

#20  
AUTUMN/WINTER  
2022  
—  
3.00 €

# The Progressive Post

## TOWARDS A HEALTHIER UNION



### SPECIAL COVERAGE

Towards a healthier Union

### FOCUS

The EU in times of shifting powers

### DOSSIER

The state of the Union, 30 years after Maastricht

### DOSSIER

Next Left: hope and confidence in dire times

*Petra Bayr  
Ummu Salma Bava  
Anneliese Dodds  
Krzysztof Gawkowski  
Charlotte Godziewski  
Anton Hemerijck  
George Pagoulatos  
Réka Sáfrány  
...*

[www.progressivepost.eu](http://www.progressivepost.eu)

# The Progressive Post

The Progressive Post is the political magazine of the Foundation for European Progressive Studies (FEPS). It gathers renowned thinkers, experts and activists from the world of politics, academia and civil society, provides critical analysis of policies, and clarifies options and opportunities for decision-makers.

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 the 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.

Stay in touch on [progressivepost.eu](http://progressivepost.eu) and @ProgPost\_FEPS

**FEPS**  
FOUNDATION FOR EUROPEAN  
PROGRESSIVE STUDIES



## **PUBLISHING DIRECTOR**

László Andor

## **EDITOR-IN-CHIEF**

Hedwig Giusto

## **DEPUTY EDITORS-IN-CHIEF**

Ainara Bascuñana, Olaf Bruns

## **EDITORIAL BOARD**

László Andor (Chair), Ainara Bascuñana, Olaf Bruns, Elena Gil, Hedwig Giusto, David Rinaldi, Johan Robberecht, Ania Skrzypek

## **PROOFREADING**

Nicky Robinson

## **COORDINATION & GRAPHIC DESIGN**

Triptyque

## **COVER ILLUSTRATION**

Peter Willems – Vec-Star

## **PHOTO CREDITS**

© Shutterstock, © European Union, © Alexey Komarov, © PES

## **COPYRIGHT**

© FEPS – Foundation for European Progressive Studies

N°20 - Autumn/Winter 2022

ISSN 2506-7362





by Hedwig Giusto

We have been facing such a list of catastrophes, shocks and crises over the last few years that words like 'polycrisis' or 'permacrisis' have now entered our vocabulary. The latter was even designated as 'word of the year' by Collins Dictionary this November. The pandemic, the subsequent economic downturn and rise in inequalities, the Russia-Ukraine war, the energy shock caused by this conflict, the cost-of-living crisis, and, of course, the effects of climate change – including extreme weather events, forced displacements and heat-related illnesses – followed, overlapped, interacted with and reinforced each other. These are not isolated conjunctures that can be tackled separately. They are very much entangled and call for common and coordinated answers.

This is no time for autarchy. And yet multilateralism has repeatedly failed, international organisations have shown their shortcomings and the United Nations has often been irrelevant.

But against the backdrop first of the Covid-19 pandemic and then of the conflict in Ukraine, the European Union has surprisingly found a cohesion that only a few years ago seemed impossible. Perhaps, for once, the EU has not let a 'good crisis' go *entirely* to waste. But a lot remains to be done to overcome the differences among member states on many issues, and to turn these small steps forward into more permanent achievements, including the deepening of EU integration.

In this issue of the Progressive Post, we look at all these challenges in terms of opportunities for the European Union. We start with our *Special Coverage* on the **European Health Union** – a project that was born at the height of the Covid crisis, and that aims to ensure the EU is prepared for future health emergencies by enhancing coordination among member states and increasing the powers of the Union in a field that has traditionally been the realm of member states. Yet the outline of the European Health Union still needs to be clarified. In this

*Special Coverage* section, we analyse aspects that should be included in the future scope of the European Health Union, to make it more relevant for European citizens.

In the *Focus* on **multilateralism and international cooperation**, we explore the idea of a world in a state of permanent crisis – a world whose order is radically changing with the emergence of alternative and competing development models. We investigate the faults of the current international system and what can be done to reinvigorate multilateralism. We also investigate what role the EU can and must play in it – without betraying the EU's nature, mission and values.

In the first of the two *Dossiers*, dedicated to **the State of the Union**, we look at the opportunities to bring about that *ever closer union* that was envisaged in the Rome Treaty and reaffirmed in the Maastricht Treaty, but whose contours are still blurred. The European Commission recently presented its proposal for a new approach to economic governance, trying to fill a long-standing gap and to mend deep internal divisions at the same time. However, while economic and fiscal convergence is crucial, we should not forget that the Union is also a political entity, with a democratic legitimacy that is often questioned. A path towards deeper integration should also address the EU's dysfunctional decision-making processes.

The fight to overcome the above-mentioned challenges should be at the centre of European Social Democracy's action. But are European progressive parties up to it? Can they grasp the opportunity to design a new narrative in order to overcome these dire times of permacrisis and to appeal to citizens? It's an uphill battle, as some of the recent national elections in EU member states indicate. In the second *Dossier* on **Next Left**, our authors try to spotlight viable political alternatives to the narrative imposed by the right – alternatives that can reassure European citizens and address their anxieties and concerns.

# Editorial



Hedwig Giusto,  
Editor-in-chief



# The Progressive Post #20 Contents



## CURRENT AFFAIRS

- 4** Warfare and the State of our Union  
*by Maria João Rodrigues*
- 7** The war-price spiral  
*by László Andor*
- 10** Pills of hope – priorities  
for left-wing politics  
*by Fabrizio Barca*
- 13** Standing up for abortion rights  
is standing up for democracy  
*by Petra Bayr*
- 16** Who cares? Why we need  
a Care Deal for Europe  
*by Réka Sáfrány*



## SPECIAL COVERAGE

### Towards a healthier Union

- 18** What role for health promotion  
in the European Health Union?  
*by Charlotte Godziewski*
- 20** The European Health Data  
Space... For whom?  
*by Filip Karan*
- 22** Treating Europe's hidden  
pandemic: mental ill-health  
*by Nikita Sanaullah*



## FOCUS

### The EU in times of shifting powers

- 24** Europe must project power  
without losing its soul  
*by George Pagoulatos*
- 26** Contested multilateralism and  
the crisis of cooperation  
*by Ummu Salma Bava*
- 29** Reforming development finance  
to address crisis times  
*by San Bilal*
- 32** China in the global order:  
trade partner, competitor, or  
systemic alternative?  
*by Uwe Optenhögel*





## DOSSIER

**The state of the Union,  
30 years after Maastricht****36** Why not a European state?*by Ulrike Guérot***39** Redesigning the EU's economic  
governance architecture*by Dimitris Tsarouhas***42** Resilient welfare states  
in times of disruption*by Anton Hemerijck and Francesco Corti***Next Left: hope and  
confidence in dire times****44** Why we need an active state,  
(especially) right now*by Maria Maltschnig***46** Towards normality!*by Krzysztof Gawkowski***49** Time for grand narratives,  
not for footnotes*by Ania Skrzypek*

## INTERVIEW

**52** A fairer, greener future*An interview with Anneliese Dodds,  
by Ania Skrzypek*

## LIBRARY

**54** Future-proof resilient welfare  
states in the European Union  
through social investments?*by Slavina Spasova and Matteo Marengo***58** A textbook case of race,  
class and gender*by Péter Tamás Bózsó*



# Warfare and the State of our Union

by Maria João Rodrigues

In this year's speech about the State of the Union, European Commission President Ursula Von der Leyen was right to focus on the challenges raised by the war in Ukraine, but she was short on a long-term vision and on a plan to cope with the real nature of the war.

The war on our continent is certainly the central challenge for the next phase of the European project. But *warfare* today differs from the warfare we have known throughout human history. Certainly, *warfare* is always multidimensional, involving human confrontation in several domains, from the military to the logistic one, the international, the economic, the social, the communication, and the human psyche and body.

Nevertheless, **the current content of all these dimensions is radically new, involving new and very sophisticated weapons, a nuclear threat, energy interdependence, a climate emergency, a global impact of the war, large-scale economic sanctions and counter-sanctions, cyberspace and digital tools, and human democratic aspirations for peace.** Confronted with this new reality of warfare, Europe basically has two choices. Either it can fragment into different national or nationalistic reactions and lose this war, or it can rise to a new level of unity,

coordination and capacity to act. How should this latter choice be realised?

When it comes to its external action, what is at stake is the EU's capacity to build a larger coalition of forces upholding an order of global rules, the role of the multilateral system, respect for sovereign democratic nations, and more effective international coordination on common global challenges, which should be prioritised above regional conflicts.

► *When it comes to the increasing digital dimension of warfare, the EU should step up its own way of shaping the digital revolution, pushing for global standards above the current strategic competition between the United States and China.*

When it comes to security and defence, what is at stake is the strengthening of the NATO alliance, and also of the specific European defence pillar with better coordination of the European armed forces and of the ongoing investment, including in cyber security.

**When it comes to the increasing digital dimension of warfare, the EU should step up its own way of shaping the digital revolution, pushing for global standards above the current strategic competition between the United States and China.** Digital markets and particularly the big platforms must be regulated according to our values, and the same should happen when developing the potential of the data economy and artificial intelligence.

Last but not least, *warfare* is also a battle of narratives which should be conducted in a framework that ensures pluralism, professionalism and access to evidence, while fighting disinformation.



© European Union 2022 - Source: Denis Lomme

► *This tension can only be solved with very proactive European intervention, using stronger instruments such as joint public procurement to purchase gas from non-Russian sources.*

When it comes to energy, what is at stake is the decoupling from Russia and from carbon. This is an enormous challenge, with several trade-offs, because the increasing costs of gas might be used as an argument to go back to other fossil energy sources. Nevertheless, these increasing gas costs should rather be used as leverage to meet our climate targets by moving faster to zero-carbon solutions.

**This tension can only be solved with very proactive European intervention, using stronger instruments such as joint public procurement to purchase gas from non-Russian sources**, while a real Energy Union is built, with a common electricity grid and counting on European and non-European zero-carbon energy sources such as hydro, wind, solar, hydrogen and new forms of nuclear. This transition should also be upheld by new consumer preferences in favour of low-carbon energies, more energy efficiency and more sober uses of energy.

**In order to prevent the risk of a deeper economic and social crisis, energy prices should be regulated**, particularly to protect the less favoured groups of the population, SMEs and energy-intensive companies which are at risk of reducing production and employment levels.

But how should all this be financed? A windfall tax on extra profits raised by companies

which produce electricity from sources other than gas, as well as a solidarity contribution by companies which are making extra profits from the rising gas prices are indeed well justified. The money raised by this windfall tax and solidarity contribution can be used to reduce the cost of energy for the most vulnerable, and also to finance the transition towards better energy solutions.

Nevertheless, **even without war, the kind of investment required to conduct this transition towards a non-carbon economy is much larger than the one currently being made, and must be underpinned by a comprehensive investment strategy mobilising all private and public instruments**. As far as the budgetary instruments are concerned, it seems well justified that the stronger European capacity created to respond to the impact of the Covid-19 pandemic should be prolonged. National budgets should also be given the necessary room for manoeuvre to invest in the long term, while reducing public debt levels.





All these policy developments require a much higher capacity to decide and act in a situation of urgency than the existing one. That is why the deepening of European integration is becoming vital to ensure the European capability to resist the obvious and sophisticated blackmail coming from Putin's Russia and to develop stronger strategic autonomy on energy, food, raw materials, industrial and digital capacities. But deepening is also needed to step up the transition to a low-carbon economic model, while ensuring the necessary social cohesion and protection of vulnerable groups, if we want to avoid extreme right-wing populists gaining political ground, as we have recently witnessed in several national cases.

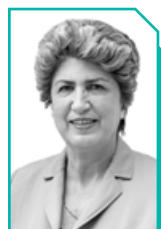
► *Even without war, the kind of investment required to conduct this transition towards a non-carbon economy is much larger and must be underpinned by a comprehensive investment strategy mobilising all private and public instruments.*

This new phase of the European project can only emerge if some basic reforms are introduced in the decision-making process involving the European institutions, and if the necessary political support is mobilised via new forms of participatory democracy.

**The EU decision on a new wave of enlargement is fully justified by a geopolitical and moral imperative.** This new wave of enlargement should also count on a stronger political dimension of the European project, involving all these new countries in greater coordination of foreign affairs and security policies, as well as the stronger integration of all these countries in all main European networks, from energy to digital, research, cultural and education.

This new wave of enlargement is certainly a major historical endeavour of the European project. For enlargement to succeed, it must go hand in hand with a precise plan to deepen the European Union and reform the EU Treaties.

Maria João Rodrigues,  
FEPS President



# The war-price spiral

by László Andor

The combination of an economic downturn and rapidly rising inflation is a new experience for most Europeans. The Covid-19 pandemic and the Russia-Ukraine war have produced unprecedented disruptions, or as economists would say 'a shock on both the supply and demand sides'. A forceful tightening of monetary policy signalled that a new chapter was beginning. The interpretation of this tightening is critical for defining the direction of progressive policy action.

The central banks of the major economies have decided to drive the world economy into a coordinated global recession. This manoeuvre assumes – as most explicitly stated by the head of the Fed, the central bank of the US – that the rising, and in some cases galloping, inflation can only be pushed back by the good old method of cooling down the economy even if this creates more unemployment. In the Fed's opinion, delayed action would be even more costly because high inflation would eat into the expectations of both businesses and households, and the devilish wage-price spiral would kick in.

