digital systems are rented by third parties. The introduction of modern technology assuming executive powers ought to be collectively regulated. **Solutions must be systemic, and encompass complementary tools based on the final use of algorithms.** If these tools are meant to streamline workloads or reconfigure duties, occupational safety and health regulation comes into play to address physical and psychological risks. When choices are made about the competitive attribution of entitlements such as promotions, for instance through profiling, a modern understanding of anti-discrimination provisions is essential in order to avert prejudiced outcomes for women, younger and less-educated workers, minorities and vulnerable groups. This will lead to a renewed interest in these often-neglected legal instruments, which contain great potential in the new world of work.

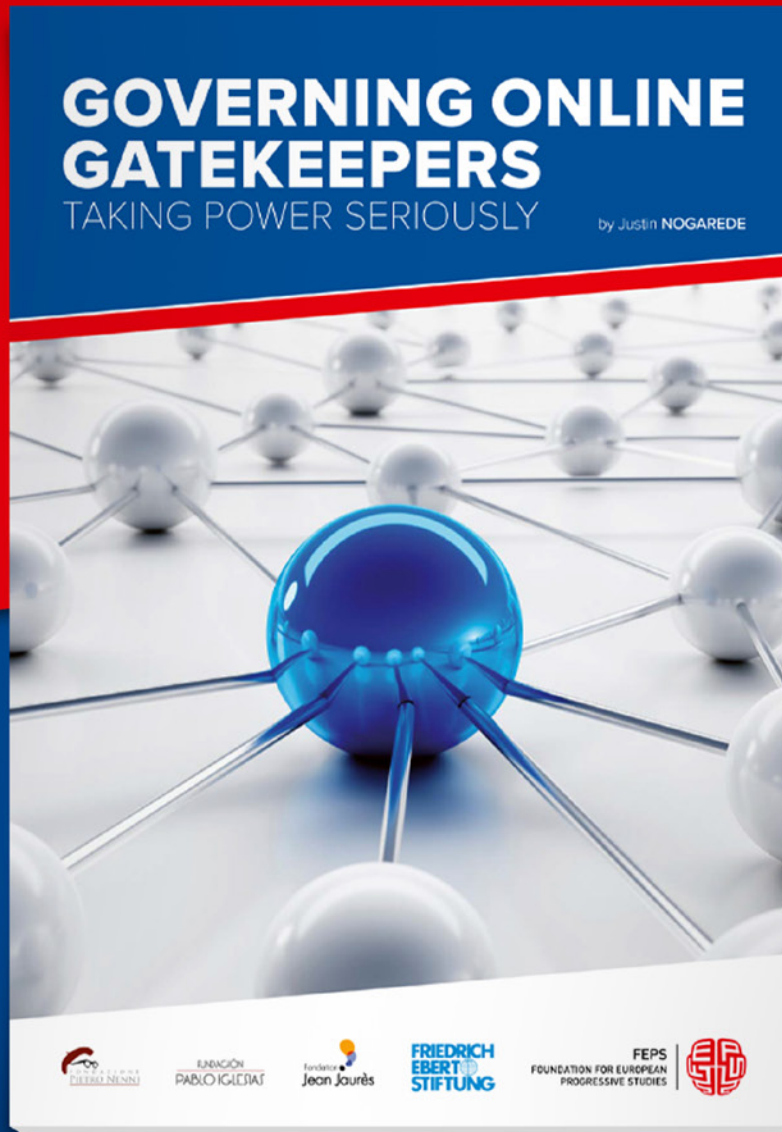
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# Progressive agents of change

## *Democracy, political leadership, and orientation as keystones in a post-Covid world*

by Felix Butzlaff

In recent decades, demands have grown for orientation and political leadership in our increasingly complex societies. And so have demands from citizens for more direct participation. The current pandemic has only exacerbated these potentially contradictory developments. If progressive political parties are to play a leading role in the necessary social-ecological transformations in the post-Covid world, the parties will have to readjust carefully between the demands of citizens for more participation and inclusion on the one hand, and more orientation on the other.

As sociological observations have shown, the demands of citizens on political parties, political elites, and representative democracies have been marked by increasing discrepancies in recent decades.

Firstly, **rising social complexities have led to a growing desire for political efficiency and leadership that gives orientation.** Parties, elites, and governments are expected to provide policy efficiency and to offer a plausible and trust-inducing political narrative in a world that is increasingly perceived as confusing and chaotic. Secondly, **at the same time, rising levels of self-confidence, self-efficacy, and education have led citizens to demand direct participation in democratic decision-making.** In turn, organisations of democratic and political intermediation, such as political parties, are increasingly viewed with suspicion and distrust. Thirdly, there has been a growing contrast between the desire

for a comforting social belonging (such as the often-quoted historical social milieus, classes, families, or social groups) on the one hand, and emancipation from the social restrictions that this belonging may bring about, on the other. This has led to liberation and a certain level of isolated singularisation. In the Western countries of today, many crave closer social ties and inclusion, yet they fear those very same ties and inclusion might restrict their self-realisation as a flexible individual.

The tensions that can arise from these diagnoses have been growing for quite some time, and have been exacerbated by the Covid crisis. In a global pandemic, citizens demand policy efficiency and speed, yet they also increasingly demand to be heard and to be involved. Furthermore, in a crisis that has literally isolated millions of people in their homes, citizens are longing for social connections, but they do not want to see their individual freedom and

flexibility restricted. The political tensions that arise from these contradictions of social modernisation are not equal for all party families. Indeed, they prove especially relevant to the progressive side of the political spectrum – firstly because the ideal of close ties and social belonging is (still) held dear in light of the history of class mobilisation, and secondly because the ideals of democracy, participation and individual emancipation have always been of great importance to these movements.

The resulting tensions have, throughout history, always led to organisational adaptations of movements and parties alike. The struggles for party statutes, intra-party democracy, or for the role of members have always reflected what was considered democratic, desirable, and necessary at the time. Accordingly, whenever debates over reforms arise, they indicate that political organisation and democratic demands have become out of phase.

**When we look at how Western Social Democratic parties have sought to adapt to social change over the last three decades, we can see that organisational changes have overemphasised the aspect of participation, and neglected the aspects of belonging and orientation.** This has created an organisational imbalance that puts the parties' role in post-Covid reconstruction at risk. Since the early 1990s, Social Democratic party reforms have increased intra-party democracy, and have introduced new ways of participation for members and supporters (in selecting candidates, leaders, and political programmes). Consequently, this has devalued formal membership and weakened the parties' medium ranks and formats of intermediation.

Furthermore, this democratisation of party culture has centralised the decision-making and atomised the voice of the single member (if all can have a say, the individual is hardly heard, and more power remains with those formulating the questions and preselecting the answers). All too often, however, the introduction of more opportunities for the participation of individual members and supporters has not been integrated into a coherent narrative of why and how this would result in an updated and contemporary Social Democracy. Indeed, more channels of intra-party democracy might even have uprooted members and left by the wayside those who are not able or willing to make themselves heard.

**A coherent Social Democratic narrative and programme, or the provision of orientation and demonstration of policy efficiency, are more difficult to develop in an open and deliberative manner alone.** As a result, however, recent Social Democratic organisational change has led to an even greater social bias of representative democracy, given that most formats of intra-party participation require resources and knowledge.

The reforms of Social Democratic parties that have aggravated a modernisation-induced imbalance between demands for participation, on the one hand, and for orientation, political leadership and belonging, on the other, might

become these parties' greatest disadvantage in the aftermath of the current pandemic and the subsequent need for a progressive rebuilding of a post-Covid world. In the context of the current pandemic and of many other crises (from climate change to rising social inequalities), progressive parties are struggling more than ever with social expectations that create these organisational contradictions of facilitating social inclusion and belonging as well as policy efficiency and security while at the same time allowing for individual flexibility and increased individual participation. The recent successes of right-wing populist parties, as well as the popularity, for example, of anti-mask protesters (who present themselves as movements facilitating a renewed direct democracy and a more autocratic vision of technocratic government) show that this contradiction can indeed be addressed – but in a reactionary manner.

► *In an accelerating and threatening world, there is a need to readjust between the urgency of providing orientation and an optimistic programme, the facilitation of policy efficiency and concrete political change, and the demands for a more direct involvement of citizens.*

The solution cannot therefore lie in dismantling membership participation or channels of intra-party democracy. The democratic expectations of members and supporters cannot be neglected, especially in the case of Social Democracy, a progressive movement. **In an accelerating and threatening world, there is a need to readjust between the urgency of providing orientation, optimistic programmes, policy efficiency and concrete political change, and the demands for a more direct involvement of citizens.** (One of the main reasons why the Biden administration has been received with such acclaim is precisely that it seems to successfully provide orientation and policy efficiency.) However, in



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this equation, the demands of citizens for more involvement need always to be considered with a close eye on the development of social bias.

In addition, Social Democratic parties should invest seriously in new forms of collective participation for their members and supporters, and should rethink organisational intermediation in order to create a new sense of belonging, without compromising the individuality of their members. Throughout their history, Social Democratic parties have always been successful when they have been able to formulate a coherent and plausible collective political narrative for their members and supporters: Why are we here? What do we want? Who will participate and why?

The post-Covid challenges will demand answers to these exact questions. Yet, in contrast to the last three decades, **Social Democratic parties should not seek the answers in member participation alone, but should invest time and resources in providing answers and proposals – in order to reconcile today's contradictions between demands for participation, belonging and orientation.**

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# Post-pandemic recovery: a blueprint for progressives

by Dimitris Tsarouhas

Following the outbreak of the pandemic, the EU finds itself at a historic juncture. The adoption of an ambitious recovery instrument offers a golden opportunity to go beyond 'business as usual' and forge a new social contract. Putting the public interest at the heart of the recovery strategy can prove a game-changer for progressive politics.

The outbreak of the Covid-19 pandemic caught everyone unprepared. The EU was no exception. After scrambling to secure medical equipment for its citizens and as the virus spread throughout the world, confusion was replaced with decisiveness. But only over time. Last summer, the EU delivered on its promise to equip its member states with the financial tools needed to rebuild our fractured economies and dislocated societies. Along with the seven-year budget agreement came Next Generation EU (NGEU), a policy instrument that combined old-fashioned loans with grants derived from Commission-led borrowing on behalf of the Union. It was a historic decision that responded to the call of the moment. As I have argued earlier, the crisis represents a critical juncture for the EU and its future trajectory. Its response so far has been proportionate and innovative, if not as ambitious as many would have hoped.

## | A GOLDEN OPPORTUNITY

Almost a year after the historic July 2020 summit that delivered NGEU, member states

are submitting their recovery plans to the Commission and the ball is starting to roll. **Money has been made available, EU quantitative targets on digitalisation and the green economy have been set, and the number-crunching has begun.** If all goes according to plan, member states will receive financial support by early autumn.

Compared to last winter, the latest economic forecast allows for optimism that, if vaccination rates pick up and a new normal returns sooner rather than later, EU output should be back to pre-pandemic levels by the end of 2022.

**How do member states make use of the available funds? This is a question much bigger than the technical details concerning the merits of each project. It is a deeply political question, the repercussions of which will be with us for a long time.** Failure to make good use of the recovery funds will not merely mean a good opportunity gone to waste. It will strengthen Euroscepticism by way of accusations against the Brussels 'machine'; it will reinforce the argument first raised by the 'frugals' last summer on fiscal irresponsibility and

the wastefulness associated with thinking out of the box; and it will erode the necessary trust between member states to continue the path of high-level political cooperation to achieve shared objectives, especially because the Council maintains the ultimate say in signing off the national plans.