The treatment of inflation should not be seen through a purely technocratic lens. **Essentially, it has the biggest impact on income policy, ensuring that the costs of the post-pandemic and war-related disruption will be borne by wage earners as opposed to savers or corporations.** Central banks today act as a trade union of the rentier class, and they can do so mostly because of the novelty and the complexity of the situation, which makes it much harder to understand.

The simplest explanation for this double drama of economic downturn and rapidly rising inflation underscores the negative supply shock of the pandemic period, which, at the same time, saw generous income support schemes being rolled out. This explanation is apparently built on real-life experience. Yet the problem with this explanation is that it is wrong. The main supply shock actually took place two years ago, and the income support schemes were also mainly implemented in 2020. Delays and lags are, of course, part of the economic mechanism, but in this case, the gap between the alleged cause and the effect is suspiciously wide.

In other words, **the references to the return of the wage-price spiral are bogus. The problem is not that organised labour would be too strong, but the opposite:** corporations that might have suffered losses during the pandemic recession are now using their market power to regain profitability. With regard to price setting, the disruption of supply changes and the uncertainty stemming from deglobalisation are also factored in. **Contrary to the mantra of the last two years, we are actually 'building back worse'.** This

is even more true if we consider the economic consequences of the war in Ukraine.

## | THE PRICE OF WAR

History shows a clear connection between inflation and war. The worst hyperinflations occurred after the two world wars (in Germany in 1921-1923 and in Hungary in 1945-1946). The first oil price shock of the 1970s followed the Yom Kippur war, and the United Kingdom today is experiencing a rate of inflation that was last seen after the Falklands war.

► *Contrary to the mantra of the last two years, we are actually 'building back worse'.*



The reason wars lead to inflation in more general terms is not all that hard to comprehend. The state must drive economic activities towards military objectives, which means producing goods for neither consumption nor investment but for destruction (or stockpiling). In times of war, market economies introduce price regulations, and face the risk of shortages and the need for rationing basic goods. Expectations also matter, and this has been the case since February this year when Vladimir Putin started Russia's invasion of Ukraine.

Wanting to show strength and solidarity, Europe presented great determination to engage in the fight from the very start of the war, and expectations have been managed towards an 'endless war' which will potentially lead to the disempowerment of Russia, and to ensuring the country will be unable to invade its smaller or greater neighbours again in the future. **Such messages change the strategies of households as well as businesses. Speculation begins on the small scale as well as the large. The hoarding of goods is a natural reaction. Thanks to large-scale financialisation, the effects can quickly be visible in a multiplied manner,** disconnected from the actual volumes of supply and demand on the markets. Part of the additional hike in oil prices can be explained by the need to purchase oil through 'third countries' like India, which have remained open to trading with Russia despite the latter's aggression, while the cautious approach of the US and its allies does not exclude India from world market circulation.

**The post-pandemic recovery would therefore be inflationary in any case, but the war further increases the consumer price index in all countries.** In Poland, economists estimate that without the war, the inflation rate would have been about 8-9 per cent, but that this has almost doubled to 13 per cent due to the 'Putin effect'. In Estonia, one of the most belligerent countries of the EU's eastern periphery, the inflation rate has reached as high as 23 per cent. But the reason for speaking about a 'war-price spiral' is not only that

the Russia-Ukraine war adds substantially to inflation, but that it also raises the risk of further international conflict. **In a stagflationary situation in particular, rising prices push the misery index upwards. Yet in some political cultures, the instinctive reaction of politicians is to look for a theatre of action abroad where power can be displayed,** even if this can lead to clashes that could have been avoided.

The current combined crises cause a greater inflationary kick for those for whom food and energy represent a greater share of total consumption. The onset of the cold season is therefore bound to push the poorer social groups and the poorer countries into a social crisis. **This is potentially the greatest organised drop in European living standards that contemporary generations have ever seen** (except for the east European transitions in the early 1990s). Those who thought last spring that setting their central heating to 19 degrees instead of 21 degrees, and that taking slightly cooler showers, would be all it took in inconvenience for western citizens to help Ukraine defeat Russia will have to think again.

### PROGRESSIVE ANSWERS

In the economic policy toolkit, the textbook reaction of fiscal policy to slumps and monetary policy to inflation certainly does not work. If fiscal policy is used to cut taxes, it just gives an excuse for monetary policy to raise the interest rate further and thus deepen the recession. If monetary policy only casually raises the interest rate, it also increases the likelihood of bankruptcies and poverty, inviting government intervention and spending on consolidation and relief. **One might call it the 'fiscal-monetary doom loop'. This is not the right cure in the circumstances of stagflation, aggravated by deepening economic warfare,** which in many countries generates price inflation and contraction of the real economy at the same time (shrinkflation).

If policy is to address the causes and not only the effects of the crisis, it has to tackle the profit burden. This is possible through imposing price caps and windfall taxes on sectors where the circumstances and market power appear as sources of shareholder revenue. **'UN Secretary General António Guterres has recommended a windfall tax on energy' companies that are currently pocketing extra profits.** In the long run, a stronger competition policy is needed against excessive market power, but this is most definitely not a short-term fix. And if the problem is proven to be structural and not only temporary, nationalisation (of energy, water and similar network industries) should not be abandoned as an option either.

Yet **when more and more people face the risk of food and energy poverty, the first task has to be the reinforcement of social safety nets.** Just as the pandemic was the trigger for various minimum income schemes two years ago, the current crisis might be the one that creates momentum for universal basic services. These services can take various forms and apply to varying circles of society. Ideally, they should not only cover the poorest, but also those parts of the working and middle classes who are not yet experiencing the greatest hardship, but who are confronted with the risk of hardship if reserves run out, or if further shocks or adjustments hit.

► *UN Secretary General António Guterres has recommended a windfall tax on energy companies that are currently pocketing extra profits.*



**Governments, cooperatives and civil society organisations need to work together to provide in-kind support for those at great risk of poverty and for the most deprived.**

There are many examples of support, including free school meals and textbooks for children. Another example is Germany's monthly rail pass at a symbolic price, which at the same time encourages a more climate-friendly way to travel. For similar reasons, the mayor of Budapest made public transport free for children under 14 during the pandemic, and the current crisis may well be the time to multiply and extend such schemes.

Many of the actions listed (fair taxation, price regulation, extending social services etc) apply at the national level. But the EU, too, can play its part. **The stagflation should trigger an initiative to add a second safety net after the successful roll-out of SURE** (the EU programme to finance short-term employment schemes across the bloc and to keep people in jobs during the Covid-19 pandemic). Since the nature of the current recession is different because it is expected to be more structural than the recession that occurred in

spring 2020, short-time work arrangements are less helpful. Instead, this is the time to fulfil the commitment to a genuine European unemployment reinsurance.

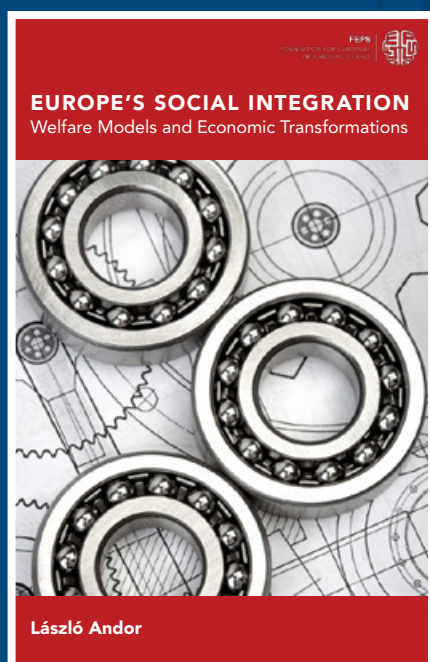
Additionally, the EU should also reconsider the strategy of economic warfare. **On sanctions, governments should have the opportunity to regularly review what works and what does not, and to weed out those sanctions that are proven to be counterproductive.**

Withdrawing natural gas, and if possible the entire energy question, from the economic warfare is in the interest of Europeans. Peace-sceptics must be told that war is not only a military issue but also an economic one – with massive social consequences.

► *The post-pandemic recovery would be inflationary in any case, but the war further increases the consumer price index in all countries.*



László Andor,  
FEPS Secretary General



# Book

## Europe's social integration: Welfare models and economic transformations

By László Andor





# Pills of hope – priorities for left-wing politics

by Fabrizio Barca

Europe is shaken by war and by its economic and social effects. This is compounding the fears and pain produced by the enduring pandemic. The authoritarian dynamic unleashed by inequalities and the loss of certainty is gaining ground everywhere. In this context, prompt measures to deal with the current state of affairs need to be coupled with a radical commitment to address its long-term origins, to reconnect institutions with people's aspirations and knowledge, and to push forward concrete proposals for a new 'life and work' paradigm.

The failure to connect to the aspirations and knowledge of millions of people, to listen to their fears and ideas, and to come up with an alternative vision to the current trend and with the radical policies needed to achieve that vision is common in many Western nations, where there is a striking and seemingly unbridgeable gap between the countries' spontaneous vibrancy and political organisations.

The capacity and courage of vision, the practices, methods, proposals and thousands of experiences concerning fundamental services, the care for people and the ecosystem, the organisation and dignity of labour, the entrepreneurial engagement, the just use of digital innovations, the protection of civil rights and the fight against all forms of discrimination and racism: this is the social and economic ferment that lies concealed under the ash of apathy and political disengagement. This ferment is the expression of very different actors and forms of civic action, movements, active

citizens' organisations, organised labour, innovative business and social enterprise. It represents the building-block of a possible path to greater 'substantive freedom', a development aimed at social and environmental justice with people at its centre. But it is only rarely that this ferment generates or influences political parties, which remain the only vehicle to turn the 'sentiments' and 'experiments' of society into systematic policies and actions.

Back in June 2020 when the Forum on Inequality and Diversity (ForumDD) in Italy was reflecting on the early months of the pandemic, it expressed a deep concern which can be summarised as follows: **no adequate lessons were being drawn from the new crisis beyond the important and unprecedented step to resort to public intervention at EU-wide level through the Recovery and Resilience Facility.** A neoliberal normalisation culture still prevailed, with a switch from austerity, where public spending is considered

intrinsically bad, to an attitude where public spending is good in itself, even when there is no serious reflection on how to spend or no involvement of social actors in the public spending strategy.

Although this approach buys some time by turning public spending into wages, profits and rentiers' income, it does not address the anger and resentment of the most vulnerable people. Indeed, in the medium term this approach would actually further increase this

► *A major priority which is strongly felt by all European citizens is a universal, high-quality, affordable healthcare system.*

anger and resentment, which was already on the rise for over a decade before the Russia-Ukraine war because of growing inequalities and the loss of recognition (of vulnerable people's role and aspirations). Such an approach, in turn, further boosts an authoritarian dynamic whereby people are appeased by the illusion of rebuilding a 'homogeneous identity' and of being protected by new walls from the 'invasion' of migrants and new ideas. In short, this authoritarian dynamic could blend with neoliberal normalisation into a poisonous concoction.

Unfortunately, this is actually what is happening. Below are five proposals that should be urgently supported.



© Alexey Komarov, licensed under the Creative Commons Attribution-Share Alike 4.0 International license

### HEALTH AND RESEARCH RESULTS AS A COMMON GOOD

**A major priority that is strongly felt by all European citizens is a universal, high-quality and affordable healthcare system** that is equipped to address major infectious diseases and impending problems such as resistance to antibiotics, degenerative disorders and rare diseases. However, there is a big misalignment between this public priority and the selection criteria and choices of the pharmaceutical industry, and this gap led to the failure to invest in vaccines after the 2003 SARS crisis. When the Covid-19 pandemic exploded, it was addressed via subsidies that paid out unprecedented and unacceptable monopolistic prices for vaccines: 71 billion euros between June 2020 and December 2021, for the whole EU.

**A much more effective solution is at hand, which is safer, fairer and far less expensive: building a permanent science-driven public infrastructure that would perform both biomedical research and development. Its mission would be to deliver affordable medical innovation to everyone.** A special proviso would ensure that every result was considered a common good

that is open to all. Its governance would be inspired by existing European infrastructures like the European Organisation for Nuclear Research (CERN) and its budget would be similar to that of the European Space Agency.

### A NEW PLACE-BASED AND SENSITIVE METHOD TO DESIGN AND IMPLEMENT ESSENTIAL SERVICES AND UNIVERSAL WELFARE

This is a major visionary priority that also the S&D report 'The Great Shift' has made its own. It is not about public spending, it is about how to spend. The report for example proposes: to ensure that "structural reforms entail a place-based sensitivity" and that "the information on investment and reforms financed by the EU are properly accessible to all citizens"; to promote the "public and open scrutiny of policy implementation at place level"; to involve "citizens in deliberative and participatory settings". **These are some of the features of a new method of public policy for essential services and welfare that go together with a new multi-level governance and a major shift in the recruitment and capacity of public administrators, at both central and local levels.**

### REDIRECTING DIGITAL TRANSFORMATION TOWARDS SOCIAL JUSTICE

This is a clear priority once we are aware of the radical bifurcation that new technology has opened up. A new route would lead to the chance of greater substantive freedom, and greater capabilities for all. Yet the route we are currently on just leads to more subalternity to a few centres of power.

The Great Shift addressed this issue, with particular reference to the design and use of algorithms. It also proposed "establishing an EU framework for data altruism to enable forms of data sharing that serve the public good". Things are now actually moving in this direction in the EU regulatory framework. The latest step, which was an important one, was made last May by the Data Governance Act. This establishes the ground both for data altruism and for a safe reuse of public sector data.

It is clear that **the EU is opening up a new, exciting, and mobilising route, away from both the corporate-centred model of the US and the state-centred model of China.** But this new route is not part of the political debate and has not been reflected adequately





in the EU RRF Guidelines on digital transformation. It is time for all of us to remedy this, both in a cultural and a political dimension.

### A UNIVERSAL INHERITANCE AT A SET AGE

**Family wealth is a great source of inequality affecting young people at a crucial stage in their life – when they leave school.**

Even when state education is successful in (at least partly) compensating for children's different social and family contexts, their after-school freedom of choice strongly depends on whether or not they can rely on their family's financial support. This is often described as an advance on their future bequest. The significant concentration of wealth in the last 40 years has further increased the privilege linked to the lottery of birth. A progressive inheritance tax contributing to society as a whole is important but not enough as it needs to be supplemented by **a universal capital grant to all individuals.**

According to a detailed proposal for Italy by ForumDD, a wealth transfer of 15,000 euros (equivalent to about 10 per cent of Italian average net wealth) to all young people reaching the age of 18 would be universal and unconditional. It would be accompanied by mentoring services, starting at the age of 14, to foster informed and autonomous choices, and it would be financed by a reform of the current taxation of wealth transfers.

► *The EU is opening up a new, exciting, and mobilising route, away from both the corporate-centred model of the US and the state-centred model of China.*

A proposal of this kind would truly empower young people and would create an environment where their choices would at the same time be freer and publicly debated. Children of different classes and family incomes and wealth would be treated as equals.

### DEMOCRATISATION OF CORPORATE GOVERNANCE, WORKERS' POWER AND SOCIAL AND ENVIRONMENTAL CONCERNS

Among the main causes of both greater inequality and greater environmental injustice are the shareholder-value view of companies, the weakening of the voice and power of labour, and the totally inadequate role of other stakeholders in social and environmental interests. The Great Shift was adamant about it and called for "strengthening employees' rights", "giving stakeholders a say in corporate strategies", "bolstering workers' right to information and consultation especially with regards to the management of change and restructuring" and "eliminating incentives for company directors to focus excessively on shareholder interests".

This vision has been turned into a detailed proposal by ForumDD to give both workers and citizens with environmental interests a co-decision role, by establishing a 'workers and company citizenship council', alongside the Board of Directors of medium- and large-size companies. This council would address the impact of companies' strategy on labour, territories and the environment. It would include all workers who make a relevant contribution to creating the company's value, and it would induce representatives of local communities affected by the environmental consequences of business activities. The council would then allow the social and environmental effects of companies' decisions to be assessed, debated and influenced before decisions are implemented. In the EU as a whole, an important opportunity is now being offered by the European Commission's

proposal of a Directive on Corporate Sustainability Due Diligence, where Article 25 in particular could open up new opportunities.

### CONCLUSION

**All five priorities represent 'pills of hope' or, rather, 'seeds of hope'. But they are just seeds. In order to turn them into robust trees changing our current 'life and work' paradigm, they require rigorous, radical, innovative politics that will trigger a heated and informed public debate and that will mobilise society, all over Europe.**

Several networks bringing together active citizens' organisations, social movements, organised labour and innovative business are acting in this direction, all over Europe. But it is now time for political parties carrying the flag of environmental and social justice to get their acts together. The only way to bring to a halt the convergence of the authoritarian dynamic with neoliberal conservatism is to reconnect to the social and economic ferment of society by moving ahead with the radical proposals that are put forward here.



Fabrizio Barca,  
co-coordinator of the Forum  
Disuguaglianze e Diversità

# Standing up for abortion rights is standing up for democracy

by Petra Bayr

While abortion has always been a contested issue, we have recently witnessed a renewed activism aiming to erode women's human right to control their body. The ongoing concerted action to undermine abortion laws needs to be analysed and countered decisively. Inclusion of the right to abortion in the EU Charter on Fundamental rights could be an important step.

In a few short years, Polish women have gone from an already very repressive abortion regime to a *de facto* ban, with several women paying the ultimate price by losing their lives. American women woke up one day last June and discovered that their Supreme Court had taken away what had been a constitutionally guaranteed right to abortion since 1973. Then, in September in Hungary, the government of Prime Minister Viktor Orbán adopted a series of medically unsound measures aimed at humiliating and intimidating women into abandoning recourse to abortion.

► *Far from having solid laws which guarantee a 'right to abortion', 14 countries and territories still regulate abortion via their respective penal or criminal codes.*

These developments reveal two disturbing truths. First, **the gains we thought we had achieved in many countries regarding women's rights back in the 1960s, 1970s and 1980s are not safe and may be reversed**. Second, the people who wish to roll back human rights are not just social and religious conservatives who have personal convictions on certain ethical issues, but they are also ambitious and savvy political actors who do not always share our common values of liberal democracy and the rule of law.

## | ARE OUR HUMAN RIGHTS IN DANGER?

An important point to clarify is the long-held assertion of many conservative actors that 'there is no right to abortion in international law'. This argument is a red herring as there is a whole body of international law, jurisprudence and normative guidance which provides

explicit guarantees for women's access to health, privacy and empowerment – including safeguards for access to safe and legal abortion. The first of two recent examples of this comes from the European Parliament, with its report by S&D member Predrag Fred Matić on the Situation of Sexual and Reproductive Health and Rights (SRHR) in the EU, adopted in June 2021. Matić's report specifically urges "the member states to decriminalise abortion, as well as to remove and combat obstacles to legal abortion". Notably, his report was adopted by a broad political consensus, with only the far-right voting *en bloc* against it. A separate development, and second example, is the guidelines on abortion issued by the World Health Organization (WHO) in March 2022. The WHO Abortion Care Guidelines specifically call for "the full decriminalisation of abortion" and emphasise that "abortion be available on the request of the woman, girl or other pregnant person". Likewise, these guidelines "recommend against laws and



© Photo.jpeg / Shutterstock.com

other regulations that restrict abortion by grounds" or "based on gestational age limits".

► *Anti-gender actors have emerged in nearly every European country, and have organised, networked, and become professional. They have a clear, three-fold strategy for undermining abortion laws – namely to 1) prevent, 2) restrict and, eventually, 3) prohibit abortion.*

Yet, **despite the progress in political support and a better understanding of the public health consequences of laws and policies on abortion, our national laws have in many cases failed to keep up.** The European Parliamentary Forum on Sexual and Reproductive Rights (EPF) released the *European Abortion Policy Atlas* in 2021, which analyses the legislation regulating

abortion in over 40 countries across Europe. The results are startling. **Far from having solid laws which guarantee a 'right to abortion', 14 countries and territories still regulate abortion via their respective penal or criminal codes.** In 19 countries, women face medically unnecessary barriers to access, and 31 countries do not include abortion in the national health system's financial coverage. In short, the vast majority of European countries – including many that would consider themselves progressive and whose citizens believe that 'abortion is a woman's right' – have outdated laws which do not reflect this.

#### **THERE IS A PLAN TO UNDERMINE HUMAN RIGHTS**

These outdated laws on abortion have become the target of a new set of actors in Europe – the so-called 'anti-gender actors' – who aim to reverse progress on sexual and reproductive rights, the human rights of sexual minorities, and even gender equality. These **anti-gender actors have emerged in nearly every European country, and**

**have organised, networked, and become professional. They have a clear, three-fold strategy to undermine abortion laws – namely to 1) prevent, 2) restrict and, eventually, 3) prohibit abortion.** It is now clear how this is being played out across Europe and beyond.

In terms of the move to 'prevent' abortion, anti-gender actors do not set out to prevent unwanted pregnancy through access to voluntary contraception, but rather to prevent pregnant women from accessing reliable information and legal health services by deceiving them through an intricate labyrinth of fake websites and fake health centres known as 'crisis pregnancy centres'. These centres operate in many European countries and are sometimes funded by public authorities. An example of the move to 'restrict' abortion is the group of recent measures adopted in Hungary which oblige women to listen to a putative embryonic 'heartbeat' at a stage in gestational development where the cells have not yet coalesced into organs. In terms of the move to 'prohibit' abortion, an example can be seen in Poland, where women have no legal access to abortion, resulting in what many call a *de facto* ban.



**These are not separate developments, resulting from an increasingly conservative public opinion. They reflect the strategic organisation of anti-gender actors, forging alliances with political actors often on the hard, radical, and extreme right of the political spectrum.**

And we should not underestimate their power: in 2021, EPF released the report *Tip of the Iceberg: Religious Extremist Funders against Human Rights for Sexuality & Reproductive Health in Europe*. This revealed that between 2009 and 2018, over \$700 million flowed into this anti-gender movement in Europe. These sums came from the US Christian right, from many organisations now close to former US president Donald Trump, from Russian oligarchs (who have now been banned because of their extremist views and involvement in aggression against Ukraine), and from many social and economic elites across Europe. The funding has not only gone into undermining abortion rights, but also into depriving sexual minorities of their right to equal treatment, and into campaigns against the Istanbul Convention on violence against women. It has even gone into challenging the rights of children before European courts.

## | THE NEED TO MOVE FORWARD

Realising that our long-held human rights are in danger is an important step. **Understanding who is challenging them and how these actors are organised, financed and allied with forces which aim to undermine liberal democracy, and which at times are even geopolitical rivals to the European project, is crucial in developing counterstrategies.** Chief among these strategies is to better guarantee a whole series of human rights – for example, by updating our abortion laws in light of the

► *We need to understand how abortion, and related human rights in sexual and reproductive health, are being deliberately instrumentalised by political actors aiming to unstitch liberal democracy and the rule of law.*

2022 WHO Abortion Care Guidelines. Many abortion laws were adopted decades ago and reflect the medical and political consensus of past generations, while the 2022 WHO Abortion Care Guidelines provide a new standard by which we can modernise our legislation so that our societies can live up to the aspiration of abortion being a woman's right.

Next, **we need to understand how abortion, and related human rights in sexual and reproductive health, are being deliberately instrumentalised by political actors aiming to unstitch liberal democracy and the rule of law.** It is no accident that the abortion ban in Poland is the result of a contested 'constitutional tribunal' which is the subject of the EU's rule of law scrutiny; that the reversal of the Roe vs Wade ruling in the USA happened after the Trump administration stacked the Supreme Court with three appointments; or that Prime Minister Viktor Orbán uses abortion and the rights of sexual minorities in Hungary as a pawn in his power games with the EU.

**The right to abortion, the rights of sexual minorities and the rights concerning gender equality, should specifically and prominently feature in our attempts to halt the democratic backsliding we see worldwide, including in the EU.** Finally, as we look

towards the EU elections of 2024, let us build a broad political consensus on the idea of including the right to abortion in the EU Charter on Fundamental Rights, which would serve as a guarantee for a whole series of related human rights as well as for democracy.

Petra Bayr,  
member of the Austrian  
National Council and  
President of the European  
Parliamentarian Forum on  
Sexual and Reproductive  
Rights (EPF)





# Who cares? Why we need a Care Deal for Europe

by Réka Sáfrány

Care is the backbone of our society. It is both our collective need and shared responsibility. But with women still forming the majority of carers, their choices in personal and professional life are too often limited. It is therefore time to invest massively in the holistic Care Deal for Europe, and to move towards an 'equal-earners/equal-carers' model.

Caring for others, and being cared for, at different stages of our lives, is one of the central emotional experiences of our shared humanity. Furthermore, care is essential for the continuation of society. And in the post-Covid period, it is crucial to strive for a holistic economy for the well-being of all. **The vast majority of caregivers, whether paid or unpaid, are women. And, for far too long, women's care work has been taken for granted.**

The Covid-19 pandemic was a wake-up call and showed, again, how interdependent we all are. It exposed the extent to which society depends on women to provide frontline and essential

care services. With women forming the majority of the workforce in all sectors related to care (health, education, social care and domestic work), they take the lion's share of both unpaid (informal care) and paid care work. However, **this work is often undervalued and underpaid, and it carries lifelong consequences that have an impact on women's economic independence and access to social rights**, particularly pensions. As the astounding gender pension gap of 40 per cent in the EU attests, older women are often exposed to poverty.

For far too long, the chronic lack of affordable, accessible, and high-quality care services in the EU has been a significant obstacle to women's full participation in all aspects of economic, social, cultural and political life. To overcome the lack of care services, migrant women, sometimes undocumented and often underpaid, are employed in many countries as domestic workers. This makes migrant female labour in the care sector vulnerable to exploitation and abuse. Indeed, only nine EU member states have actually ratified the International Labour Organization's Convention on domestic

workers, which guarantees protection to women working in the care sector.