► *Money has been made available, EU quantitative targets on digitalisation and the green economy have been set, and the number-crunching has begun.*

Gloomy scenarios should be the last thing on policymakers' minds. This is a test case for European resilience, as well as for good management and administration. Above all, however, it is a golden opportunity to set the stage for more ambitious reforms in EU governance, and transform the paradigm of economic orthodoxy that has dominated policymaking for far too long.

Progressives are offered the opportunity to demonstrate that their politics matters and that it can make a difference in people's lives.

**At a symbolic level, the recovery funds are a potential harbinger of a new progressive agenda that can shape politics for years to come.** In the aftermath of the global financial crisis, and save for a brief Keynesian moment in 2008-09, neoliberal voices shaped the politics and economics of the post-crisis world. The pandemic has changed all that: the state is now back, and even conservatives accept the need for large-scale state intervention to address the pandemic fallout.

The key question, therefore, is not whether the recovery should be public sector-led – that much is clear! The real questions are *'For what purpose will the post-pandemic intervention be used?'*, and *'How far will it go in addressing pre-existing challenges that the pandemic has only brought into sharper focus?'*

Four key priorities must be kept in mind when providing the answers.

### 1) Use recovery funding to combat inequality

Disparities between rich and poor have grown in recent years, threatening social cohesion. Directing the funds to poorer regions will regenerate employment and growth prospects where they are most needed. The Italian plan's emphasis on the Mezzogiorno is a good example of using public investment for regeneration purposes, targeting SMEs and small-scale firms that are squeezed by the rise of the recognisable but impersonal retail chain stores.

### 2) Take the recovery to the citizens and their communities

Civil society engagement at local level is a no-cost winning strategy to rejuvenate interest in politics and make sure citizens are in control of the process. Conservatives set up plans and seek to implement them with minimum input



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and limited transparency. However, local communities, NGOs, trade unions and workplace associations need to have a direct say in how funding is managed and distributed. Their empowerment will not only ensure that funds are used for the common good, but will also allow Social Democrats to reconnect with their grass-roots and to recover their popularity away from metropolitan areas and instead in the heartland of working people everywhere.

### 3) Reinforce the public sector's ability to cope

The pandemic has exposed our shared humanity and the fragility of public healthcare and education systems that are unable to cope with rising demand. As the digitalisation of our societies gathers pace, no child, no adolescent, and no elderly person should be left at the mercy of private corporations to deliver public goods. The public sector should not only direct and manage recovery funds. It should also be at the receiving end of funding used to rejuvenate the sectors hardest hit by the crisis.

### 4) Frame the crisis as an opportunity

The initial phase of the crisis is over and the hard-fought political battles as to how and where to spend have returned. Progressives win when their spending priorities address the common

bonds that make up our societies instead of addressing the special interests that prey on the weakest. For all too long, progressives have refused to walk the emotional path of politics, fearful of how the Nigel Farages and Le Pens of this world would take advantage of it. Yet there is an important need to justify the extra spending the crisis has necessitated – and this justification must be through a political discourse that emphasises unity, togetherness, and mutual ties of respect.

**The pandemic has upended our lives and reshuffled our priorities. It has left us confused and disoriented but it has also left many of us determined not to go back to 'business as usual'.** The EU's recovery funds represent a historic opportunity to make use of an unlikely crisis to rewrite the social contract in an inclusive, participatory and emancipatory manner. It should not be missed.

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Next Left Focus Group





# Could this be the time to reframe the concept of a state?

by Ania Skrzypek

It has become a well-known fact that in the time of the ultimate test – Covid – citizens have turned to their governments. They have been looking for protection, for help and for reassurance that collective effort can make the pandemic fade away. Social Democrats who are at the helm of their respective countries have embraced this renewed trust in public institutions, keeping their course with steady hands, cool minds, and open hearts. Indeed, they have sought to go beyond mere crisis management. They have aspired to govern. And they have consequently ensured that state aid has been directed to two complementary goals: providing relief for societies in crisis, and delivering investment to fulfil a long-term pledge. The latter encompasses commitments like greening the economy, making gender equality a reality, and ensuring that digitalisation serves the collective needs.

This twofold approach has been a qualitative change compared to the previous crisis of 2008-09. Back then, according to the understanding that was eventually forged, it was too much public spending that made the socio-economic model feeble. And since many in the centre and on the centre-right frequently repeated that universal provision of robust welfare policies was ineffective, unaffordable, and out of line with the aspirations of contemporary societies, opting for austerity looked like the logical solution. But this, as some commentators put it, "was a terrible idea indeed, which against all the predictions, led to the *strange non-death of neo-liberalism*".

**A decade later, there is nevertheless consensus on the erosive impact that austerity**

**had both on societies and on economies. And there is also painful clarity on the political consequences that Social Democrats suffered for having backed it** (or at least for not having outright rejected it). These consequences have involved declining electoral support and diminishing political capital. In the aftermath of the financial crisis, citizens took their case for more equality and social justice onto the streets, no longer trusting that the Social Democrats could be their political agents of change. This further shook the confidence of the Social Democrats and, in many countries, it affected their ability to come forward with bolder proposals, especially on economics.

In the midst of the recent Covid crisis, the mindset and narrative have been quite

different from those of a decade before. And they have clearly worked for the Social Democrats in government – Spain's PSOE, Portugal's PS, Sweden's SAP, Finland's SD and Denmark's SD (the Maltese LP has been a slight exception) – who, month after month, have remained stable and well ahead in the polls. But while their policies have been welcome, while their prime ministers have generally come to be considered as the most trusted politicians in their respective countries, and while one might have the impression that citizens have been rallying around the progressive version of governance – this cannot be confused with winning a programmatic battle. The lessons from the previous crisis still remain valid: nothing happens by default. That is why **instead of anticipating an automatic**



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**paradigm shift, Social Democrats should be articulating what kind of state they want to build when the emergency is over.** This should be a state that embodies a new social contract – a social contract that societies have already started to demand.

► *A decade later, there is a consensus about the erosive impact austerity had on both societies and economies. And there is also a painful clarity about the political consequences that Social Democrats suffered for having backed it up.*

To succeed in this mission, Social Democrats should keep several points in mind. Firstly, Covid has made individuals realise how much

they rely on one another, on collective action and on the state to provide public services (with healthcare at the forefront). But while this may signal people's appetite for the restoration and expansion of the welfare state, it does not mean that progressives can be the vanguard of this debate with a sentimental reference to their historical legacies, or with a 'you see, we told you so!' message. Quite the contrary. Arguments need to be coined anew. **Social Democrats need to prove that they have developed a profound understanding of the major social challenges, that they have grasped the dynamic of demographic developments, and that they have an answer to the diverse inequalities that have been both magnified and multiplied by the Covid crisis.** To that end, Social Democrats must show not only that they have an ability to provide sound and sustainable solutions, but also that they have regained confidence in their own proposals and really mean it, when they ask the electorates to entrust them with government

again. In other words, Social Democrats cannot look back, but have to look forward, offering both reassurance for now and a long-term vision that builds on the aspiration to create a better future for everyone. The approach taken in Finland is an excellent example of how this can be done, and of how being visionary can be matched with the ability to deliver. When the government in Finland rushed to people's aid (for example, that of workers and SMEs) it also looked at how to upgrade the existing strategies to fight inequalities (such as gender inequality) and simultaneously launched a nationwide consultation on "the Finland we want in 2050".

Secondly, Covid has been an extraordinary time in which people have been exposed to danger and felt incomparably anxious. Although locked down at home, they initially developed a sense of solidarity with one another, as well as an admiration for those at the forefront of the fight against the pandemic. They (re)developed



a sense of altruism, which prompted many to volunteer in their local community. But those powerful feelings, echoed in gestures such as the daily public applause for care workers and medical personnel, have soon faded and became overshadowed by Covid-fatigue and an eagerness to 'put it all behind us' and get back to normality.

► *Instead of anticipating an automatic paradigm shift, Social Democrats should be articulating what kind of state they want to build when the emergency is over.*

With the socio-emotional context changing already, progressives cannot expect to anchor their appeal for a new welfare state in the sentiments of a couple of months ago. This will not be enough, even to explain why there is a need for the state to provide better care, to invest in care sector salaries, or to collect more funds via taxes in order to boost science and research. **Instead of running after past emotions, progressives should position themselves in a way that allows them to act upon another set of sentiments that are bound to emerge with the onset of recession, inflation and unemployment.** This will be the time in which pragmatism and hard numbers will matter, making it possible for progressives finally to win with the argument that only egalitarian and socially just economies, which trust in the entrepreneurial capacities of people and which offer citizens both support and opportunities, are truly resilient, productive and efficient. Examples of this can be seen in the governmental policies of Spain's PSOE, which have led to the reprofiling of factory production lines and the retraining of workers – enabling them to play a pivotal role in the on-demand supply of products such as face masks and gloves, and thus avoiding closures, unemployment and the payment of benefits.

Thirdly, while the impact of Covid may have created a context in which Social Democrats can make a point and a political comeback, arguing for a new kind of welfare state, they should not expect their proposals to go unchallenged. When looking at recent elections – in the Netherlands, in Bulgaria or even the regional elections in the UK – it seems that not only the centre-right or right, but also nationalists and radical forces, are doing their utmost to claim the subject of a new kind of welfare state. While Social Democrats, in general, do not have obvious credentials on the matter due to their positioning in 2008-09, the situation nevertheless requires them to define what makes their approach to the debates on the state, and specifically on the new welfare state, distinctive. **A part of the answer, which is complementary and partially embedded in the socio-economic dimension, lies with the empowerment of individuals, and by extension the need for a post-Covid re-democratisation.** Progressives should therefore set about creating a tone for the debate by highlighting rights, the role of representative bodies and the logic of the decision-making processes. They should also focus on how to ensure the primacy of politics and, however simple it may sound, on how to ensure that a stronger state is all about bringing power back into the hands of the people.

In short, this is indeed the time to reframe the concept of the state and to arouse the ambition for a new welfare state. But Social Democrats will not be alone in trying to do this, and they consequently need to prepare for a tough fight. It will be one where three components are important: regaining confidence, looking forward, and daring for more.



Ania Skrzypek,  
FEPS Director for  
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# European fiscal rules: reform urgently needed

by Philipp Heimberger

The EU's fiscal rules are currently deactivated due to the Covid-19 crisis. However, returning to the pre-Covid rules would be counterproductive. The first priority of reform efforts should be to ensure that applying the rules will not deepen economic crises and hold back recovery. The second priority should be to allow for more public investment.

Budget deficits and public debt ratios have risen massively in all EU countries in the wake of the Covid-19 crisis. The question of how European economic policymakers should deal with this will keep us busy for many years.

The fiscal rules are currently not applied because the general escape clause was activated when the Covid-19 crisis struck. The Commission has recently clarified that the rules should remain suspended for 2022 as well. As an intermediate step, prolonging the deactivation makes sense, **as one thing is already clear: a return to applying the EU's fiscal rules in the same way as before the pandemic would be counterproductive due to the changed realities caused by the crisis.** It would force the governments of numerous countries onto an austerity path that undermines economic recovery – and thus also negatively affects debt sustainability. However, simply using the escape clause for another year or two will not be enough, because uncertainty about the future path of fiscal policy for national governments will

continue until effective reform efforts are undertaken to prevent an application of the rules holding back the recovery from crisis.

► *A return to applying the EU's fiscal rules in the same way as before the pandemic would be counterproductive due to the changed realities caused by the crisis.*

If policymakers were to repeat the mistakes they made in the aftermath of the financial crisis – when, from 2010 onwards, excessive fiscal consolidation undermined the economic recovery – the eurozone would be torn apart in the foreseeable future. Negative domino effects would be all but certain for all member states, including Germany and the so-called

'frugals', such as Austria and the Netherlands, which rely heavily on export and which, due to their industrial structures, are strongly linked to the other EU member states.

In early 2020, the European Commission initiated a review process for the existing EU governance framework – including the fiscal rules –, but the review was put on hold due to the pandemic. Soon, this discussion on whether and how to reform the rules framework will gain traction again.

However, **simply starting with discussions on the pros and cons of specific reform proposals is potentially misleading. There needs to be clarification about the main objectives first.** What should a reform achieve? What should the main political priorities be? **The focus should be on two objectives when it comes to reforming the EU's fiscal rules: 1) countering the current procyclical bias and ensuring that all countries can recover swiftly from the crisis, and 2) making space for public-led investment initiatives.**



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## NO MORE PROCYCLICAL RULES

The current fiscal rules are characterised by a procyclical bias, which was particularly clear during the years of fiscal austerity from 2010 onwards. **In several member states, applying the fiscal rules has contributed to deepening and prolonging economic downturns unnecessarily, leading to avoidable social hardship.** However, the rules already failed to ensure countercyclical fiscal policies during the 'good times' before the financial crisis.

This procyclical bias has triggered unintended political consequences: in several member states, political polarisation has increased in the aftermath of the financial crisis against the background of excessively tight fiscal policies, which have produced rising anti-EU sentiment in several member countries. **A strict application of the EU fiscal rules demands government spending cuts and tax increases from crisis-ridden countries at the wrong time, stifling the economy, holding back recovery** and, by consequence,

undermining a reduction of crisis-related increases in public-debt-to-GDP ratios via higher economic growth.

► *In several member states, applying the fiscal rules has contributed to deepening and prolonging economic downturns unnecessarily, leading to avoidable social hardship.*

Against the background of low interest rates, fiscal policy has become the prime tool for macroeconomic stabilisation. The macroeconomic environment has changed profoundly,

as indicated by persistently low inflation and interest rates, and this must be accounted for when thinking about the future fiscal stance in member countries. One of the main points of focus in reforming the fiscal rules should be the elimination of the procyclical bias, which has caused large economic and social costs across Europe.

In this context, the technical details of the rules are of high political relevance: cyclically-adjusted fiscal variables – which are based on the idea of correcting headline fiscal balances for the effect of the business cycle on government revenues and spending – are currently crucial for the medium-term budgetary objectives of member states. Biases in estimating these cyclically-adjusted fiscal variables have promoted counterproductive procyclical fiscal policies. Whatever the final reforms look like in detail, we urgently need to solve the underlying technical problems, which imply a tendency of revising the fiscal space of member states in times of economic stress downwards.

## MAKING SPACE FOR PUBLIC INVESTMENT INITIATIVES

The second major objective in reforming the EU's fiscal rules should be to allow for more public investment. This is essential for governments to be able to stabilise the economy in the short and medium term. And it is vital for successfully addressing major long-term challenges such as climate change and digitalisation.

**Unfortunately, the current fiscal rules do not distinguish adequately between investment and non-investment spending.** They have therefore also failed to shield public investment from being cut in times of economic stress. Over the last decade, public investment has fallen drastically in many European countries. This is related to the procyclical bias of the fiscal rules described above: governments can quickly cancel investment projects or put them on the back burner as the austerity pressure mounts.

This is exactly what has happened in large parts of the eurozone over the last ten years. Net public investment (which accounts for depreciation) was negative in the years before the Covid-19 pandemic in large parts of the eurozone, especially in southern Europe. This means that the public capital stock has been decaying. Given the large needs for public investment (in areas such as transport, communication networks and decarbonisation) that are still unmet, recent public investment outcomes in Europe are policy disasters with negative consequences in the long term.

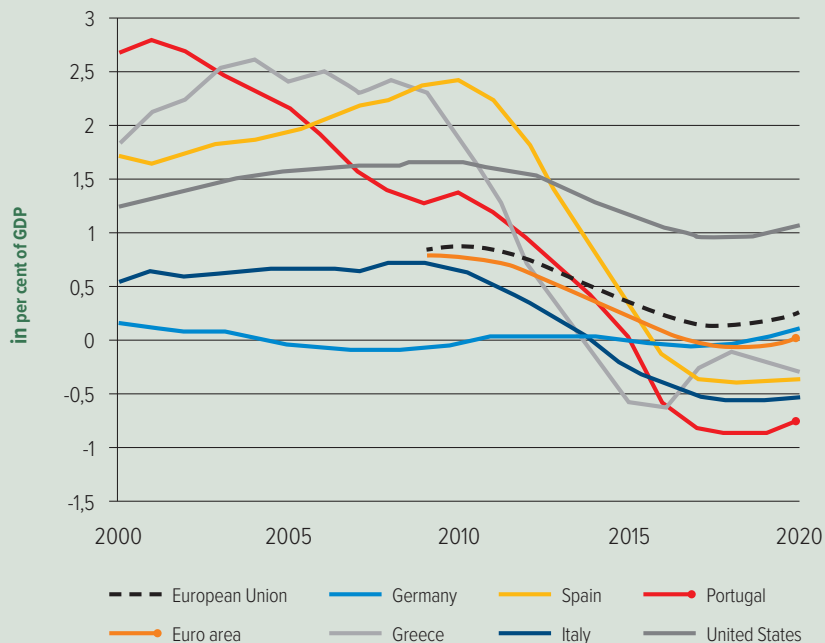
**If the fiscal rules allowed more public investment, this would, on one hand, help strengthen the basis for prosperous long-term economic development. On the other, implementing the European Commission's agenda for promoting a "green and digital transformation" requires massive public investment over the decades to come.**

► *More public investment is essential for governments to stabilise the economy in the short, and in the medium run. And it is vital for successfully addressing major long-term challenges such as climate change and digitalisation.*

A reform of the EU budget rules should therefore ensure that relevant public investments can be debt-financed, without violating the fiscal rules.

Different proposals on reforming the EU's fiscal rules will be discussed soon. But the one question that needs to be kept in mind is how much these rules contribute to achieving the two major objectives of getting rid of damaging procyclical fiscal policies and allowing for more public investment.

**Net public investment (ie, after accounting for depreciation)  
in per cent of GDP, 5-year moving average**

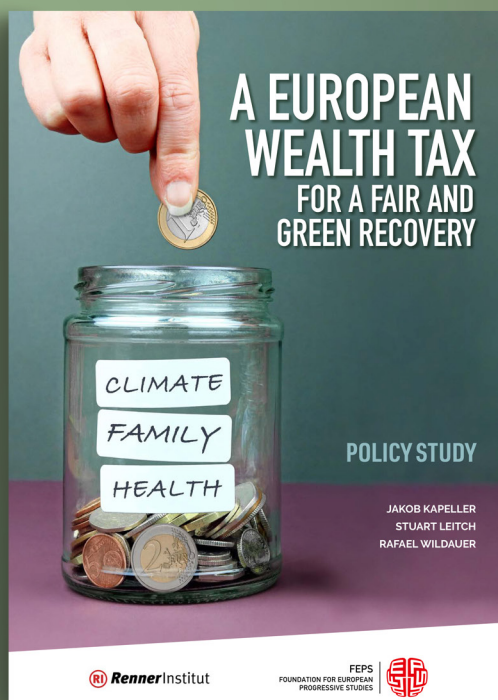


Source: AMECO (Autumn 2020); own calculations.

Philipp Heimberger,  
economist at the Vienna  
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Economic Studies (wiiw),  
and at the Institute  
for Comprehensive  
Analysis of the Economy  
(ICAE, Johannes Kepler  
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# Speeding up the reform of the EU fiscal rules – back to work

by Anni Marttinen

The work on revising the fiscal rules of the European Union had started long before Covid-19. The global pandemic put the work on hold – for good reasons. Now that the EU debt levels have risen to new highs over the past year, there is a strong need to speed up the revision process to ensure the EU's legitimacy and credibility.

Even before the Covid-19 crisis, a working group of the economic and financial committee under the EU's Economic and Financial Affairs Council had started to review the bloc's fiscal rules. At the beginning of 2020, when the Commission adopted the communication on the economic governance review, the majority of member states had returned to sound budgetary positions, and with some exceptions (France and Italy), government debt ratios had been put on a firm downward path. The effort to renew the deficit and debt rules in addition to medium-term budgetary objectives and structural balance was undertaken after a wide analysis of the EU's fiscal rules that indicated the rules maintained a trend of procyclical policies, which enforced economic fluctuations – when instead they should act as countercyclical buffers. **Not only have the fiscal rules been counterproductive in economic terms, but their complexity and arbitrary nature has made it difficult to understand their aim and purpose, which does not sit well with modern-day policy targets such as the fight against climate change.** The greying of the

population in Europe, and its resulting need for increased social and healthcare services, does not make it any easier to cut expenditure or increase public income without restructuring the tax base.

► *Not only have the fiscal rules been counterproductive in economic terms, but their complexity and arbitrary nature has made it difficult to understand their aim and purpose, which does not sit well with modern-day policy targets such as the fight against climate change.*

A few months after the announcement of the Commission's communication, the situation and the outlook were completely different. The massive shock caused by the Covid-19

health crisis and the valiant attempt to mitigate its social and economic impact have led to an unprecedented increase in government deficits and debt levels in all member states. For the euro area as a whole, debt is expected to jump to above 100 per cent of GDP in 2020, after declining to 86 per cent in the preceding years.

The Covid-19 health crisis has radically changed the perspective on the future of the EU fiscal framework. The public consultation launched by the Commission with the publication of its economic governance review was organised in a context where most – if not all – observers were critical of the way the EU fiscal rules had been implemented; and where a few saw a need for radical changes.

**Due to the pandemic, going back to the old fiscal rules and 60 per cent debt levels is unrealistic. Not only would achieving these levels require inhumane austerity measures, but for the member states to continue disobeying the rules would also continue to diminish the credibility of the EU as a whole.**

It is crucial to revise the rules to ensure adequate fiscal capacity for well-being, and also to maintain the EU's legitimacy and credibility – the lack of which could lead to a dangerous increase in EU scepticism and populism.

There is a need to speed up the review process of the EU fiscal rules in order to guide national and EU-level political discussions. The intentions of the review should thus be communicated in a transparent manner. I suggest the following reforms for a more efficient and suitable future of EU fiscal policy, which are widely supported both by academia and the European Fiscal Board (EFB):

- 1) Country-specific medium-term debt level or no rule;
- 2) Net primary expenditure growth rate;
- 3) Current account ratio;
- 4) General escape clause;
- 5) Possible central fiscal capacity (CFC).

The current debt level of 60 per cent is arbitrary in terms of any technical or academic analysis. The debt rule was already difficult to follow before Covid-19 and will be even more so after it. Indeed, if the framework allows flexible expenditure and public investment, while maintaining a medium- to long-term balance in net primary expenditure, the debt rule will be unnecessary. The public sector should have the opportunity to revitalise and sustain investments even in recessions. This would follow the so-called 'golden rule' that investments should be financed with debt and current expenditure with income over cyclical fluctuations.

**The 3 per cent deficit rule is as arbitrary as the debt rule and acts as a barrier for public investment, reforms and any expansionary fiscal policy.** The EFB has suggested an operational target for net primary expenditure for the medium term, which would not hinder public investment. Any investment in climate change could be counted out from the operational rule. The structural deficit rule allows



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de facto but not de jure country-based differentiated speeds for expenditure. In addition, the process of analysis is unclear, which further diminishes trust and transparency.