This situation reveals the lack of real choice on how to combine work and private life. It also reveals the persistence of gender stereotypes that continue to underpin the division of tasks between women and men at home and within society. **Care policies and the provision of care services are therefore pre-conditions for achieving equality between (all) women and men.** It is time to move from the outdated male-breadwinner model to a dual equal-earner/equal-carer model.

**A Care Deal for Europe would be based on a holistic life-cycle approach that acknowledges that care needs and the provision of care services are essential at every stage of the life cycle.** Care is not an issue of dependency but a fundamental human right, an essential part of our collective solidarity, and a safety net that meets our collective care needs and responsibilities towards each other. Care is part of the continuum of the transition to a green economy. Put simply, caring for the

► *Care work is often undervalued and underpaid, and it carries lifelong consequences that have an impact on women's economic independence and access to social rights.*



© Chinnapong / Shutterstock.com

planet and caring for each other go hand in hand. We need a Care Deal to put this continuum on a level playing field with the Green Deal, which equally requires robust measures, including the earmarking of EU funds for investment in this care sector.

Investing in the care economy for affordable, quality, and accessible care structures and services must be the central element of an EU social and green model. These structures and services should be provided primarily by the public sector and be available in urban and rural areas to all who need them, taking into consideration the human rights, independence, and empowerment of the care-recipients.

The question now is whether the European Commission's European Care Strategy addresses these issues.

The European Women's Lobby welcomes the European Care Strategy as a first step towards a Care Deal for Europe. Care has finally been put on the political agenda and is the core of a feminist economic model.

► *Care has finally been put on the political agenda, and this is the core of a feminist economic model.*

We particularly welcome the fact that women's longstanding role as the 'fabric' of our societies is finally acknowledged. **The Care Strategy puts women at the heart, and this is a crucial step in achieving gender equality.** The Care Strategy also aims to address our concerns regarding the lack of available, affordable, accessible, and quality services, which we have been witnessing for decades.

Yet the European Women's Lobby would still like to see more effective measures – specifically, precise targets for long-term care, and action plans to achieve childcare targets. Given that these targets have become more ambitious compared to the 2002 Barcelona childcare targets – which, 20 years later, have still not been met – it is hard to see how the Care Strategy

► *Care is part of the continuum of the transition to a green economy. Put simply, caring for the planet and caring for each other go hand in hand.*

will ensure these targets are met by 2030. **We believe that services for early childcare education and development should be free, to ensure that all children – girls and boys – from all walks of life, have an equal start in life.** This would require substantial public investment but would help guarantee that the next generation of both women and men is equipped to shape the world of the future, to place care at the core, and to achieve gender equality.

With significant gaps between women and men in their provision of care work, especially unpaid care work, we need an economic and social model that values care, and puts it at the centre. **Caring for each other, the planet, children, parents, and people with specific needs should not be an afterthought but the central purpose of our economic model.** That is why we need a Care Deal for Europe. We believe the European Care Strategy provides the first steps in this direction.

*Réka Sáfrány,  
President of the European  
Women's Lobby, Chair of the  
Hungarian Women's Lobby*





# What role for health promotion in the European Health Union?

by Charlotte Godziewski

So far, the European Health Union is largely focused on the necessary task of improving health security. A more comprehensive Health Union also needs to consider health promotion. But what does health promotion mean? Is it merely an instrument to nudge individual behaviours, or can it be more than that? A truly health-promoting Union requires a more social Union.

Health has become a classic example of the EU cooperating and furthering integration in response to crises. The bovine spongiform encephalopathy ('mad cow disease') crisis was pivotal in strengthening food safety standards. The 2003 SARS outbreak propelled the creation of the European Centre for Disease Control (ECDC). Now, with Covid-19, we are witnessing the development of a broad and ambitious – if somewhat vague – vision of EU health: the European Health Union.

**While giving more attention to health is seen by most as a welcomed improvement, it is also important to look at the kind of further EU integration in health.** What are the underlying rationales and avenues currently explored under the proposed European Health Union, and what are the potential costs of neglected options?

So far, the European Health Union's aim is to "[protect] the health of Europeans and collectively [respond] to cross-border health crises". Its action plan focuses on health security, industrial strategy for medical

countermeasures and digital innovation. However, very little is said about the importance of health promotion. Health promotion has been reduced to exhorting and nudging people to take responsibility and make healthy choices. If health promotion is conceived in these narrow terms, it is understandable that the EU does not concentrate its Health Union efforts on it, especially considering the bloc's limited formal competences in that area.

► *The question is whether the EU's Covid-19 response reflects a lasting shift in how policymakers view public spending, and whether they recognise the importance of well-resourced public and social services for promoting health beyond exceptional crisis times.*

But health promotion can and should be much more. Factors that shape population health are numerous and far-reaching. In the early 2000s, the World Health Organization produced a body of work focused on the so-called 'social determinants of health'. These are the social conditions in which people live, and they include, for example, access to decent housing, education, healthcare, active transport, and safe urban spaces. **Now research is increasingly interested in understanding macro-social determinants of health.** These are the socioeconomic and political conditions, processes and power dynamics that affect population health directly and/or indirectly via complex and multileveled causalities.

Austerity is a good example of a macro-social determinant of (ill-)health. The austerity measures taken in response to the euro-zone crisis have been disastrous for health: Greece, Spain, and Portugal saw a rise in suicide rates and infectious disease outbreaks, while access to healthcare services became restricted. **Research has demonstrated that, more than the crisis itself, it was the**



**type of fiscal response and the strength of social protection mechanisms, that decisively shaped health outcomes.** As such, the EU's economic governance and fiscal coordination activities contribute to shaping public health, not only because they have an impact on healthcare systems, but also because they prescribe the general direction of a member state's public spending.

► *In short, a progressive Health Union should not just build resilience to face a crisis-ridden future, it should mainly work to heal those crises.*

Compared to the eurozone crisis, the EU's Covid-19 response was a clear improvement. The EU fiscal rules have been suspended by the triggering of the General Escape Clause within the Stability and Growth Pact. This means that member states have more freedom to spend and borrow as they see fit to rebuild their economies. The EU also made a €806 billion stimulus package (NextGenerationEU) available. This differs considerably from the austerity imposed a decade ago. The question is whether

this reflects a lasting shift in how policymakers view public spending, and whether they recognise the importance of well-resourced public and social services for promoting health *beyond* exceptional crisis times.

**To develop a long-term vision for a healthier EU, we need to understand health promotion not merely as disease prevention at an earlier stage, limited to nudging individual behaviours. Rather, health promotion can be a transformative endeavour to create conditions of life that are conducive to good health at the level of the entire population.**

This has been referred to as a 'salutogenic' approach to public health – one concerned with the origins of good health, rather than focusing only on preventing disease.

What does this mean for the European Union? Article 168 of the Treaty on the Functioning of the European Union (TFEU) states that "a high level of human health protection shall be ensured in the definition and implementation of all Union policies and activities". This does not necessarily translate into the transfer of more health and healthcare competences to the bloc. Instead, taking Article 168 seriously means creating sustainable, health-promoting conditions of life through the EU's own, already existing competences. If understood in those

► *In addition to new and improved health security mechanisms, the European Health Union needs to translate into a more social, environmentally sustainable and global justice-oriented Union.*

terms, a European Health Union that promotes health should be a transformative project, one that creates a more social Europe.

**In short, a progressive Health Union should not just build resilience to face a crisis-ridden future, it should mainly work to heal those crises.** Doing the latter is more complicated. It requires more fundamental rethinking of taken-for-granted ways of working. It is likely to face more institutional obstacles and does not depend on the EU alone. Meanwhile, securitising the supply chains of medical countermeasures and improving the use of artificial intelligence to prepare for future pandemics is certainly useful and it is more easily compatible with existing EU competencies and an orthodox view of the European Union as a market-creating project. However, this alone does not address the root causes of vulnerability to future pandemic outbreaks, which include rising inequalities, but also climate change. **In addition to new and improved health security mechanisms, the European Health Union needs to translate into a more social, environmentally sustainable and global justice-oriented Union.** All this is also central to promoting health.

© kovop58 / Shutterstock.com



Charlotte Godziewski,  
Assistant Professor in  
International Politics at the  
City University of London



# The European Health Data Space... For whom?

by Filip Karan

The proposal for a regulation on the European Health Data Space, published on 3 May 2022, aims to provide a common framework across EU member states for accessing and sharing health data to support healthcare delivery. These data could include electronic health records, patient registries and genomic data, and they could be used to facilitate health research, policymaking and legislation. The road ahead, however, is long as the EU Commission will have to address several challenges along the way – such as the appalling figures on citizens' digital literacy and skills – if it wants to realise the true potential of the EHDS.

The proposal on the European Health Data Space (EHDS) is intended to empower citizens to take control of their own personal health data – for example, by giving citizens access to their electronic health records. But an essential prerequisite for people to be able to harness the full potential of the EHDS is the improvement of their digital and health literacy. Indeed, the gap in people's digital literacy has now become particularly salient as the Covid-19 pandemic has propelled the digital transformation of healthcare. What is more, this digital transformation has raised questions about the accessibility of digital health technologies to ordinary people.

While 92 per cent of households in the EU had access to the internet in 2021, the vast majority of eastern European member states fell below the average. In Bulgaria, the member state with the lowest internet access rate, 16 per cent of households had no access to the internet compared to only 1 per cent of households in Luxembourg and the Netherlands. It is therefore

not surprising that the distribution of digital skills follows the same geographical pattern in the EU – while 58 per cent of EU citizens overall had at least basic digital skills, these percentages were the highest in western member states (Netherlands, Finland and Ireland) and the lowest in eastern states (Romania, Bulgaria and Poland). While data on digital health literacy – the ability to use digital tools to search for and interpret health information – are scarce and outdated in the EU, research shows that low rates of health literacy are mostly found in post-communist EU member states.

► *It is essential to build citizens' trust through transparent and clear communication about how their health data will be stored, accessed and (re)used.*

In recent years, the Commission has launched several initiatives and dedicated hundreds of millions of euros in funding to address the fact that 42 per cent of EU citizens lack basic digital skills. Yet these projects all approach the issue of poor digital literacy from the perspective of the single market: they aim to equip EU workers with the necessary digital skills for their workplace, but not much more than that. A clear focus on digital skills for the use of rapidly growing digital health tools is therefore lacking, and the EU must prioritise digital health literacy as a key issue for modern-day public health. **Ensuring that people are sufficiently digitally and health literate is paramount, as simply having access to the internet and smartphone technology without understanding how to use it will not allow patients to make use of their electronic health records or make decisions about with whom these records are shared.**

The 'secondary use' of health data for research and innovation, as described in the EHDS



© PopTika / Shutterstock.com

regulation, has (among other things) the potential to help discover new and more efficient treatments for many rare diseases. This secondary use of data refers to any application of data beyond the reason for which the data were first collected. A secondary use of data could thus include, for example, personal electronic health data that were originally collected to treat patients. However, for high-quality health data to be collected and used for research purposes, **it is essential to build citizens' trust through transparent and clear communication about how their health data will be stored, accessed and (re)used.** Transparency around the EHDS, coupled with higher digital and health literacy, will encourage people to share their health data for scientific purposes, with a positive impact on health research and innovation.

**The Commission must furthermore ensure sufficient safeguards that would prevent health data from being misused or leaked.** This is of particular importance for vulnerable

► *The Commission must ensure sufficient safeguards that would prevent health data from being misused or leaked.*

communities such as undocumented migrants, ethnic minorities, LGBTIQ+ people, and people living with certain medical conditions such as HIV/AIDS. Furthermore, the inclusion of data generated by wellness applications among those data that can be used for secondary purposes is likely to create privacy risks and other issues, given that this type of data does not have the same level of quality and controls as data generated by medical devices.

Citizens' trust in the data space and its governance rules is one of the most crucial aspects of achieving the ambitious goals of the EHDS. A welcome step towards this would be the

meaningful inclusion of patients and citizens on the proposed European Health Data Space board – a board that would be tasked with the exchange of views on the primary and secondary use of electronic health data with relevant stakeholders. **Implementing the regulation without fully understanding users' concerns and needs could result in mistrust – both in governments and in digital technology.** In each of the different implementation stages of the regulation, it is therefore of crucial importance for the EU to reach out to ordinary citizens more, as well as to the civil society groups representing these citizens.

*Filip Karan,  
Junior Policy Manager  
for Digital Transformation  
at the European Public  
Health Alliance*





# Treating Europe's hidden pandemic: mental ill-health

by Nikita Sanaullah

As we contemplate the building of a European health union, we can no longer ignore mental health problems – which will affect one in two people at some point in their life. The EU's approach to health must therefore go beyond physical ailments. Indeed, given that the EU does have the mandate to protect our well-being, it can already make a tangible contribution to tackling mental illness. It is therefore high time for an EU mental health strategy.

After the coordinated response to the Covid-19 pandemic, it is hard to imagine a scenario in which over 84 million Europeans are afflicted by an illness on which the EU fails to act. Yet this is exactly what is happening with mental health disorders. Europe is experiencing a hidden pandemic, and no one is responding to the emergency.