Current accounts are a major indicator of fiscal capacity in the member states and should be considered in a fiscal rule. Current account imbalances were one of the main causes of the eurozone crisis. Rules based on current account management should therefore be significantly strengthened. Current account deficits and surpluses should be treated symmetrically, for example by requiring the 3 per cent deviation from balance to be invested in the European Investment Fund.

The current crisis underlines once more the need to further deepen the Economic and Monetary Union. One crucial element would be a permanent and genuine central fiscal capacity. This central fiscal capacity should ideally take the form of a larger EU budget, financed by own resources, and with the capacity to borrow in the event of large

shocks. Its size should be considerable, and the spending should focus support on EU investment priorities.

These suggestions to reform the EU fiscal rules were both economically and politically necessary even before the Covid-19 crisis. But it was difficult to find a political consensus on them, which led to a pause in the revision process. **Now, with the globally higher debt levels, it is not only necessary but crucial to continue the process. The EU fiscal rules are important for the EU's future credibility and political stability. It is time to get back to work.**

Anni Martinen,  
Macroeconomist at the  
Central Organisation of  
Finnish Trade Unions (SAK)



# Changing the debt rule would miss the point

by David Rinaldi

Even before the pandemic, it was clear that the economic governance framework of the European Union was unfit to drive long-term prosperity and that it was particularly ill-equipped to sustain the economy in times of recession. The point however is that moving towards a better post-pandemic economic framework is not only a matter of fixing some rules. It is a matter of changing the premisses that have led to those rules.

The EU's Stability and Growth Pact (SGP) – and even more so, its Fiscal Compact included in the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) – are based on the economic conviction that the main role of EU governments is to keep their public finances in order. If they do this, so the conviction goes, the market will be duly reassured by macroeconomic stability, will channel the necessary investment, will allocate resources efficiently, and growth will be restored. Unfortunately however, this did not happen.

Actually, the market is not that stupid, nor that predictable. We have seen, for instance, that it greatly values political stability. At times, therefore, even when governments' macrofinancial indicators on debt and deficit stand at 'risky', they can still have easy access to finance. Furthermore, **the market understands the nature of deficit and does not look solely at its amount: if the financed measures are economically sound, the spending is not seen as a burden, but is valued for its growth potential.** Personally, I have never been a great fan of 'the market', but one thing is sure – it is smarter than the current EU fiscal rules.

After the global financial crisis, our European policy response was to subject the public sector to market discipline, so that the financial markets – which created the problem in the first place – could lift us out of the recession by reigniting investment. No wonder it failed.

Now, the debate on the new fiscal rules often results in an attempt to make more space for investment within the context of the current framework. But the context has changed. We are confronted with the aftermath of a massive global health crisis, unprecedented shocks to employment and production, a climate emergency to address, and the urgent need to speed up the development of our digital infrastructure. We are facing soaring demand for public intervention to fix, redress and reorganise many aspects of society that neither the market nor the public sector have solved before. Citizens clearly expect the European and national public sectors to actively steer socio-economic development. **What Europe needs is not a bit more room for public investment, but a completely new economic model,** a new economic governance that sets goals for the economy, rather

than valuing it for its own purposes. **The time is ripe to reset the objectives of the EU's economic integration and coordination.** Expanding from macroeconomic stability to political and social stability would be a first step. In addition, **the internal annual reflection of the EU on its economic goals has already identified sustainability and fairness as strategic transversal objectives.**

Even before the pandemic, in *Rewriting the Rules of the European Economy*, Joseph E. Stiglitz and FEPS called for the transformation of the Stability and Growth Pact into a *Stability, Growth and Employment Pact*.

► *The market understands the nature of deficit and does not look solely at its amount: if the financed measures are economically sound, the spending is not seen as a burden, but is valued for its growth potential.*



Source: European Commission, Annual Sustainable Growth Strategy 2020



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Including employment as a key objective of European integration could certainly be a very positive move, not only to bring Europe closer to the interests of its people, but also to make the European Union economically stronger with tools that respond to employment shocks and with a better management of the aggregate demand, sustaining internal demand and European production.

**Our focus should now be on a new Pact for Stability, Sustainability and Development**, that revises the foundations of economic policy in Europe and repurposes the whole notion of development, in line with the European model described in the Lisbon Agenda and the Europe 2020 Strategy. The questions that need to be answered are 'Why are we uniting our economies?' and 'What kind of society do we want in 10, 20 and 30 years from now?' The point here is to renew our vision of the European Union. New rules would then follow as a consequence.

To conclude, I would like to make a suggestion: the question of whether we should change the debt and deficit rule is relevant

and has only one possible response: 'Yes, we should'. Often, however, there is fear that even daring to raise this question would expose us to not being taken seriously. It is frequently underlined that treaty changes are currently unthinkable and that the best we can hope for are a few refinements of the current fiscal rules. My suggestion then is to turn the tables and to push our approach to the re-design of the E(M)U economic governance, as well as our approach to the debate on the Future of Europe, towards higher and more fundamental grounds.

Do we want fiscal rules to be applied more flexibly? Of course we do. But that would miss the point. Do we want a new debt-to-GDP rule set at 90 per cent? Of course we do. But that would only partly solve the problem. **What we want is to give to Europe and its member states the possibility to steer economic development and to lead in the ecological and digital transition, to provide high-end public goods and high levels of well-being.** That cannot happen if the goal we set for Europe remains one of macroeconomic stability alone.

► *We want to give Europe and its member states the possibility to steer economic development and to lead in the ecological and digital transition, to provide high-end public goods and high levels of well-being.*

David Rinaldi,  
FEPS Director of  
Studies and Policy





# The EU should enlarge to the Western Balkans now

by Dejan Jović

The EU needs a new policy towards the Western Balkans. It should enlarge to all countries of the region now if it wants to prevent other powers from taking advantage. Left without a concrete prospect of joining the EU, the countries of the Western Balkans are becoming less European and less democratic.

The European Union ought to radically rethink its approach towards the Western Balkans. **Keeping this region almost permanently in the waiting room for a train that never comes is making the Western Balkan countries less pro-European than at any time in the last ten or twenty years, and also much less democratic.** Waiting for EU membership is like waiting for Godot – and it makes the Western Balkan countries every day more similar to contemporary Turkey, another country that has moved away from the West because of feeling betrayed, excluded and humiliated by the EU's permanent hesitation over the country's accession.

The consequences of the Western Balkans being kept out of the European Union are authoritarianism, the rise and consolidation of nationalism, corruption, and an attraction to alternative models of governance – such as those promoted in Russia, Turkey and China.

Instead of trying to find new excuses and justifications for delaying accession for the Western Balkans, the EU should actively

► *The EU should act more strategically. It will not sink if it includes the Western Balkans. If it wants to become a global actor in an increasingly competitive and multipolar arena, it needs to act as a global power.*

engage with – and open its doors to – these five (or six, depending on the status of Kosovo) countries that have a joint population of less than 20 million. Although this would be a risky move – given the structural problems of each of these countries, as well as the fact that further enlargement is not popular in the current EU member states – it would nevertheless be much more dangerous for the EU to leave the Western Balkans outside the European bloc, and thus exposed to the ambitious and assertive foreign policy of competitors whose objective is to harm the interests of the European Union by preventing the completion of European integration. The EU will not be complete until it includes all countries that (still) want to join. The Yugoslav wars of the 1990s were the main reason that the promise of a united Europe did not materialise back in 2004, when ten new member states joined the bloc. These wars were also the main reason for America staying in Europe as a powerful actor, even though US interests are not always compatible with the project of European unity, as shown by the four years of Donald Trump's presidency.

Europe had good reasons to feel offended by the rejection of the principles of peace and democracy in former Yugoslavia and its successor states. Instead of resulting in the unquestioned dominance of the EU in Europe, the Yugoslav wars left the European bloc facing competitors for power – not only in the Western Balkans but also in the post-Soviet space (for example, Ukraine and Belarus) and, indirectly, in the southern Mediterranean.

A stronger Russia and a stronger China, as well as the US being sceptical towards the EU, have already created dissonance among the EU member states. **Instead of a united Europe we now have a more complex situation in which the EU is competing for strategic influence in its own backyard.** The new competitors – present also in the Western Balkans – now include the post-Brexit UK, as well as several Arab states and Israel. Most of them seek opportunities to challenge the project of European unity.

However, **anger and revenge are not good allies for responsible political judgment. And nor are pride and prejudice – pride with regard to European values that are promoted as being universal and superior to alternatives; and prejudice against others, especially when inspired by orientalist images and assumptions.** Although the EU was boosted by the self-declared definitive historical victory of liberalism over all other alternatives, the European Union failed to secure a liberal peace in the 1990s. It also failed to radically transform societies, even in Central and Eastern Europe, as witnessed by the return of illiberal policies, right-wing ideas and sovereignty as alternatives to Europeanism in countries such as Hungary, Poland and – recently – Slovenia.

If the EU hasn't been very successful in the Europeanisation of societies back then, it is even less likely that it could succeed now, given that it is confronted with both

external and internal obstacles. It is therefore an illusion that enlargement of the EU can reasonably – or even should – depend on how successful EU candidate countries are in fulfilling unrealistic criteria that are impossible to achieve, and most of which focus on the liberalisation of domestic politics.

Instead, **the EU should act more strategically. It will not sink if it includes the Western Balkans. If it wants to become a global actor in an increasingly competitive and multipolar arena, it needs to act as a global power.** It should enlarge when and where it can. It can still do this in the Western Balkans – unlike in the post-Soviet space or the southern Mediterranean. Hesitation to do so is a sign of weakness, and might become fatal for the European project.

This does not, of course, mean that the EU should not care about the character of states and societies within its own borders.



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Europe is meaningless if it does not have a character. And this character should indeed be decided by the values of the Enlightenment, which include both liberal and social-democratic values, as well as those of secularism, democracy, freedom and equality. The character of the EU also includes strengthening its anti-war dimension. But all these character traits could be reinforced much more successfully if the countries of the Western Balkans were included as full members in the EU's decision-making. Only when these countries feel welcome and equal, respected as the subject of politics, and not treated as the objects of it, can they gradually advance in democracy. The policy of blaming and shaming should be replaced with a policy of trusting and sharing – sharing the responsibilities for the common European home instead of widening the already big gap between core Europe and its periphery.

Countries in the Western Balkans are not perfect – far from it. But are all the member states of the EU perfect? Would they all now pass the test that Europe demands of the candidate countries? And from the point of liberal democracy, will the Western Balkans become better or worse if left out in the cold?

**The EU should allow the Western Balkan countries to join the European bloc now – and together, not one by one. Individual accession encourages unhealthy competition between the candidates, and in the Western Balkans this prevents reconciliation.** Those countries that join the EU first will try to use their membership to prevent the others from joining. We have already seen this tactic at play when Slovenia tried to block Croatia, and when Greece blocked North Macedonia. Indeed, we are now

► *Anger and revenge are not good allies for responsible political judgment. And nor are pride and prejudice – pride with regard to European values that are promoted as being universal and superior to alternatives; and prejudice against others, especially when inspired by orientalist images and assumptions.*

seeing a similar tactic by Bulgaria towards North Macedonia. These blocking tactics will continue on the part of Croatia towards Bosnia-Herzegovina, Montenegro and Serbia, when and if their time comes.

The European project almost came to a halt with the wars in the Western Balkans in the 1990s. Now is the time to unblock it again with a brave new policy of inclusion – for strategic reasons as well as for those of promoting European values.

*Dejan Jović, Professor of International Relations at the University of Zagreb and President of the Managing Committee of the Foreign Policy Forum, a new think tank from Croatia*



# Fixing the ethics of enlargement

by Florent Marciacq

The EU's current approach to enlargement reflects ethical positions that seem to promote a utilitarian, meritocratic and deontological understanding of European integration. But what if the flaws the EU and the Western Balkans currently face in their relationship had more to do with these ethics of enlargement than with the accession methodology itself? Could solidarity pave the way for more progressive ethics?

We Europeans take pride in claiming that the European Union has been built by meritorious nations resolved to tame bellicose nationalism, that the EU enlargement policy reflects our higher ambitions, and that it is our most successful foreign policy tool.

This depiction of European integration is inspiring and reassuring. It justifies the moral pre-eminence of the Union over the continent and its political leadership. But it is also delusive and fails to shield the European ethos against its demons. In our quest to establish a better community of European citizens, it is high time that we questioned the ethical principles guiding our support for enlargement and that we looked for a more progressive paradigm.

The ethics dominating this debate (and many other debates) today are utilitarian: a key challenge for the enlargement policy is to make sure that the accession of the 'Western Balkans Six' will create a win-win situation; that widening the EU will not undermine its prospective deepening; that the geopolitical, economic or migration management-related advantages of expanding the Union will be

of noticeable benefit for EU citizens. **The yardstick of these ethics of enlargement is the expected utility of prospective member states, not their intrinsic qualities. Its weakness is that it reduces European integration to a problematic collection of self-interested calculations, the result of which is likely to change over time,** depending on the priorities of the Union and the volatile interests of its member states. The unpredictability of the enlargement process today derives from this highly contagious utilitarian bias impregnating European affairs. Enlargement

might be useful in the making of a stronger Union. But it should not only be about that.

Should it perhaps then be about merit, about rewarding reforms? Official documents certainly all proclaim that accession is a merit-based process. The central role of conditionality in the enlargement process backs this idea that success is deservingness, that accession is the holy grail to be grasped after laborious efforts. These ethics, rooted in Christian thought, could not be more misleading. **Achievements in the Western Balkans have been rewarded with ever more distant prospects of EU accession. The assessment of these achievements has empowered a technocratic culture of European integration at the expense of civic mobilisation.** Decades will be needed for the countries of the region to meritoriously fulfil the Copenhagen criteria. Those countries that succeed in this before their neighbours will have a hard time containing what Michael Sandel calls "the hubris of the winner", while latecomers could end up struggling with humiliation and resentment. The ethics of merit, which the EU promotes throughout its competitive accession methodology, are well-intentioned. But even if they were followed consistently, they would

► *Achievements in the Western Balkans have been rewarded with ever lengthier prospects of EU accession. Their assessment has empowered a technocratic culture of European integration at the expense of civic mobilisation.*





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tend to neglect the weakest link and common good. In the end, they are a recipe for social discord and a driver of anti-elite populism.

Should enlargement perhaps then be guided by a more idealist deontology? Should it be more Kantian than Benthamite in its motives? It already is, to some extent. Enlargement and European integration are promoted as part of the Union's peace project; they are about unifying the continent along shared values and curing nationalism for good. In the Western

Balkans, however, this ideal is not central to the accession process. Good governance trumps good neighbourliness, and nationalism is not necessarily insoluble in Europeanism.

The temptation would be to redefine the fundamentals of the accession process accordingly and to make this *mission civilisatrice* a centrepiece of the ethics of enlargement. Or to revive what Timothy Snyder calls the "fable of the wiser nations". But that would mean perpetuating a delusion. **The EU was of course not created as a peace project: its early members waged imperial and colonial wars long after the signature of the Treaty of Rome.** At that time, they barely qualified as nation states (most were colonial entities) and even less as pacifists. Newer members of the Union, likewise, joined the EU with little experience of national statehood. And yet, the belief prevails that acceding to the Union is the ultimate stage of maturation for

well-constituted polities. History, however, indicates that the Union was built by, with and on the debris of political communities shattered by the collapse of imperial polities. European integration, in this sense, has little to do with transcending subliming nationalism (although the latter can be a lucky implication of the former): it is just a salvage plan for strained national communities.

This reading of European history sheds light on the lack of humility and self-reflection that underpins enlargement debates today. **There cannot be any dividing line between 'wiser nations', authoritatively owning the European ethos, and the 'wilder neighbours from the Western Balkans', presumably stuck in last-century strife. This dividing line, upon which the logic of enlargement is premised, is the perpetuation of the EU's moral misappropriation of the European project.**

► *The EU has not been created as a peace project: its early members waged imperial and colonial wars long after the signature of the Treaty of Rome.*

- *Conditionality has impoverished political participation for the simple reason that conditions are set unilaterally.*

What would more progressive ethics look like? An idea worth exploring would be how solidarity could offer better deontological guidance for enlargement; how it could help avoid the pitfalls of utilitarianism, the dazzle of merit and the delusion of self-proclaimed 'wiser nations'. Solidarity in enlargement would shift the EU's focus away from the notion of readiness, which underpins the ethics of both utility and merit. Indeed, **the EU will eventually have to enlarge to countries that are not ready. Inevitably. But rather than being seen a worrisome fatality, this development could be anticipated as a demonstration of the EU's solidarity** – as a gesture that goes beyond win-win calculations.

Promoting reforms is certainly important, and conditionality should continue to support the process. But merit, as a gauge of success, should not consign to oblivion the quest for common good. **Conditionality has impoverished political participation for the simple reason that conditions are set unilaterally** – mostly in Brussels, sometimes in the capitals of the member states. And call it luck or anything else, but it is evident that the countries of the Western Balkans do not all start out on the accession road with the same impediments.

Rather than amplifying their comparative advantages, the EU should seek to posit accession as a regional (rather than national) project by binding the countries in the region together with one another when it comes to their future EU membership. In doing this, the EU would create room for intra-regional solidarity and boost good-neighbourly relations because solidarity would be shared and not only expected from others. **The 'fable of the wiser nation' is a big myth. Solidarity is surely a better way to look at what unites Europeans.** It problematises asymmetries, which the member states are prone to misuse, and suggests that membership should be extended to those who need it most, rather than being a prerogative owned by a few.

*Florent Marciacq, Deputy Secretary General and Research Fellow, Austro-French Centre for Rapprochement in Europe (ÖFZ, Vienna); Senior Fellow, Centre international de formation européenne (CIFE, Nice/Berlin)*





# "Mitterrand's main idea was clearly to complete Europe and to build a big political European Union"

Interview with Pierre-Emmanuel Guigo, by László Andor

On 21 May 1981, François Mitterrand took over as the first Socialist president of the French Fifth Republic (1958-present). And, after the tenure of Vincent Auriol (1947-1954), as the second Socialist head of state in French history. Staying in power until 1995, he was also the longest-serving president in the history of France. On the occasion of the 40th anniversary of his inauguration, the *Progressive Post* comes back to his legacy, with the historian Pierre-Emmanuel Guigo.

**László Andor:** *As I would like to talk about a historic event which is probably very distant to our younger readers, I want to introduce our discussion by recalling a few other events from 1981. This was the year when Ronald Reagan moved into the White House. It was the year when the first space shuttle, Columbia, was launched; Lady Diana Spencer married the Prince of Wales; and in Egypt, President Anwar Sadat was assassinated; and at end of the year, martial law was declared in Poland. In May of that year, François Mitterrand was elected president of France. He introduced a governing coalition between Socialists and Communists – a fact that is probably difficult to comprehend with today's mind. It doesn't look obvious. How did this electoral success, and this coalition, come about in 1981?*

**Pierre-Emmanuel Guigo:** Before the election, there was no alliance between Socialists and Communists. In fact, there had been one – but in 1972. However, this alliance exploded in 1977. And in 1981 there were two main presidential candidates from the left: François Mitterrand, who was the Socialist Party candidate, and Georges Marchais, who was the first secretary of the Communist Party. There was no alliance during the presidential race. It was only at the end of this race that they decided to come together and to form a government together. However, it was mainly a Socialist event, and the Socialist MPs had a large majority in parliament. In fact, the alliance was not an equal one, because it was primarily François Mitterrand's victory. Indeed, this victory happened because the Communists were used to voting for François

► *1968 was the moment when a lot of new topics emerged, like self-management – the idea that you could be part of the power inside your city, and also inside your company. You could have a share in power. Ecology and the environment became a new topic, as did women's rights – equality between women and men.*

Mitterrand – this was not the first time this Socialist candidate had run for president, as he had already been candidate of an alliance in 1965, and then again in 1974, also of an alliance of the 'old left'.

**LA:** *It was a kind of marathon for François Mitterrand. And he was not a very young president, in contrast to Emmanuel Macron who occupies the Elysée today. You went back to the 1960s and 1970s to discover the origins of Mitterrand's presidency. From the late 1960s, after the student revolts in Paris, was the new left an energising factor for a shift towards more progressive politics in France? And has it been a significant factor in the 1970s and early 1980s?*

**P-EG:** Yes. And it played in two directions. It contributed largely to the victory of François Mitterrand in 1981, because many of the young people of 1968 were able to vote, first in 1974 and again in 1981. And they contributed significantly to the renovation of the Socialist Party, which at the end of the 1960s was doing very badly, with a large defeat in 1969. However, by the end of the 1970s the Socialist Party was a big party again, with a large proportion of young supporters. This emergence of young people in 1968 contributed to Mitterrand's 1981 victory and to the renovation of the party. It also contributed to the renovation of the main themes and topics of the Socialist Party campaign. At the end of the 1960s, the Socialist Party had been an old party with an old ideology drawn from Karl Marx and founded on nationalisation, and all the main old Socialist ideas. But 1968 was the moment when a lot of new topics emerged, like self-management – the idea that you could be part of the power inside your city, and also inside your company. You could have a share in power. Ecology and the environment became a new topic, as did women's rights – equality between women and men. And all these new topics contributed to renovating the image of the Socialist Party and its programme – and they contributed largely to the victory of 1981. But



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with this new generation coming from 1968, a lot of new leaders emerged who tried to push François Mitterrand out of the Socialist Party, and to supplant him. Among them was Michel Rocard, who tried to be the Socialist presidential candidate in 1981. But Rocard was defeated by François Mitterrand, who had the group behind him and who was the main leader of the Socialist Party – and in fact the main leader of the left.

**LA:** *François Mitterrand became president altogether for two terms, which in those times meant 14 years. That is probably a record in French political history that cannot be beaten, since the rules have changed in the meantime. I wonder if it is possible to sum up his most important achievements in office in these 14 years. Could you illustrate his top achievements in that period?*

**P-EG:** The main achievements on the social side were mostly at the beginning of his first mandate. In 1981, for instance, you have the abolition of the death penalty. There was also legislation for 39 hours of work per week (before it was 40). And legislation inside

companies to enable power to be shared between the top managers and all the different people inside the company. There were a lot of different changes in 1981 and 1982 to increase the power of the population, and to share the power – and also to share the growth of that time with the population. Unemployment was the main domestic topic of 1981. But there were also big evolutions politically on the international side. Mitterrand was involved in a major way in the construction of the European Union, particularly in 1987 with the creation of the single market, and in 1993 with the Maastricht Treaty and the establishment of the European Union. Europe was one of François Mitterrand's main involvements in this presidency.