Europe's mental health challenges have only grown in the aftermath of the pandemic – which heightened feelings of uncertainty, isolation, and loneliness among Europeans. A study conducted by FEPS and Fondation Jean Jaures in May 2022 found that 53 per cent of people in Ireland, 51 per cent in Poland, 44 per cent in Germany, 40 per cent in France, and 38 per cent in Sweden felt more depressed following the onslaught of Covid-19. **Groups more prone to the socio-economic impacts of the pandemic unsurprisingly showed the greatest mental distress.** In fact, nearly two thirds of young people showed signs of being affected by mental health issues during the pandemic, with young women being the most vulnerable. This is hardly a surprise given

that young people were already the group at greatest risk of poverty and social exclusion prior to the health crisis, and also given the increased care burden that women faced during lockdowns.

► *Groups more prone to the socio-economic impacts of the pandemic unsurprisingly showed the greatest mental distress.*

Unfortunately, the increase in mental distress in Europe is likely to persist as we grapple with war on our continent and the associated cost-of-living crisis. These situations have made it difficult to make ends meet and have only served to add more fear and uncertainty to our lives.

Despite the scale of mental health challenges, the debate has distinctly focused on physical health when stakeholders consider the

creation of a health union. Yet, the EU's role in promoting well-being – which includes mental health – is enshrined in Article 3 of the Treaty on the European Union. **Good mental health is key to social inclusion and participation in societies: promoting people's well-being ensures that they can realise their potential and contribute meaningfully to society.** Furthermore, we cannot ignore the fact that the failure to address mental ill-health has economic costs too. The OECD estimates that it costs EU member states over €600 billion, or 4 per cent of GDP, per year.

Taking all these factors into consideration, **progressives must lead the way in calling for an EU mental health strategy, built on the lessons we have learnt from the pandemic.** By developing an EU strategy, progressives could ensure that mental health becomes prioritised in national health systems. And by making mental health a political priority, we can also help ensure that adequate funding is allocated to tackle the high level of need. **An EU mental health strategy could set common standards for mental healthcare,**



**improving affordability, accessibility, and quality of care with a particular focus on reaching and supporting those most vulnerable.** The strategy could also offer a space for mutual learning and knowledge sharing among member states, including on key areas such as mental health literacy, awareness raising, and de-stigmatisation.

- *Good mental health is key to social inclusion and participation in societies: promoting people's well-being ensures that they can realise their potential and contribute meaningfully to society.*

But an EU mental health strategy must also go beyond this. **Given the strong links between a person's socio-economic situation and their mental well-being, EU social policies, which affect the everyday life of citizens, are also a crucial component of a mental health strategy.** Policies on adequate social protection, and policies which promote well-being at work, like an EU directive on psychosocial risks, could play a fundamental role in addressing the socio-economic determinants of mental health and in promoting a holistic, rights-based approach to mental health.

**The reality is that the cost of inaction from the EU on mental health has been the preventable loss of lives.**

In 2017, mental and behavioural disorders accounted for 4 per cent of deaths in the EU. We owe it to those suffering to act now. A long-term, comprehensive EU mental health strategy and coordinated action could finally help us treat this hidden pandemic.

- *An EU mental health strategy could set common standards for mental healthcare, improving affordability, accessibility, and quality of care with a particular focus on reaching and supporting those most vulnerable.*



*Nikita Sanaullah,  
former Social and Economic  
Policy Analyst, FEPS*

## MENTAL HEALTH & SUICIDE DURING THE PANDEMIC

### POLICY BRIEFS SERIES



Fondation  
Jean Jaurès

FEPS  
FOUNDATION FOR EUROPEAN  
PROGRESSIVE STUDIES



*Using the results from surveys in six countries (Germany, France, Ireland, Poland, Spain and Sweden) conducted in spring 2022, this series of policy briefs explore how the pandemic and its social and economic effects impacted mental health and suicide in Europe.*

*The briefs identify vulnerable groups, levels of risks and needs, and propose recommendations for suicide prevention for each country.*



# Europe must project power without losing its soul

by George Pagoulatos

Europe is faced with seismic changes in its regional and global surroundings. Following Russia's brutal invasion of Ukraine, it is confronted by the first major, fully-fledged war on its soil since the second world war, which involves two big countries, one of which is a military superpower. As fundamental pillars of the global order are shifting, the European Union is being forced to adjust to a world driven by great power competition. In doing so, it must not lose track of its own existential purpose.

The EU has rightfully risen to the challenge posed by the war, activating far-reaching sanctions against Putin's revisionist regime, closing ranks and providing arms and support to Ukraine. Hard power is back, military deterrence and defence integration are on the European agenda. NATO has stormed back to relevance. Hardly a conference on Europe's external policies goes by these days without the word 'geopolitics' in its title.

And it is not just Russia, perceived as a national security threat by the EU's eastern and northern members, it is also the increasingly escalating competition and rivalry

between the US and China. It is Europe's southern and eastern neighbourhood, ruled by mostly repressive regimes exporting destabilisation that washes up on Europe's shores. It all justifies the mantra, regularly heard in Brussels, that in this increasingly Hobbesian world, Europe must learn to speak the language of power', become 'a player rather than just a payer'.

**Even though it is imperative for Europe to respond to changing circumstances, it should not do so by engaging in self-flagellating revisionism, nor by denying its own existential vocation and historical achievements. It should adjust without losing its soul.** Europe should not surrender its role as a defender of a rules-based multilateral order, even if global institutions like the WTO have become non-operational, or irrelevant under big power unilateralism, as has the UN. Neither should Europe denounce three decades of seeking to engage with (and containing) post-Soviet Russia; nor should it apologise for five decades of Ostpolitik, which ensured peace on

our continent during the cold war and facilitated the peaceful dissolution of the Soviet empire, spreading freedom and democracy to hundreds of millions of people previously living as subjects under the Soviet regime.

While upgrading its own deterrence and defence capabilities, Europe should maintain its historical mission as a peace project. EU institutions were not designed to project force but to project peace. 'Unity through diversity' is the method through which an integrating Europe would reach its existential objective of 'never again' (war).

As a peace project, **the European Union is in the business of preventing rather than fighting wars, of leading the path of diplomatic engagement to the peaceful resolution of disputes.** The basic truth it continues to serve is that economic interdependence and multilateral institutions raise the cost of war, rendering it a prohibitive option, and that economic interdependence and multilateral institutions engender incentives for

► *The European Union is in the business of preventing rather than fighting wars, of leading the path of diplomatic engagement to the peaceful resolution of disputes.*



© Andrzej Rostek / Shutterstock.com

peace, even if this is far from guaranteed. That is how Europe's own internal market created a Union of peace and prosperity, breaking with a centuries-old tradition of nationalistic wars.

Europe's foremost mission today remains upholding European democracy by safeguarding the democratic rule of law, by extending security and prosperity to its citizens, equal rights to the minorities, social protection to the weak. **Europe must remain a world leader in green transition, ambitious on digital transformation, committed to engaging with the rest of the world, while upholding human rights, a rules-based multilateral order and the European way of life.**

This is no time to abandon the 'European way'. Not when the number of democracies in the world is receding; not when military brutality against Ukraine is awakening images from Europe's darkest past; not when a new cold war between the US and China is escalating; not when democracy in the US (but also inside Europe) is being challenged from within by the forces of nativism, illiberalism, demagoguery, and obscurantism; not as long as Europe remains a world model of voluntary integration of democratic nation-states

creating common supranational institutions, the shining house at the top of the hill.

► *Europe must remain a world leader in green transition, ambitious on digital transformation, committed to engaging with the rest of the world, while upholding human rights, a rules-based multilateral order and the European way of life.*

And there is one additional reason why Europe must raise its own power and resilience without surrendering its identity. Almost all major crises Europe has recently faced started outside its borders. The global financial crisis originated from the US financial markets, then spread to a vulnerable Europe, squeezed under a heavily incomplete monetary union. Then the humanitarian crisis, triggered by the millions of people fleeing the wars and civil wars in the Middle East and North Africa, wars which Europe as a Union did not trigger, even

if it was collectively incapable of preventing or successfully containing them. Then Brexit, probably the only crisis a united Europe managed with paradigmatic success. Then Trump, demonstrating that the future (and the limits) to transatlantic partnership hinge upon the travails of US democracy, and awakening Europe to the need for greater strategic autonomy. Then the Covid-19 pandemic, when Europe rose to the challenge, albeit delayed by a few months, activating a far-reaching response premised on common borrowing and a version of fiscal integration. Then Russia's invasion of Ukraine, where Europe responded within days, activating its full support for the victim of the attack. And finally, the most global of crises, though far from entirely exogenous, ongoing climate change, has been unfolding in all its catastrophic potency.

What does this succession of crises, Europe's *polycrisis* having matured into a *permacrisis*, demonstrate? First, that **Europe has typically been the subject rather than shaper of external developments washing up violently on its shores**. Second, that in the face of such existential crises, the European Union requires ever greater unity and resilience. Third, that preventing or managing such crises calls for closer, global-level, intergovernmental cooperation, and a Europe powerful enough to uphold a rules-based multilateral order while defending its own interests and values.

**Changing what needs to adjust while defending what needs to be preserved is a novel challenge worthy of Europe's achievements.**

George Pagoulatos, Director  
General of the Hellenic  
Foundation for European &  
Foreign Policy (ELIAMEP),  
Professor of European  
Politics & Economy at  
the Athens University  
of Economics, Visiting  
Professor at the College  
of Europe in Bruges





# Contested multilateralism and the crisis of cooperation

by Ummu Salma Bava

The war in Ukraine spotlights all that is wrong with the current state of multilateralism, as a permanent member of the United Nations Security Council has invaded another country. This bears testimony to an increasing disconnect and imbalance between global institutions and their outputs. And it shows a crisis of cooperation, raising questions about a growing irrelevance and legitimacy as the credibility of institutions, actors and processes have increasingly become contested.



© Lev Radin / Shutterstock.com



The foundations of the current multilateral system are the outcome of the power equation in the aftermath of the second world war, confirming consequential political bargaining. Increasingly, there has been a decline in the efficacy of these institutions with the broadening of the range of actors and the increase in formal and informal methods of cooperation. **These developments are challenging the primacy of the UN system, and they highlight the unravelling of international cooperation. The crises in the existing multilateral arrangements already span two decades and have now become more acute.** Fewer international treaties have been signed, there have been withdrawals from treaties, and the crisis of collective action was even more pronounced during the presidency of Donald Trump in the US, who sought unilateralism and questioned the very institutions that his country had contributed in creating. Even after participating in the Iran nuclear deal, the US withdrawal clearly undermined the group efforts to regulate and monitor nuclear activity.

In part, the increasing number of informal networks outside the existing architecture of the formal institutions, and the growing fragmentation of this architecture have also weakened the UN system. This growing culture of ad hoc and informal networks and diplomacy does not create a formal output, it is rather a limited exercise that seeks to contain decision-making to a small group. One can make an argument for the G20 that it is an expanded base of cooperation, but this argument still does not translate into a global mandate. The Indo-Pacific region is another

example of an ad hoc approach, and the building of groups around select interests such as the Quadrilateral Security Dialogue between Australia, India, Japan and the US (QUAD) and the trilateral security pact between Australia, the UK and the US (AUKUS). That Australia and the US are part of both groups confirms that states are hedging their bets on diverse groupings to bring them different outcomes.

Together with the shift in the economic power of the different states that is producing a growing and complex interdependence, and the rise of non-state actors beyond the regulatory framework, it is these developments that are drawing attention to the transformation in the nature of cooperation and collective action, and to the transformation in the notion of global public goods. **Decision-making has become disconnected from the rapid changes on the ground, as was revealed by the role of the World Health Organization (WHO) during the Covid-19 pandemic. Indeed, the role of the WHO showed how health had the lowest priority among the list of global public goods, leaving large sections of the world population still not vaccinated and vulnerable to infection.** Not only did this underscore the crisis of cooperation in the very moment of the pandemic, but it also raised fundamental questions on what the best platform is to address global challenges, build cooperation, reduce transaction costs, create stability and minimise disruption, given the growing plurality of actors.

The rise of multiple centres of gravity and the interconnected theatres of confrontation – first as seen in the war in Ukraine, which

► *The UNSC has become more dysfunctional, and the rules-based order has privileged a few states more than others, leading to a breakdown of confidence, trust and legitimacy.*

is pitting the US and Europe against Russia, and second as seen in the growing confrontation between the US and China – all point to the fact that **the United Nations Security Council (UNSC) has become more dysfunctional, and the five permanent members do not appear to share the same political perception of cooperation. The rules-based order has privileged a few states more than others, leading to a breakdown of confidence, trust and legitimacy.**

The dispersion of economic power, the shift in the material power of certain states, and the growth of non-state actors combined with the transformative role of technology is producing a larger dissonance and disruption than ever witnessed before in the global arena. **The inability to address the power shifts comes in the wake of the major challenges posed by climate change, the global recession in the backdrop of the pandemic, migration and a weaponised interdependence that all require collective action.** But the shift in the balance of power is not reflected in the current institutional architecture.



- *The inability to address the power shifts comes in the wake of the major challenges posed by climate change, the global recession in the backdrop of the pandemic, migration and a weaponised interdependence that all require collective action.*

The UN system, and **especially the UNSC which has the task of maintaining peace and stability, has failed to take action against those very states entrusted with the seat at the high table, as they violate the Charter. Be it the US in Iraq, or Russia in Ukraine, apart from resolutions, no strong action has taken place, revealing the weakness of the institutions.** A negotiable approach to the violation or transgressions of sovereignty has given powerful states impunity to get away with violations of law. Every variable of cooperation at the international level has changed due to the Ukraine war, which has emphatically underscored the return of geopolitics and the articulation of national interest. The response of the EU has been a selective display of collective interest. **The current crisis is even more acute due to the emergence of diverging interpretations of the Ukraine war in the West and in the global South.** The return to the balance of power and growing military expenditure confirms that multilateralism works best when everyone, irrespective of their power and influence, encounters the same consequences for violating the agreements. The baseline for cooperation is the buy-in into the system of all states with no exception, as that undermines the very objective of collective action.

**The Western-shaped multilateral order is now facing contestation from a rising China that is positioning its economic influence to impact globalisation and to change the status quo.** In addition, the current model of neoliberal economy and rising inequality has also produced a growing suspicion against the current structures. Divergent geopolitical considerations, political perceptions about growing regional challenges and prioritising national interest have disrupted the efforts of political, economic and security cooperation. **As the material capacities of non-Western states increase, the power disequilibrium in the current structure will become more acute.** Similarly, as the transaction costs of cooperation have become uneven, an increasing political resistance from the Global South is becoming more visible. The current institutional architecture is unable to cope with the power shift and, therefore, cannot accommodate emerging powers, or manage power transitions.

The war in Europe is not only a return of history, it is also about the contestation of ideas with respect to the creation and maintenance of international institutions and regimes which define cooperation between states and also regulate their behaviour. The ongoing challenge has also brought to the fore that liberalism is not the preserve of the West. The

- *The UNSC, which has the task of maintaining peace and stability, has failed to take action against those very states entrusted with the seat at the high table, as they violate the Charter.*

idea of the liberal order being under threat is also a perspective pushed from the West so that the present status quo, which privileges a particular notion of global collaboration, can be maintained. Multilateralism today has increasingly become a battleground of ideas about cooperation. **What constitutes the right ideational base for collective action and cooperation that is inclusive, equitable, and without exception is the biggest question now on the table.**

Ummu Salma Bava,  
Professor and Jean  
Monnet Chair, Centre  
for European Studies,  
School of International  
Studies, Jawaharlal Nehru  
University, New Delhi, India



# Reforming development finance to address crisis times

by San Bilal

The climate emergency, the Covid-19 pandemic and the Russian war in Ukraine are illustrative of our new era of permanent multiple crises. Development finance frameworks and institutions are not fit to address such tumultuous times. They must adjust their *modus operandi* to be more reactive and impactful in the face of greater risks and uncertainty.

Special times call for special actions. And systemic shocks call for systemic responses. This is the case both for development finance approaches and institutions. The multiplicity of overlapping crises puts our international and European development systems to the test. The financing gap to achieve the Sustainable Development Goals (SDGs), estimated at \$2.5 trillion pre-Covid-19 in 2019, had already jumped 56 per cent to \$3.9 trillion in 2020. With tighter budgetary and fiscal constraints, combined with increased geopolitical polarisation, **we don't seem to be willing or able to mobilise the development forces, in terms of finance and beyond, at the scale and impact needed to address the current climate, food, energy, socio-economic and humanitarian crises** and their consequences.

We need to urgently rethink and adjust our approaches to sustainable development in general, and to development finance in particular. This requires tailoring our systems and mechanisms to improve the capacity of

► *We don't seem to be willing or able to mobilise the development forces, in terms of finance and beyond, at the scale and impact needed to address the current climate, food, energy, socio-economic and humanitarian crises.*

financial institutions for development to react more promptly, at scale, for greater impact, stimulating both the recovery and resilience of developing countries.

## | THE RISE OF DEVELOPMENT FINANCE

Over the last decade, development finance has significantly increased, placing a greater emphasis on mobilising private capital. The broad community of public development

banks (PDBs), comprising over 500 institutions in 154 countries with a total asset of \$23 trillion, has come to the forefront of the SDG agenda. Multilateral development banks (MDBs) have been particularly active in recent years. In response to the pandemic, they immediately increased their lending commitments by nearly 40 per cent. And they still managed to raise their climate finance by over 20 per cent in the period 2019-2021 (from \$41.5 billion to \$50.7).

In the European Union, an open system of blended finance and guarantee mechanisms was put in place, to further leverage more impactful activities of the (European – but not only) PDBs and development finance institutions (DFIs) in particular – focused on private sector operations. The establishment of the European Fund for Sustainable Development plus (EFSD+) and, since the outbreak of the Covid-19 pandemic, the adoption of a 'Team Europe approach', combining the efforts of various development actors, have contributed



© Lev Radin / Shutterstock.com

► *Our era of permanent crises seems to have stretched the current framework of development finance to its limits.*

to strengthening the European financial architecture for development (EFAD).

#### A DEVELOPMENT FINANCE SYSTEM STRETCHED TO ITS LIMITS

Yet **our era of permanent crises seems to have stretched the current framework of development finance to its limits.** Current

responses are not at the scale and impact needed.

Compared to the global financial crisis, the MDBs' response was more muted under the Covid-19 pandemic (79 per cent increase of commitment in 2008-2009 compared to 39 per cent in 2020), although vulnerable people and countries were hit more harshly. European DFIs struggled to limit the fall of their activities following the pandemic outbreak in 2020 (-10 per cent of commitments), and had to work very hard to rebound in 2021 (+15 per cent in value).

**The Russian war in Ukraine and its consequences, first, of course, for Ukraine, but also for the global economy and more vulnerable countries, has further increased the finance divide and recovery gap between developing countries and advanced economies.** This, in turn, has

further stretched the existing capacity of the financial institutions for development, unable, despite their efforts, to address at scale the fast-rising needs.

At the COP27 summit, the failure of the developed countries to meet their pledge once again to jointly mobilise \$100 billion per year for climate finance in developing countries illustrates the difficulties of living up to expectations and their commitments. The agreement on the new 'Loss and Damage' Fund for Vulnerable Countries, the estimate that annual needs of developing countries for climate adaptation could reach as much as \$340 billion by 2030, and the recognition that the transition to a low-carbon economy will require between \$4 billion and \$6 trillion per year, illustrate well the rising climate-related, nature protection and biodiversity financial needs.



## ADJUSTING THE DEVELOPMENT FINANCE BUSINESS MODEL

**The international community and the EU should jointly engage in systemic reforms and adjustments of development finance approaches and institutions to better respond to the rising needs, risks and uncertainties of our permacrisis era.** These include:

- ▶ **Adopting emergency rapid responses:** lessons should be drawn from good practices and the challenges encountered during the recent crises to adjust the mandate and operating model of PDBs/DFIs, traditionally geared to slower and long-term development engagement.
- ▶ **Adjusting to rising risks and uncertainty contexts:** PDBs/DFIs and their shareholders should enhance their risk appetite, rely more extensively on guarantee and insurance mechanisms, and adjust their long-term strategies to become more agile in responding to a more uncertain and rapidly changing environment.
- ▶ **Increasing the focus of development finance on resilience,** fragile contexts and adaption to not only help address crisis situations but also help overcome them.
- ▶ **Engaging more actively in humanitarian actions,** drawing on relevant experiences by PDBs/DFIs to help address the rapidly widening humanitarian funding gap.
- ▶ **Implementing key recommendations for reforms,** from boosting MDBs' investment capacity and revising their capital adequacy framework, to adopting broader ambitious investment push strategies, to

more systematically aligning development finance with the Paris Agreement and the SDGs.

- ▶ **Promoting innovative approaches,** such as rechannelling special drawing rights (the 'IMF money'), in particular for MDBs to leverage sustainable investment.
- ▶ **Fostering greater cooperation among development actors,** and among PDBs/DFIs, with donors, private (institutional) financiers and local actors.

The need to respond at scale to the Russian war in Ukraine is an opportunity to adapt and innovate in our development finance approaches and systems. 'Never let a good crisis go to waste' said Churchill. One should add: 'let alone multiple crises'.

*The international community and the EU should jointly engage in systemic reforms and adjustments of development finance approaches and institutions to better respond to rising needs, risks and uncertainties of our permacrisis era.*

San Bilal,  
Senior Executive, ECDPM,  
the think-and-do-tank for  
Africa-Europe relations



# China in the global order: trade partner, competitor, or systemic alternative?

by Uwe Optenhögel

The People's Republic of China has emerged as an actor in global politics that propagates its own path of development and clearly distinguishes itself from the West. China's extremely successful catch-up development model has removed one of the dogmas of the development debate – that modernisation was to be equated with 'Westernisation'. However, in light of the re-centralisation and the re-politicisation of Chinese politics, another core question of the development debate remains to be answered: can an autocratic economy and society outperform free-market democracies in terms of innovation and growth?

Today, China is involved in all United Nations organisations as well as in informal formats such as the BRICS or the G20 and it is trying to shape or transform them in its interests. China's speedy progress in international institutions, and the growing self-confidence that comes with this programme can only be understood against the background of the extraordinarily successful development of its economy.

China's development model was based on export orientation, massive investment (both state and foreign), technology transfer from the West, financial repression, capital controls and a non-convertible currency. After a lengthy period of sometimes double-digit growth rates, this quantitative growth path reached its limits under premier Wen Jiabao (2003-2013). The three decades of hyper-growth resulted in the four 'un-s' of his reign:

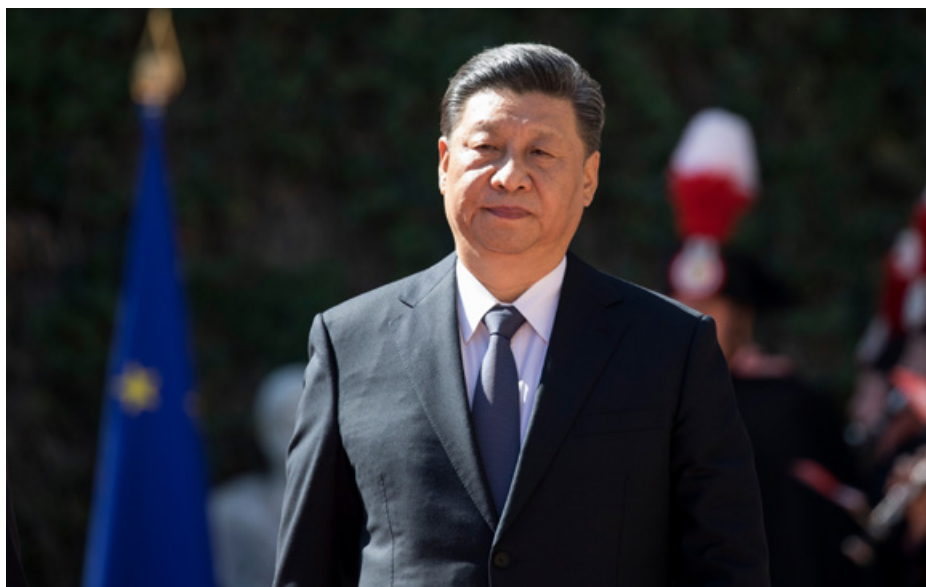
China's economy was increasingly seen as 'unstable, unbalanced, uncoordinated and unsustainable'. Since then, bringing the economy back into balance and at the same time putting it on a qualitative, sustainable and more domestic market-oriented growth course has been the central challenge of the Chinese leadership, which President Xi Jinping in particular has made his programme since taking office in 2012.

## THE SUCCESSFUL DEVELOPMENT MODEL UNDER PRESSURE FROM ALL SIDES

The deglobalisation that has set in since the financial crisis (2008-2010), and which has been massively accelerated by the Russian war against Ukraine, marks a key change in

the framework conditions for Chinese development. Not only has the US viewed China as a key geopolitical opponent since Trump, but in the EU's perception, China has gone from being the largest market to being a 'strategic rival', and the European Parliament has suspended the ratification of an investment deal with China that involved lengthy negotiations before the war. **In view of the Russian aggression against Ukraine, the US, Europe, Japan and certain other countries are no longer aligning solely their economic policies. Security and defence policy aspects are also coming to the fore. Furthermore, the new dimension of Western sanctions, which go beyond anything previously known, is already having far-reaching effects on the global economy. China is vulnerable here.** If access to what had been the largest export markets is restricted, other markets or one's own

► *In view of the Russian aggression against Ukraine, the US, Europe, Japan and certain other countries are no longer aligning solely their economic policies. Security and defence policy aspects are also coming to the fore. Furthermore, the new dimension of Western sanctions, which go beyond anything previously known, is already having far-reaching effects on the global economy. China is vulnerable here.*



© Alessia Pierdomenico / Shutterstock.com

domestic market are needed – neither of which is currently in sight.

Apart from shrinking export markets, China's access to high-tech in the West is becoming more difficult. Not only has the US imposed sanctions against Huawei, semiconductor or microchip manufacturers, but in Europe too, governments have recently banned the Chinese takeover of cutting-edge technology. Chinese investments are now being questioned, and China's competition-distorting government subsidies for Chinese companies are being criticised, as is the unequal treatment of Western investment in China.