**LA:** *You highlight the construction of the European Union in which Jacques Delors played a major role alongside Mitterrand. Delors was his first finance minister when Mitterrand came to power. But neither Mitterrand nor Delors were originally Socialist at the start of their political journey. Did this have any significance, in your view, at a later stage?*





**P-EG:** I think it played a role. More than a Socialist, Mitterrand was a Republican – he was a man of the left, but he was not originally from the left. He came from the right, in fact. And it was at the beginning of his political career that he decided to move to the left – first with Pierre Mendès-France, and then he became Socialist in the 1960s, when Charles de Gaulle was president of France. As a Socialist, Mitterrand became the first opponent of de Gaulle – particularly at the end of the 1960s. Mitterrand was elected first secretary of the Socialist Party only in 1971 – quite late in his career, although he had been a minister several times before this date. But from 1971, he was very much the leader of the Socialist Party and this contributed to his election in 1981.

**LA:** *You mention the importance of building the European single market, and also the economic and monetary union (EMU) leading to the single currency. Did Mitterrand and Delors really have a long-term vision or were these more step-by-step developments regarding the design of the monetary union? Because in those years, a major transformation took place in terms of what the European Union would look like. Did they have a definite idea of what they wanted to achieve?*

**P-EG:** I think that's the case for Jacques Delors. He had worked in different ministries as a member of the cabinet at the beginning of the 1970s, and so he had a large experience of the European Union, and also of monetary problems. For François Mitterrand, the EMU was not one of his main preoccupations. Mitterrand's main idea was clearly to complete Europe and to build a big political European Union. This was one of his main battles at the end of the 1980s when he participated in meetings of European leaders. So it was really one of his first battles in his political career. I think that more than a concrete vision of what Europe could be, and particularly the monetary union, he had the idea of strengthening the links between the different European countries, and particularly between France and Germany, because he was a soldier during the second world war, and he



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was also in the resistance. For Mitterrand the main priority was to build this very strong relationship between France and Germany.

**LA:** *Yes, I think it is very well documented that he worked very closely with Helmut Kohl – sometimes hand in hand. But how significant was Mitterrand's relationship with leaders like Willy Brandt, who at that time was the leader of the Socialist International and preparing the cooperation framework in the Party of European Socialists? How significant for Mitterrand was this Socialist network of international leaders?*

**P-EG:** The Socialist network contributed to the good links and to the construction of the European Union, particularly supporting the policies of Jacques Delors. But while the links between Mitterrand and Willy Brandt were fairly good, they were not as strong as the

links between Willy Brandt and Michel Rocard, for example. In fact, Rocard had stronger relations within the Socialist International. This was also the case for Pierre Mauroy, who was Mitterrand's first prime minister in 1981. Mauroy also had important links with all the Socialist leaders in Europe, and indeed he was the first secretary of the Socialist International in the 1990s. While Mitterrand had good relations with other Socialist leaders from other European countries, his links were not as good as those of Mauroy or Rocard. This could be explained because Mauroy and Rocard were seen as representing Social Democracy in France. Mitterrand was not seen as a true Social Democrat. He was seen as a Socialist, in fact – more on the left than the others. For example, he was for the nationalisation of a large part of the economy, like the banks, the industries, and the armies. He was therefore seen as more Socialist than Michel Rocard or Pierre Mauroy.

► *Mitterrand was not seen as a true Social Democrat. He was seen as a Socialist, in fact – more on the left than the others. For example, he was for the nationalisation of a large part of the economy, like the banks, the industries, and the armies.*

*LA: Perhaps we can turn to the broader European architecture because the fall of the Berlin Wall also happened during Mitterrand's presidency, and German reunification began. A new all-European integration process was launched, and here I would appreciate it if you could compare Mitterrand to other European leaders, like Margaret Thatcher, who was his contemporary. I think their reactions to the fall of the Berlin Wall differed significantly. Am I right in believing that Mitterrand was much more forward-looking and anticipated the real dynamics of this change – not only by opting for the single currency at the time of German reunification, but also by allowing his adviser, Jacques Attali, to establish a new multilateral bank, the European Bank for Reconstruction and Development (EBRD), to finance reconstruction in the East?*

**P-EG:** There are still controversies between historians about Mitterrand's view on the fall of the Berlin Wall. Some historians consider that Mitterrand was surprised by the fall of the wall and held the same position as Margaret Thatcher, seeing the reunification of Germany as a big hope, but also perhaps as something frightening for Europe because it meant a big Germany again, because it meant a big country at the centre of Europe. Mitterrand probably also took this position because he was a soldier during the second world war. Historians say he tried to curb Germany's reunification, because for him the main priority was to build Europe. He therefore conditioned the reunification of Germany on the construction of Europe – and particularly on the Maastricht Treaty and

on the construction of the European Union two years later. In truth, historians know that things are actually more complex – and in fact Mitterrand played in two directions. He tried to curb the reunification, but he was also aware that we could not stop it. He knew that fall of the wall represented a huge hope and could create a bigger and stronger Europe. He was very involved with the different insurrections in Europe. He was in Sarajevo in 1992 and in Romania in 1991, and he very much helped all the new countries become democracies and move towards the West.

*LA: You mention Sarajevo. I think his flight to Sarajevo was very courageous. It was a kind of legacy message that this European integration is not complete, and without addressing the instability in the Balkans, Europe is not doing its job. I'm sure he knew that he would not see the time when this problem was finally solved but he wanted to leave a message that this is a very important task for the Europeans. Would you agree?*

**P-EG:** Yes, and there are again controversies between historians over this. In fact, there are a lot of controversies with regard to the end of François Mitterrand's second mandate. One of these controversies was that Mitterrand's first visit to Sarajevo in 1992 showed he had an ambiguous strategy towards this conflict and how to react to it. Some politicians at that time were pushing France to have a more active stance towards the war, show true solidarity with Bosnia and send them arms. But Mitterrand rejected this, putting negotiation and peace before real military help.

*LA: Let me finish with one last question, a lesson for Social Democracy. I read a recent article about François Mitterrand which was written from a political-economic point of view, and it said that Mitterrand's experience is a microcosm of the fate of the entire Social Democratic left in Western Europe since the 1970s. Is this an exaggeration, or was his experience as a president and Socialist leader significant for the entire Democratic left?*

**P-EG:** It's interesting because Mitterrand's victory came at a time when Social Democracy was largely defeated in the whole of Europe. He was elected in 1981, which was the time of the end of the experience of Socialism in a lot of European parties. This was the case for the UK. It was the case also for Sweden (or nearly). It was near to being the case for Germany and a lot of other European countries. Therefore, it was a victory against the conservative wave of that time, and I think it is a good message to understand how to reconstruct the left nowadays, because in a large part of Europe, Socialist parties are in fact more and more reduced to just a little part of the political spectrum. Hence, if Socialist parties want to be elected, and to win elections, they need coalitions and alliances. In fact François Mitterrand's victory proves that an alliance is necessary to win, and that Socialist parties cannot win elections alone without a coalition on the left and without other partners. Mitterrand's victory is also a good message and provides good foresight that Socialist parties need to absorb new topics – nowadays, particularly the question of the environment, but also the question of gender.

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# The social momentum of Europe

by László Andor



Colin Crouch

*Social Europe: A Manifesto*

*Social Europe Publishing, 2021*

Spring 2021 was a good season for Social Europe: with the European Commission coming forward with an action plan to implement the European Pillar of Social Rights, and the Portuguese Presidency of the Council staging a major conference in Porto on strengthening the social dimension of the EU, the discussion on Social Europe could not be timelier. The book that probably best captures the spirit of the current time is written by Colin Crouch, Emeritus Professor at the University of Warwick: *Social Europe: A Manifesto*.

Although the book is written by a distinguished professor, it has an accessible style. Neither its length nor its list of references would be enough for a genuinely academic book on the subject, but for the general audience, they are perfectly sufficient to locate Crouch's views on the map of progressive thinking.

As for the subject of the book, Crouch does not simply argue for a Social Europe in a conventional way. Indeed, some of the totemic issues of the social policy debate in

the European Parliament, like the posting of workers, are completely absent from the book. Instead, Crouch outlines his vision for no less than a Social Union, with due references to Frank Vandenbroucke and Anton Hemerijck, who pioneered this concept (together with Maurizio Ferrera and others). He also invokes Karl Polanyi to underpin the suggestion that "moves to extend markets need to be accompanied by moves in social policy". In addition, Crouch integrates into his vision of the Social Union the actions to combat environmental damage and climate change, and those needed to tackle the challenges of digital transformation ("reconciling the future of work in a rapidly changing economy with workers' needs for secure lives").

Crouch is right, therefore, that **the Social Union represents a qualitative leap from the EU construction in which social policy is an appendix to the main body of economic integration and governance**. And, despite this being a short book, Crouch does not remain at the level of generalities but explores in detail what the EU would need to

change aside from what it has already done in this field. For example, on the question of minimum wage coordination, he writes: "there needs to be a Europe-wide component to minimum-wage strategies (adjusted of course for local costs of living) to prevent unfair competition from, and exploitation of workers within, the poorer countries of the union. The experience of countries with well-organised schemes is that they do not cause unemployment". If this is not convincing enough, Crouch goes further: "at present the still very powerful unions of the Nordic countries are the main obstacles to a European minimum wage. It is essential that they understand the importance of maintaining wage levels in countries without strong unions; otherwise, low wages in these countries will eventually undermine their own strength".

**Putting the social investment welfare state (SIWS) at the centre of this Social Union represents a paradigm shift, or even a conversion, in the field of European social policy.** However, while presenting

himself as an advocate of this conversion, Crouch only half explains it, as he writes much more about the centrality of standards than the necessity of resources (secured by adequate safety nets) for SIWS strategies to function. In some cases, it would have better helped the reader to link the specific proposals directly with the ongoing political debates (eg, linking the support for mothers and paid parental leave with the 2013 EU recommendations for investing in children, and the more recent proposals for a Child Guarantee). On the other hand, it should be highlighted that Crouch does make the case for a partial Europeanisation of social insurance, in order to solve the problem of social dumping once and for all.

Interestingly, **Crouch's manifesto is, first of all, a political one. He starts by introducing the two destructive tendencies of our times: neoliberalism and nationalism. Sometimes these two villains are referred to as "extreme neoliberalism" and "xenophobic nationalism",** leaving the reader to wonder whether a non-extreme nationalism or a non-xenophobic nationalism can be reconciled with the perspective of his manifesto.

But make no mistake: this is a very consistent Social Democratic vision – with which Christian democrats are invited to align. Of course, Crouch does not mean the paltry and illiberal 'Christian movements' so prominent in Hungary, Poland, and America, but the true followers of Pope Francis, who has been standing out among contemporary Catholic leaders with his campaign for inclusive egalitarianism. The reference to Pope Francis is

► *The Social Union represents a qualitative leap from the EU construction in which social policy is an appendix to the main body of economic integration and governance.*

indeed important, especially after the critical points made about the Third Way, a once influential trend of the European centre-left which "took too benign a view of the state of contemporary capitalism". Inspired by the Pontifex, among others, Crouch is clearly keener than many to put the reduction of material (income) inequality back at the heart of the social agenda.

Before actually entering into the details of the vision of Social Europe, we read about the problems of Social Democracy. This part of the book elaborates on the sociological cleavages between different voting constituencies of the centre-left, but lacks the necessary depth and detail that the subject deserves, and perhaps also requires, at the current juncture. **Facing the reality of Social Democratic decline, Crouch makes the case for alliance policy** (or actually something less: "becoming part of the kaleidoscope of contemporary politics"). And with regard to the analysis of East European political deformation, Crouch's narrative is less Polanyian than his view of the EU as a whole.

Crouch claims that Europe's Social Democratic parties "were unable to reap any harvest from the global financial disaster of 2007-08", and that the xenophobic nationalists seized the momentum instead. Such statements are too broad-brush to be true and false at the same time. Yes, in the last decade, we have had more of the radical right in Europe than at any time since the second world war. But it is also true that in the 2011-13 period, most European elections saw Socialists either winning, or returning to power as coalition partners. There was momentum for progressive policy, bringing forward the expectations for various centre-left leaders, but this was not properly used, perhaps due to a lack of courage, or coordination, or imagination.

For the European left, as Crouch explains convincingly, "the institutions of the EU are central to its objectives and identity – not an add-on



for placing in a separate chapter at the end of a manifesto". However, arguably the weakest point in Crouch's narrative is that the dramatisation of Social Europe is framed in a story of resurrection, disconnected from historical accuracy. There was, supposedly, a golden age, at the times of Jacques Delors (1985-95), after which (the idea of) Social Europe died, and now it is somehow coming back from the dead. But this story of resurrection is as much a myth as reality.

- *Crouch's manifesto is a political one. He starts by introducing the two destructive tendencies of our times: neoliberalism and nationalism. Sometimes these two villains are referred to as "extreme neoliberalism" and "xenophobic nationalism".*

No doubt, Jacques Delors was not only rhetorically strong on the social dimension, but also elevated social dialogue to the EU level, reformed cohesion policy to be able to counterbalance the single market, and launched a cycle of social legislation to prevent a race to the bottom. But it should not be forgotten that it was the same Delors who left us with the Maastricht model of the Economic and Monetary Union (EMU) – in other words, a monetary union without fiscal union, without common financial sector regulation, and without a lender of last resort. And that

model started to act as a doomsday machine in the last crisis, practically destroying the fiscal base of the welfare state on the euro-zone periphery. This dangerous potential of the badly designed EMU was only partially exposed in the late 1990s, in the only period of EU history when the centre-left dominated European politics and the European Council. It was at that time that the centre-left brought in the Lisbon Strategy – which confirmed the European commitment to Social Europe, but aimed at delivering a remedy without questioning the macroeconomic framework of Maastricht.

**Any tract on Social Europe, including the one written by Crouch, should therefore be more explicit about the relationship between economic governance and social policy, and especially about the limited capacity of the latter to compensate for the mistakes of the former.** Instead of pushing the myth of death and resurrection, Crouch would have done better to explain how economic policies at the EU level could produce fewer problems. On this he only partly delivers. The third and longest section of the book, which outlines the building blocks of a stronger Social Europe, covers several economic topics (namely reforming globalisation and regulating financialised capitalism) but remains modest regarding the problem of the monetary union. The reader finds casual references to the constraints imposed by the Maastricht model, and perhaps these references remain casual because a more systematic critique of the original design of the EMU would challenge the prevailing 'golden ageism' around the memory of Delors.

Crouch's theory of the EU is rooted to some extent in the works of Fritz Scharpf, but by making the case so forcefully for the socialisation of the European project he clearly

- *Throughout the book, Crouch stresses that the coronavirus pandemic, with which Europe has been struggling since spring 2020, is an additional reason to push for more European solidarity and safety nets..*

distances himself from the Cologne School of Left Nationalism. Indeed, followers of Scharpf, and perhaps even more of Wolfgang Streeck, would not accept the position that neoliberalism can be marginalised in the EU sufficiently for a Social Democratic vision to become reality. Crouch not only argues that it can be, but he explains why we are today in a make-or-break situation. **Throughout the book, Crouch stresses that the coronavirus pandemic, with which Europe has been struggling since spring 2020, is an additional reason to push for more European solidarity and safety nets.** This can be a new chapter in the history of the EU which will not open without Social Democrats insisting more forcefully than in the past. It can also be a potential achievement that might define the power of Social Democracy in Europe for generations to come.



László Andor,  
FEPS Secretary General

# Of another world

by Gianni Cuperlo



**Fabrizio Barca and Enrico Giovannini,  
edited by Gloria Riva**

*Quel mondo diverso*

.....  
*Laterza 2020*

**F**abrizio Barca, the coordinator of the Forum Disuguaglianze e Diversità (Inequalities and Diversity Forum) and Enrico Giovannini, the founder and spokesperson of the Alleanza per lo Sviluppo Sostenibile (Alliance for Sustainable Development), have written a dialogue – edited by Gloria Riva – which is also an agenda for the future. Not the future as it is currently unfolding, but the one they would like to see.

"Another world is possible," said the young anti-globalisation protesters in Seattle, 20 years ago. It is easy to calculate: they will be the mothers and fathers of families now, adults who are aware and, as conventional wisdom has it, mature. However, they were not lacking in maturity back then either, when they dared to make their famous appeal - or prophecy - that stood in complete contrast to the mainstream mindset. Yet those were also the years in which the right of the political spectrum, dressed up as modernity, motivated the course of history with the acronym TINA ('there is no alternative'): the unchallengeable negation of a potentially different path of human development.

Two decades later, we could console ourselves by telling Greta Thunberg's generation that those visionaries – who, over time, have become their parents or at least have the same age as their parents – were right. But honestly, that would be little consolation. Because, at the end of the day, what needs to be understood are the reasons that prevented the energy of that Seattle movement from demolishing the cornerstones of a politics that was mesmerised by too narrow a vision of realism.

► *The issues that are dealt with converge towards the idea of a historical age, the current one, that accentuates the need for that radical transformation of strategies and values.*

According to the mathematical genius Bruno De Finetti (1906-85), every significant foundation in economics is unquestionably based on utopia, "because thinking of solving problems in another way is a ridiculous utopia". This is a lesson that might implicitly have guided the two authors of this valuable book on what is needed today in order to imagine, create, and fight for "another world".

The idea of a dialogue between Barca and Giovannini dates back to the days before the pandemic that shook the world like an earthquake. It was recorded shortly before the first lockdown constrained our lives as never before. Yet, despite this concomitance between the health emergency and the recording of the dialogue, the arguments of Barca and Giovannini seem in no way indebted to the news of the day. **The issues that are dealt with (capitalism without reins, a politics that has shrunk to the immediate present, the need to regenerate political parties' ethics, the limits of active citizenship) all converge towards the idea of a historical age, the current one, that accentuates even further the need for that radical**

**transformation of strategies and values** – words that the two authors place at the centre of their dialogue.

But what is meant by capitalism without reins? I must confess that I am biased, but it encouraged me to find a reference at the beginning of the book to a text that I consider fundamental (Tony Judt, *Ill Fares the Land*, Penguin Press, 2010). We know that the idea of a free market without constraints and restrictions, which has been uncritically admired by the right over the last 30 years, does not solve the contradictions of a society characterised by deep and growing inequalities. But its analysis helps considerably to grasp the root of the 'failure'.

What we are talking about is **a cultural subordination to the neoliberal right**, even of progressives – a disease with which they have been afflicted for longer than they thought. Judt described it very well: for at least 30 years, **the left has been voiceless in the face of a deeply ingrained social structure, paralysed by fear and overwhelmed by growing inequalities and the nightmare of impoverishment.**

Was it just the primacy of technocracy over politics? Perhaps, even if it is a little easy to get away like that. In Italy, over the last 30 years, we have experienced the formation of so-called 'technical' governments. This has been a response to the crisis of the political party system. In the considerations and proposals that Barca and Giovannini lay out in the book they try to overcome the limits that the political party system has come up against, and to give the parties – particularly those of the left – back their dignity, autonomy, and individual profile.

Moreover, in the 100 or so pages of their dialogue, **Barca and Giovannini shine a**

**light on the progressive forces' inability to understand an essential new element: the fundamental parameters for judging and classifying development have changed.** The GDP alone is not enough to measure the nature of society comprehensively (it 'measures everything except that which is worthwhile', as Robert Kennedy put it almost poetically back in the 1960s). The two authors dissect every angle of this subject and give it back to us in all its significance.

► *The left has been voiceless in the face of a deeply ingrained social structure, paralysed by fear and overwhelmed by growing inequalities and the nightmare of impoverishment.*

Barca and Giovannini refer to fundamental texts, from Amartya Sen to Jean-Paul Fitoussi. **They discuss the limits as well as the potential of supranational institutions** (which have been mostly absent in the era of Covid-19 – with the notable exception of the European Union, which has found the incentive in the pandemic crisis to bring about a historical change to its own development). They mention the vital importance of civic sense and participatory citizenship. **They indicate objectives that can be pursued. But only if politics manages to come out of the shell of its old and tired convictions.**

The overall message perhaps becomes clearest in the formula espoused by the newly installed Minister Giovannini (who joined Mario Draghi's government at the ministry of infrastructure and sustainable mobility), in which he explains that sustainable development has replaced the idea of the necessity for progress. He adds immediately afterwards that it is a "difficult, yet possible" goal. This can be read implicitly as a clear and definite acknowledgment of the error that held sway for decades: trusting the infallible and indisputable virtues of a market, capable of self-regulating by allocating resources in the most efficient way.

The pandemic has made the issues debated by Barca and Giovannini even more pressing, with the addition of, or aggravated by, the "fragility" of our democracies, as Joe Biden put it in his inaugural speech. **The warning, in this case by Fabrizio Barca, coincides with the belief in a democracy that does not find its essence in the final act of the decision, but in the process through which it is taken.** It is difficult to say it better. It is hard, but absolutely crucial, to equip democracy with the means to safeguard that process. Now, and for the years to come.

*Gianni Cuperlo, former member of the Italian Chamber of Deputies and former President of the Democratic Party*



# An alternative system urgently needed

by Saïd El Khadraoui



**James Gustave Speth and  
Kathleen Courrier (editors)**

*The New Systems Reader –  
Alternatives to a Failed Economy*

.....  
Routledge, 2020

If our current problems derive from a failed system, the alternatives need to be systemic too. And *The New Systems Reader* undertakes a vast line-up of ideas. The book is a compilation of 29 essays that approach the topic of 'systems' from different perspectives. It forms part of The Next System Project by The Democracy Collaborative, an American-based initiative that was launched in 2015 to promote systemic solutions "for an age of systemic crisis". The starting point of *The New Systems Reader* is the inability of traditional politics and policies to address the problems of our time – including growing inequalities and the climate crisis – which prompts a major rethink of the imperatives of economic growth.

As David C. Korten, one of the contributors, puts it plainly: "we have created a system of culture, institutions, technology and infrastructure that is driving us to self-extinction". Fundamental changes are therefore needed to the way our economy and society functions. *The New Systems Reader* is refreshing in the sense that it does not address policy proposals that could improve the current system, but tries

**to propose more daring, some would say utopian, ideas to map out potential futures for our societies.**

The editors, James Gustave Speth, founder of the World Resources Institute and co-chair of The Next System Project, and Kathleen Courrier, a former vice president of communications at the American Institutes for Research, have selected a representative sample of the most important proposals to address the system question. Although most of the contributors

are American, the book can be a useful source of inspiration also for European progressives, in light of the pivotal times in which we are living, to think about how to change the 'rules of the game' of our economy more profoundly. One of the contributors, Lorenzo Fioramonti, clearly explains the extent to which these current rules shape behaviours, define incentives, guide collective action, and thus dictate political decision-making.