#### THE DEVELOPMENTAL APPEAL IS FADING

**Parallel to the foreign trade policy challenges, the 'Belt and Road Initiative', China's major and highly prestigious development policy project, is also faltering. Battered by the aftermath of the pandemic, inflation and the ramifications of the war in Ukraine, numerous countries in the Global South are having difficulties repaying their loans.** China's self-interested

lending policies are one of the reasons. The People's Republic, it seems, is driving its Silk Road partners into the debt trap. There are also accusations that China is taking land, violating human rights and polluting the environment. And Silk Road managers often seem to behave in a way that is no less 'colonialist' than their Western counterparts. Today, China is the world's largest lender: if Beijing wants to avoid a loss of reputation among the countries of the Global South and at the same time prevent a large number of loans from failing (approximately \$118 billion is at risk), it has to show whether it can be more responsible in handling the developmental challenges than the West, which it criticises.

#### PROBLEMS ARE ALSO PILING UP IN THE DOMESTIC MARKET

The country's domestic market is facing major cyclical and structural challenges: high private and public debt, an imploding real estate sector, over-indebted banks with non-functioning bank supervision, the progressive ageing of the population, and almost 20 per cent youth unemployment are weighing on growth. This is accompanied by extreme income inequality,

persistent corruption, an explosion in housing costs and underdeveloped welfare state institutions that could compensate and socially cushion falling demand. There are already factory closures due to declining exports, which further complicates the situation. Added to this, is the ever-increasing cost of China's zero-Covid policy. The recent lockdowns in Shanghai and Chengdu have left their mark on the economy. China's economy grew by just 0.4 per cent in the second quarter of 2022 compared to the same period last year. This puts the politically stipulated growth target of 5.5 per cent a long way off.

It is also becoming clear that the country is not prepared for the omicron variant and its own vaccines cannot compete with those of the West. The brutal enforcement of the quarantine rules has revealed a political dimension to the Covid strategy that China has pursued so far. Indeed, President Xi expressly reaffirmed this strategy at the 20th Communist Party Congress. **The population is reacting with increasing incomprehension and contradiction to the government's seemingly senseless harshness.** Looking at the Covid years, together with the economic problems outlined above, it seems that for the first time in decades popular trust in the leadership has

been eroded. The Chinese development pact between the people and the leadership states that 'we (the government/party) ensure continuous increase in prosperity; in return, you (the people) renounce political participation and a say' – but this pact is apparently losing its shine and its identity-assuring power. The first Western economists suspect that China may be moving towards a 'Japanisation' of its economy (an allusion to Japan's two lost decades characterised by low growth and deflation), or that it will find itself in a 'middle-income trap' in the foreseeable future.

Against this backdrop, it is clear that **the Russian war against Ukraine comes at a bad time for China. The country already has enough to do with its own problems. Unlike Russia, it is not in China's interest to destroy the existing international order. China's contradictory attitude to the Ukraine war (verbally supporting Russia in everything that harms the West, but at the same time respecting Western sanctions and not supporting Russia militarily) is becoming increasingly difficult to convey internationally.** It is eroding China's image. Vladimir Putin felt this when he met Xi Jinping at the SCO (Shanghai Cooperation Organisation) summit in Samarkand in September, when Xi Jinping gave his 'best friend' a good reprimand regarding responsible great power behaviour and the framework conditions of globalisation: he is "willing to work with Russia to demonstrate the responsibility of big powers", but this must be pursued "to instil stability and positive energy in a world of chaos". And Beijing has now also clearly rejected Russian threats to use nuclear weapons – shown first during the visit of the German Chancellor, Olaf Scholz, to Beijing and again during the G20 summit in Bali.

#### RESPONDING TO HEADWINDS IN A CHAOTIC WORLD

This complex mixture formed the background for the 20th Chinese Communist Party Congress, where it became clear how

the party intends to meet the multiple challenges. The focus was initially on President Xi Jinping's increase in power, documented by the unprecedented third term he was granted. At the same time, market-oriented technocrats were replaced by Xi loyalists in the party leadership. In public discourse, Deng Xiaoping's motto of 'let some get rich first' has been replaced by Xi Jinping's motto of 'common prosperity'. The rampant corruption is being fought more vigorously, and China's billionaires are temporarily disappearing and/or being 'brought into line' – in the very tradition of communist self-criticism. In summary, **since Xi took office in 2012, the Middle Kingdom has experienced tendencies towards re-centralisation, re-politicisation, re-ideologisation and increased repression. The new party leadership symbolises the renunciation of collective leadership elements, and the party is again becoming the transmission belt for the economy and the society.**

The new leadership does not question its own policy. What is visible instead is the shift towards a dominance of political over economic rationality. This comes even though domestic and foreign observers of China's successful trajectory over the past four decades agree that decentralisation, the delegation of economic decisions, competition and creativity in the economy, and a certain internal pluralism in politics and unwritten rules for governance (like the limitation in terms of office of decision makers) have been constitutive elements in China's rapid rise.

With Xi's China, an old question of the development policy debate seems to be returning to the political arena: can an autocratically run economy and society outperform free-market democracies in terms of innovation and growth? Against the backdrop of its integration into the international institutions, its economic power, the technological level it has reached, its growing military strength and the monitoring of its citizens made possible by the social credit system, China seems to be answering this question with a yes.

**With the People's Republic, an actor has emerged in global politics that propagates its own path of development and clearly distinguishes itself from Western ideas of the universality of human rights, democracy as the best possible form of governance, or a constructive role for civil society organisations in a functioning community.** China's extremely successful catch-up development model has cleared away one of the dogmas of the development debate: modernisation is not to be equated with Westernisation – it can also be achieved in other ways. From a Western perspective, however, it remains to be seen if a re-centralised, re-politicised and re-ideologised decision-making process can be sufficiently efficient to compete in the global economy.

► *The population is reacting with increasing incomprehension and contradiction to the government's seemingly senseless harshness.*

In this regard, the final staging of the 20th CCP congress provided symbolic indications regarding the party's understanding of leadership under Xi: six men over 60 applauded a single leader. The 'other half of heaven' (Mao Zedong) remains invisible. We will see how attractive and efficient this governance model turns out to be in the globally connected world of the 21st century.



Uwe Optenhögel,  
FEPS Vice President



# STRATEGIC AUTONOMY

pathways to progressive action

Discover the flagship research project investigating the concept of **'European strategic autonomy'** (ESA).

For a concept that is at the heart of discussions for the future of the EU, it's time for progressive thinkers to provide in-depth analysis and set a concrete but ambitious policy agenda.

High-level policy experts provide actionable recommendations from three perspectives:

- Security and Defence
- Economics and Trade
- Digital and Technology





# Why not a European state?

by Ulrike Guérot

The EU is institutionally exhausted and under strong populist pressure due to its dysfunctional governance and its lack of democratic legitimacy. Now, with the reform impetus of the far-reaching proposals of citizens as result of the Conference on the Future of the EU (CoFoE), and also with the pressure of the war in Ukraine, the EU should return to its old ambition of writing itself a constitution, and finally creating a European federal state.

Consideration of Europe's institutional architecture is not new, of course. Rather, it is an extremely painful challenge that Europe has been trying to tackle since the Maastricht Treaty in 1992, when it set off towards an *ever closer* union. **The wisdom of that treaty's architects – Helmut Kohl, François Mitterrand and Jacques Delors – was never to define the *ever*, nor the *closer*.**

Today, 30 years after that treaty, the EU has evolved into something that no one can really define. What is clear, however, is that the EU today is neither a union *forever* nor any *closer* than it was in 1992, despite the aspirations of the European architects of that time.

With regard to the 'ever', the UK has now left the EU; an Italian party calls itself – and its programme – 'ItalExit'; and if it's not Italexit, then Öxit and Frexit are also bandied about, obviously more to catch people's resentment, but nevertheless still showing the fragility of the EU system. And we have not yet mentioned Hungary or Poland, which clearly remain in the EU for EU money rather than for any ambition of an ever-closer union. Discontentment with

the EU is rife, and the banking crisis, austerity, the difficulty of managing refugee flows, and the alienation of citizens from the EU system all certainly have something to do with this discontentment. But even worse than their discontentment is people's lack of knowledge about the EU. Indeed, the EU is no longer even represented in public debates.

With regard to the 'closer', things are not any better. On the positive side, one can point to the reform impetus brought about by the

► *The wisdom of that treaty's architects – Helmut Kohl, François Mitterrand and Jacques Delors – was never to define the *ever*, nor the *closer*.*

CoFoE in May 2022, which took place after a year-long consultation of thousands of European citizens and which led to 49 quite substantial reform ideas, such as abandoning the veto rights of member states, or more social equality for European citizens throughout the EU. The idea of calling for a new convention and of opening an institutional reform procedure under Article 48 of the Treaty of the European Union (TEU) is once again in the air and has recently been highlighted by the president of the European Commission, Ursula von der Leyen, who called for a convention in her State of the Union speech on 14 September. Yet whether a constitutional convention will really come to light is less than sure.

If Europe was not now up against what many call an extremely challenging 'hot autumn' of social unrest due to inflation, a general economic downturn and an energy crisis resulting from Russia's war in Ukraine, it would be European 'business as usual' – the postponement of every urgent institutional question. Yet, while EU insiders endlessly

debate rather technical questions such as *Spitzenkandidaten* (most citizens don't even know what these are), the war in Ukraine has catapulted Europe into the bloody reality of power and interests. And **the EU is once again confronted with the fact that it can barely defend its interests properly. The war in Ukraine is bringing Europe face to face with its dysfunctional way of decision-making, its lack of autonomy and sovereignty, and its ailing capacity to decide unanimously** – all questions that the Maastricht Treaty wanted to fix 30 years ago. In fact, even worse, after the Constitutional Treaty failed in 2003 nobody even wanted to continue pursuing answers to these questions.

Devoid of institutional power, Europe seems to be searching for fresh unity in the wake of the war. It defends the territorial integrity of Ukraine, but forgets, as if struck by Alzheimer's disease, that it has been telling citizens for the last 70 years that the EU is a *peace project*. It also forgets that the EU's age-old discussions

have been about overcoming nation-states in a federal European order. This double blindness, or even denial of itself, is doing Europe no good. What is more, the unity around arming Ukraine is already crumbling, as the sanctions against Russia are clearly failing and as most European societies are not prepared to spend the winter feeling cold for the sake of Kyiv due to a largely self-damaging European energy policy.

So, what can be done about the new architecture Europe so badly needs at this critical juncture?

Recently, a speech in Prague by German Chancellor Olaf Scholz brought some hope. Like French President Emmanuel Macron in several earlier speeches, Scholz urged for *radical* European reforms. He painted a gloomy picture of the EU's current situation – a war, energy problems, and widespread social unrest. And he mentioned the enormous lack of trust in the EU's institutional system.

Meanwhile, the EU's challenges continue to mount – inflation, a social pillar that is far too weak, the ongoing Ukraine humanitarian crisis, a common European asylum policy that is not under control, and further EU enlargements on the horizon. And although **Ukraine has received an accession promise, the Balkan countries have been waiting for this for years, and Turkey is even still in the process, with the negotiations for its EU accession suspended for the time being.** Scholz asked in Prague whether the EU should be enlarged to 36 or so countries when it already does not function well with just 27.

► *The EU is once again confronted with the fact that it can barely defend its interests properly. The war in Ukraine is bringing Europe face to face with its dysfunctional way of decision-making.*



He concluded that Europe needs a *grand strategy* and a grand institutional (re-)design, trying to sketch out in part what this would look like – for example, with a different arrangement of the commissioners' working procedures and a tightening of decision-making structures. This is all well and good. But the same issues were debated over and over in the 2003 discussions on the European Constitution – all with no result.

The hope is that today, Europe is under more pressure and will therefore dare to cross the federal Rubicon – a move over which it has been hesitant for 30 years. It may, however, now help that the recent German coalition treaty at least mentions the perspective of a European federal state.

fiscal constitution from the European rescue package of 2020, while taking all countries into the euro and guaranteeing social and cohesion policies, may – as illusionary it may sound – be the only way out of the current European mess. **Europe would find its way back to the promise it once had – that deepening and widening belong together.** Indeed, through a state-building exercise, Europe would gain conquer what it needs most: sovereignty!

► *Europe would find its way back to the promise it once had – that deepening and widening belong together.*

A European federal state might be more in reach and more accepted by European citizens than one might imagine if it is a federal state that is based on equal rights for European citizens, and that builds a fully-fledged European democracy linking sovereignty back to European citizens in a participatory way, and guaranteeing autonomous European regions as constitutive pillars in a two-chamber system (Scotland – no longer in the EU but eager to re-join it – or Catalonia could pave the way). The results of the CoFoE citizens' consultations show a very clear desire for this kind of federal state. A European state that is rid of the deadlocking EU Council structure and that promotes a real

*Ulrike Guérot, Professor  
for European Policy  
at the Rheinische  
Friedrich-Wilhelms  
University of Bonn and  
founder of the European  
Democracy Lab in Berlin*



# Redesigning the EU's economic governance architecture

by Dimitris Tsarouhas

In her address to the European Parliament on the State of the European Union, Commission President Ursula von der Leyen talked about the need to "rediscover the spirit of Maastricht". This is misguided, given that the old Maastricht rules damaged both political integration and economic performance. Genuine economic convergence and the re-politicisation of the Union's political economy should be the goal.