**The book reads as a harsh critique of our current model, especially the American capitalist system, but it is also a recognition of the failure so far of the social and environmental movements to really transform it.** Speth sees a troubling paradox: "our environmental organisations have grown stronger and more sophisticated, but the environment has continued to go downhill". Henning Meyer meanwhile describes how the rise of the Third Way in the 1990s made Social Democracy almost indistinguishable from its political competitors, and left it intellectually unprepared to come with a credible alternative political offer when it became clear that the old-fashioned

► *The book reads as a harsh critique of our current model, especially the American capitalistic system, but it is also a recognition of failure so far of the social and environmental movements to really transform it.*



talk of the instability of markets was not all that outdated after all. Instead of transactional policymaking, Henning Meyer argues that progressives should develop a new democratic partnership, and clearly prioritise general social goods – such as inclusion, education and health – over market interests.

**A redefinition of 'public goods' or 'commons', in order to reduce the space for pure profit-seeking markets, is a recurring theme.**

Christian Felber and Gus Hagelberg thus propose an "Economy for the Common Good", which encourages private enterprise – but only within the confines of a common good framework that is based on a matrix indicating to what extent a company practises the values that are central to society. The matrix should then be continually improved in an open and democratic process, and would create the basis for a "Common Good Balance Sheet" that would be externally audited. To offset the higher costs resulting from ethical, social, and ecological activities, the authors propose that advantages in taxation, bank loans, public grants, and contracts should be offered.

Similarly, **Marvin T. Brown underlines that the goal of the economy should change from being economic growth to making provisions for all. In this model, it would not be companies that decide what they give back to society, but the "corporate civic obligations" to which they are subject.**

Only a few of the contributors call for a full break with capitalism, although Hans A. Baer espouses a democratic eco-socialism that moves towards public ownership of the means of production (state ownership, worker-owned enterprises, cooperatives). Richard D. Wolff meanwhile calls for enterprises that are self-directed by workers, and in which each employee and employer has one vote in deciding what the company produces, what technology it uses, where production is located and what is to be done with the revenues.

David Schweickart's economic democracy keeps the 'good' part of capitalism – competitive markets for goods and services – but replaces most wage labour with cooperative labour, and develops a more democratic mechanism for handling investment to replace the financial markets. This mechanism would involve creating a national investment fund, which would be generated via a flat-rate property tax on all businesses.

Jessica Gordon Nembhard proposes a cooperative solidarity commonwealth – a system of interlocking cooperative ownership structures in all industries and all economic sectors, which support one another by building interlinked supply chains, collaborating on projects, and sharing funding.

► *It is striking that almost all the authors highlight the importance of local, bottom-up approaches to reach a new system.*

The common article of the members of the Community Economies Collective meanwhile underlines the importance of developing a broader narrative for economic action – away from the essentialist vision of capitalism that limits the 'real' economy to wage labour, commodity and production for markets, and profit-seeking companies. A vast array of very relevant economic practices take place below the tip of the iceberg, and these should be identified to undergird a community economy. In essence, the authors of this essay propose defining and recognising different forms of work beyond paid work (to include different non-capitalist and alternative business types), transactions beyond markets (to include household flows but also fair trade, local

trading systems), property beyond the private property that has long been promoted as the most efficient (long-term leases, community trust, open access), and finance (credit unions, microfinance, interest-free loans).

**It is striking that almost all the authors highlight the importance of local, bottom-up approaches to reach a new system.** Andrew Cumbers, for instance, calls for a dispersion of economic decision-making. This would be decentralised across society, and would have democratically controlled public ownership at higher levels while leaving control of most other activities to communities.

**Despite all the contributors sharing a similar assessment of the problems in the current system, they each end up somewhere different, which makes it difficult to point to a single destination. As the editor himself says: "this forest of ideas is so thick that the problem is trying to forge a meaningful path through it".**

*The New Systems Reader* has the merit of confirming – once again – that different alternatives need to be envisaged for the future, and that ideas are abounding. It is a powerful invitation to keep thinking out-of-the-box in order to create a better world. But to become really impactful, more clarity is needed on the destination of the journey. The challenge is therefore to choose the right one and find the way to get there.



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# Understanding the Labour Party – its history, its choices, and its potential for the future

by Ania Skrzypek



Patrick Diamond

*The British Labour Party in Opposition and Power 1979-2019*

*Forward March Halted?*

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Routledge, 2021

The emergence of the Third Way is remembered as the moment of a great schism within Social Democracy. On one side, there were those who embraced it as a path to modernisation, and who came up with their own national equivalents – the *Neue Mitte* in Germany perhaps being the clearest example. On the other side, there were those who believed the Third Way was the embodiment of ideological betrayal. Perhaps most outspoken among those who believed this were Lionel Jospin and his *Parti Socialiste*. As the fervent conflict between the two sides continued to grow, Social Democrats were in a paradoxical position. Towards the end of the 1990s, their representatives constituted an unprecedented majority of 12 out of 15 members of the European Council. But as a group they continued to be bitterly divided over the key issues of their times. This is something they did not shy away from admitting – as can be seen, for example, from the famous Blair-Schröder letter that was published by the two leaders just a

few days before the 1999 European elections and that called for a different approach towards the European Union under the motto "Europe: The Third Way". The letter overshadowed the electoral manifesto that had been agreed earlier by the Party of European Socialists.

More than two decades have passed since then. But while many write today about the final eclipse of Social Democracy, it is the existential question 'Was the Labour Party right?'

► *A political party which is out of power arrives at a certain point at a crossroads where the choice is indeed the one formulated by the proponents of the Third Way: 'modernise or disappear'.*

that animates the debates of scholars and think tankers more than any other. The schism lives on. For many it is about defending a legend, while for others it is about cultivating myths that keep being repeated. What was the real New Labour about? Not too many people seem to know any longer. **Patrick Diamond's latest book *The British Labour Party in Opposition and Power 1979-2019. Forward March Halted?* is therefore an absolute 'must-read'.**

While Diamond is perhaps best known as either the brilliant young Head of Policy Planning at 10 Downing Street (2009-10) or an influential co-chair of Policy Network, this book is a testimony to him as Associate Professor of Public Policy at Queen Mary University in London, and as a serious and meticulous scholar. The wealth of material gathered in the book – including a thorough review of the vast existing literature, analyses of original and secondary sources, and an impressive quantity of empirical data and

interviews – gives it the shape of a publication for which some academics work their entire lives. Diamond should therefore be recognised for his scholarly discipline. Indeed, although he himself was a prominent member of New Labour, he writes with the ethics of an impartial intellectual.

Although the title puts the last four decades in the spotlight, the book actually refers to much longer standing traditions, going back to an assessment of the Clement Attlee governments (1945-50/1950-51). This broader context allows Diamond to show the evolution of the Labour Party, which for years has remained a party in opposition – with only brief intermez-zos. **Grasping what such a position means both intellectually and when it comes to party morale is essential to an understanding of the 1970s and the politics of Harold Wilson, as it is also to an understanding of the hardship of the Labour Party's defeats in the Thatcher years.** The author describes these decades by quoting various disputes and publications in a manner that makes the reader truly travel back in time to enter the smoky debating rooms that were dense with defeatism and despair. And this experience offers two important lessons that can be taken from the book. The first is trying not to judge a party without consideration of the context in which it is operating. In fact, Diamond claims, nothing happens in a vacuum. The second lesson is not forgetting that **a political party which is out of power arrives at a certain point at a crossroads where the choice is indeed the one formulated by the proponents of the Third Way: modernise or disappear.**

Diamond examines the emergence of the Third Way by bringing together different proposals that were articulated back in the 1980s. The vast number of papers, lectures, and debates that are quoted shows with great clarity that New Labour is firstly to be considered the result of an intellectual ferment and of generational change. This is an important reminder for those who think of

party processes in a more mechanical way and who still today focus on electoral strategies, forgetting the need for a party to have a credible political story ahead of the campaign. The arrival of Tony Blair and Gordon Brown was not a sudden or unexpected act – it was a consequence of years of searching for a formula that would help the Labour Party present itself as a force capable of governing the UK, and of changing it. And this is yet another extremely relevant insight: **New Labour was capable of winning because it was a party that manifested confidence and economic credentials, that offered security and hope against a backdrop of globalisation, and that showed it was possible to be open to the world and yet remain profoundly patriotic at the same time.**

Consequently, the author looks at the programme of New Labour and discusses the charge that it was a neoliberal formation. As if he were a single chess-player resolved to play the game for both sides, he explains how

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misguided this charge is. He assesses New Labour as a counterreaction to Thatcherism, one that had to fight hard to win an election at the end the 1990s, and how it inherited a broken Britain. This was a complex situation, made even more challenging by the fact that towards the end of the century, societies were evolving, the labour market changing, and the benchmarks of modernisation needed a very different approach from a simple look back to Beveridge for inspiration. And while, in the later chapters, Diamond provides an impressive record of what the Blair and Brown governments managed to achieve, he also admits that the three consecutive mandates of New Labour failed to change Britain in a way that would last.

Diamond concludes that while in Whitehall, Labour found itself with far fewer 'full policy closets' than the years of debates could have given hope for. He also concludes that the decision-making processes were not always clear, that political directions would change (as was the case in the hallmark field of education), and that the decision regarding the war in Iraq was something that still seems to take its toll today. **Although Labour did introduce some bold solutions in some aspects – the devolution project, for example – it seemed to fall short in terms of anticipating all the side effects that such processes would bring.** And ultimately, instead of building a strong country, it presided over an even deeper divide of it – paying the electoral price for the so-called "Southern Discomfort".

Looking at New Labour's legacy, Diamond explains Brown's defeat in 2010 and the subsequent years with Ed Miliband and Jeremy Corbyn at the helm. Quite clearly, he does not show much appreciation for Ed Miliband, accusing him of being simplistic and populist in his criticism of New Labour. On the back of the deliberations, one could draw the conclusion that despite everything Diamond writes about Labour's rise to power in the 1990s, the party was able to use political momentum, in

which leadership and grand, forward-looking ideas would matter the most.

What may leave the European reader a bit disappointed is the scant analysis of New Labour and Europe. Diamond provides a teaser in the first chapters, where he refers to the European influence on the modernisation process that led to the emergence of the Third Way. But there is very little about New Labour's relations with others in Europe, its position inside the PES (even if Tony Blair attended the 1997 PES Congress in Malmö and gave one of the most remembered speeches in the history of the organisation), or on the priorities that New Labour forged when the UK held the Presidency of the EU Council in 1998 and 2005. Some of the threads that connect the story of Labour with the European dimension are clearly present – the impact that the opening of the EU's borders to the central and eastern European workers in 2004 had on the labour market, society, and votes, for example. But this is perhaps too little to be able to corroborate Diamond's opinion that Blair

was only superficially pro-European. Taking Diamond's own claim that context matters, an examination of Blair's speech at the European Parliament in 2005 seems to confirm quite the opposite view from that of Blair's only superficial European commitment.

The reader might also wish for more on the global impact of New Labour, as Diamond limits himself to explanations of the international relations which helped shape New Labour (such as the mutual understanding between Blair and US President Bill Clinton). He refrains, however, from describing the dynamic that existed with others – a dynamic which nevertheless existed, if the memoirs of Ricardo Lagos in Chile or Helen Clark in New Zealand, for example, are to be believed.

All in all, **Diamond's book should be considered compulsory reading for anyone dealing with the debate about the renewal of Social Democracy today.** This is firstly because *Understanding the Labour Party* shows how to move beyond the conflict

around New Labour that has animated at least two generations. Secondly, it is because the book inspires bold thinking and shows how historical victories are only possible when great leaders and ground-breaking ideas go hand in hand. And thirdly, it is because the book indirectly gives a riposte to those who write off today's Social Democracy by comparing it with past glories. Diamond's book is instrumental in understanding that **in order to have a future, a party must create one – and this does not happen by looking back sentimentally**, but by not shying away from looking around and moving forward.



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