The need for reform is arguably as old as the various instruments used since the Stability and Growth Pact (SGP) was adopted in 1997. Today, 25 years on, the task has become more urgent than ever. Fiscal rules that were set arbitrarily and that forced states into straitjackets they did not choose to wear exacerbated inequities within the bloc, failed to promote genuine economic convergence, and reinforced nationalist stereotypes. After a narrow escape from disaster during the eurozone crisis, the onset of the Covid-19 pandemic inevitably worsened fiscal imbalances and reignited the debate that the Commission had started just prior to the outbreak of the virus. The clock is now ticking for member states to move the reform proposal forward.

**Any reform of the existing arrangement needs to start with a response to the core question: what do the rules seek to achieve?** Fundamentally this is a *political* question, as it directly affects the relationship between member states and the EU, in turn shaping citizens' expectations from their

governments and increasing, or decreasing, the space available for nationally elected representatives to have a meaningful impact on the economic lives of their constituents. **A set of fiscal rules restricted to a self-referential Brussels bubble that is obsessed with solid bookkeeping simply depoliticises this vital democratic debate.** It encourages obstructionism and go-it-alone nationalism, as manifested in multiple EU states over the last few decades. This is true even when the bookkeepers turn a blind eye to violation of the rules, as Vivien Schmidt has demonstrated in *Europe's Crisis of Legitimacy*.

The public debt and deficit targets of 60 per cent and 3 per cent of GDP respectively were already controversial even when they were adopted in the wake of the signature of the Maastricht Treaty. In today's higher interest rate regime, and given the lessons learned during the pandemic concerning the debt-carrying capacity of member states, these targets no longer serve any meaningful purpose. The debt level ceiling provision was never really

enforced anyway, both because Maastricht allowed for some flexibility and because it made little sense to actually enforce it. Following the pandemic, average debt levels have risen to 95 per cent. When the head of the European Stability Mechanism (ESM) Klaus Regling calls for 'debt 60' to be abandoned, it is high time to move on.

But arbitrariness in numbers goes deeper than debt levels. **The macroeconomic imbalances procedure (MIP), which was set up in 2011 as the eurozone crisis was underway and**

► *A set of fiscal rules restricted to a self-referential Brussels bubble that is obsessed with solid bookkeeping simply depoliticises this vital democratic debate.*





© orinocoArt / Shutterstock.com

**which was envisaged as a successor to the SGP, remains however loyal to the earlier SGP mentality.** Although serving several valuable purposes regarding the need to monitor member states' macroeconomic development closely and the need to allow for the early flagging of challenging cases, the MIP sets a 4 per cent floor for states with a current account deficit but a whopping 6 per cent floor for states with a surplus. This then translates into coercive policy measures centred on 'sinner' deficit countries, with the measures letting surplus nations off the hook because these countries bask in the glory of low real interest rates resulting from higher wage and price inflation, and because no mechanisms for correction have been imposed on surplus countries. **It is worth repeating that the new rules cannot be self-referential, correcting imbalances within the Union at the expense of (certain) member states.** The cost of living

► *Handing out grants premised on its priorities for a resilient Europe, the Commission acted boldly and appropriately. So, where is the lesson here? Keep on doing the right thing!*

and the energy crises alone suggest that the luxury of imposing rules drawn from arbitrary targets is a thing of the past.

So, what can be done? **First, the Commission should learn the lessons from the recent past, and from the EU's reaction to the pandemic in particular.** Employing a host of

policy instruments and mobilising resources and capacity from its various institutions, the EU faced a historic dilemma at the start of the pandemic. The Union gave itself a new role in the form of the Recovery and Resilience Facility (RRF): that of a borrower in order to finance common EU debt, accepting the interconnectedness of the eurozone economies, and facilitating the paths of national economies towards a sustainable (green and digital) recovery. **Handing out grants premised on its priorities for a resilient Europe, the Commission acted boldly and appropriately. So, where is the lesson here? Keep on doing the right thing!**

In recent years, a series of proposals on common EU investment have emerged, with some gaining traction through the RRF and the implementation of programmes like SURE (support to mitigate unemployment risks in an emergency).





Now (even) the IMF is calling for the Union's fiscal capacity (FCEU) to be strengthened in order to maintain macroeconomic stability in the face of external shocks and to finance EU public goods. In other words, there is a need to institutionalise what the NextGenerationEU (NGEU) initiated, despite this still being viewed with scepticism by many in northern Europe.

**A new EU fund would uphold the spirit of the Union's response to the pandemic and enhance the EU's role in assisting the recovery instead of blocking healthy expenditure.**

Second, reform should not be limited to a new fund but should be complemented by a new approach to fiscal sustainability. This would replace fiscal rules with fiscal standards, assessed over a long-term horizon and with institutions other than the Council (the Court of Justice or a Fiscal Board spring to mind) deciding whether member states have acted as they

should. **With longer timeframes, the involvement of more institutions and greater transparency in decision-making, politics in the EU can be fun again.** Meanwhile, assuming the deficit rule is maintained in the new architecture, the provision of explicit exemptions from its application would ensure that member states could invest in their future through adequate expenditure in education and training – that is, member states could make productive investment that would combine their drive for competitiveness with high standards.

Does the European Commission's communication on economic governance this November respond to the needs outlined above? There are certainly steps in the right direction. The four-year fiscal adjustment path for highly indebted states to reduce debt and bring deficits under control, combined with the plan on medium-term proposals by member states, gives the latter breathing space and removes the (tarnished) annual fiscal adjustment pressure. A one-size-fits-all logic is replaced by a more tailored approach that entails applying the rules on the member state's specific conditions. Further, the overtly bureaucratic and confusing monitoring process of the past is now replaced with a streamlined process aimed at better coordination and surveillance premised on a single indicator, namely the agreed net expenditure path.

However, what is left outside the proposal is telling: the 3 per cent and 60 per cent rules remain in place, carved in stone in Maastricht in 1992, and in line, still today, with von der Leyen's statement. No agreement on exempting investment expenditure has been reached, so states that are investing in their future will continue to be disadvantaged. Deemed controversial from the start, a new EU fund is nowhere to be seen and the lessons from the RRF experience are only hesitantly and partially applied to the new governance framework, namely through a tailored approach.

Extending the application of the general escape clause to 2023 (and then to 2024) bought the Commission valuable time, but the

► *Fresh thinking is urgently required. Indeed, the Union has shown during the pandemic that it can take decisive action when it comes to the survival of its most precious assets, such as the single market.*

parallel crises affecting the EU have not gone away. **Fresh thinking is urgently required. The Union has shown during the pandemic that it can take decisive action when it comes to the survival of its most precious assets, such as the single market.** Now is the time to demonstrate the same boldness in redesigning the EU's economic governance architecture.

*Dimitris Tsarouhas, Visiting Associate Professor, Political Science, Virginia Tech; Associate Director for Research, Center for European Union, Transatlantic and Trans-European Space Studies (CEUTTSS); Senior Research Fellow, Hellenic Foundation for European and Foreign Policy (ELIAMEP)*



# Resilient welfare states in times of disruption

by Anton Hemerijck and Francesco Corti

Until a few months ago, the policy and academic debate in the EU revolved around the Recovery and Resilience Facility (RRF), praised across the board as proof of European solidarity and a concrete manifestation of the EU's commitment to addressing the pandemic crisis. The RRF indeed marked a leap forward towards a stronger redistributive role of the EU – a clear break from the austerity reflex that had prevailed over the long decade of the Great Recession.

The shift signalled a new expansionary-oriented policy framework, which – very importantly – made access to EU fiscal support conditional on forward-looking social reform and investment plans. In the background, the European Pillar of Social Rights, with its fine balance of protective and activating policies for well-functioning labour markets and welfare systems, offered a coherent policy framework. And it also invoked the contours of an EMU governance as a positive environment for flourishing – social-investment oriented – welfare states.

## THE EUROPEAN ETHOS OF FAIR COMPENSATION

Then, on 24 February, the skies over Europe darkened again with Russia's invasion of Ukraine. Anxiety over energy and food shortages, mounting inflation, and rising interest rates once more conjectured a gloomy scenario for Europe. **As with the Covid-19 pandemic,**

**the European Commission promptly intervened to foster affordable energy for EU citizens, partly by hoarding gas supply so that storage has now achieved close capacity.** For the near future, the main points on the EU's energy agenda are the reduction of the Union's energy dependency by diversifying energy sources and supplies and by accelerating the transition to clean energy. Despite these efforts, Russia's *de facto* embargo on gas exports has sent spot prices on Europe's exchanges to unprecedented highs. In this context of predicament, national welfare states have been called back to duty to shelter the most vulnerable low-income households.

The philosopher John Rawls has stated that any change in economic and social inequality should favour the least advantaged. **As European countries now prepare for an ice-cold winter, it is striking to see how strongly engrained this Rawlsian ethos of fair compensation really is – irrespective of the political colour of the government.** Likewise,

► *As European countries now prepare for an ice-cold winter, it is striking to see how strongly engrained this Rawlsian ethos of fair compensation really is – irrespective of the political colour of the government.*

at the European level, the Commission has unveiled an emergency plan to raise €140 billion from the profits of energy companies to cushion the blow for households most in need, on the exact same principle of fair compensation. So far, so good.

## THE IMPERATIVE OF SECURE CAPACITATION

However, as we know by now, a truly resilient welfare state can no longer be solely anchored on the principle of *fair compensation*. The shift to post-industrial globalised and knowledge-based economies and societies went together with increased female employment as well as more heterogeneous, flexible and precarious employment relations in the service economy. **Against the background of ageing societies and the need to foster a green transition, the principle of secure capacitation must be placed on an equal footing with fair compensation.** This requires social investment in early childhood education and care, education and training, lifelong learning, active labour market policies, parental leave, other work-life balance policies and long-term care.

For the decade of the Great Recession, social investment remained a privilege for countries with deep fiscal pockets. With the RRF, less fortunate countries were also allowed to put their money where their mouth was. Indeed, preliminary evidence from the recovery and resilience plans shows that the opportunity to be more serious about social investment has been seized by many member states.

Even before the war in Ukraine, however, there were some problems in the implementation of the RRF plans. The most problematic point is that RRF support is tied to investment in hard infrastructure, such as school buildings, but not to investment in human capital, such as carers, teachers and doctors. **In the absence of the fiscal space to cover so-called current expenditure and in the context of strained public finances, the risk of giving up on social investment reform, for the time being, is manifest, especially for more disadvantaged regions.** This would be a mistake.

### PROGRESSIVE TAXATION NOW

In her State of the Union speech, Ursula von der Leyen put forward some new ideas for

► *Against the background of ageing societies and the need to foster a green transition, the principle of secure capacitation must be placed on an equal footing with fair compensation.*

the European economic governance to give member states more flexibility on their debt reduction paths. That is all well and good, but we should not lose the positive incentives to embrace social investment reform. Indeed, no sustainable debt reduction strategy is credible in the long run without social investment in resilient welfare states. For this, it is not enough, in the words of the Commission president, to simply "stick to the RRF plan".

**The message is clear: additional resources are needed to secure capacitation. To avoid a debt-inflation spiral, it is of the utmost importance to reconsider taxation in the welfare equation.** We should not confuse

income distribution as a measure of inequality with income redistribution and progressive taxation as a policy lever to counter inequality. What matters is how revenue is spent. By and large, secure capacitation – from early childhood to old age – contributes more to poverty reduction than income redistribution *per se*. Yet this point has been lost in translation. This time, however, secure capacitation cannot be sacrificed on the altar of fair compensation. In its biannual report *Tax policies in the EU*, the Commission has for years advocated wealth transmission, individuals' capital income and property taxation, green taxes, progressive personal income taxation and targeted tax relief for low-income groups. **It is now urgent to translate these recommendations into concrete policies.** Furthermore, a coordinated approach to counter EU tax erosion is imperative. In addition, and in line with the proposed windfall taxes on the 'abnormally high profits' of energy companies, a temporary 'European solidarity levy' on the well-off could certainly be justified as public borrowing costs will most likely increase considerably.

**Under the dark skies of the war in Ukraine, the time is ripe to take the bull by the horns and to anchor resilient welfare systems to stronger progressive taxation.**



Anton Hemerijk,  
Professor of Political  
Science and Sociology at the  
Department of Political and  
Social Sciences, European  
University Institute in Florence



Francesco Corti,  
Associate Research Fellow  
at CEPS and Advisor to  
the Belgian Deputy Prime  
Minister and Minister for  
Social Affairs and Health



# Why we need an active state, (especially) right now

by Maria Maltschnig

After a very long period of low inflation, the current cost-of-living crisis seems to have emerged overnight. But hast it, really? Were there not any early warning signs? How can we avoid having many people unable to heat their homes this winter, or even to pay their rent? And how is it possible to prevent a wave of deindustrialisation as a result of the skyrocketing energy prices?

The good news is that Social Democrats are in the best position to cope with the cost-of-living crisis. To begin with, we have been the first to notice that intervention is needed. In Austria, the leader of the Social Democratic Party (SPÖ), Pamela Rendi-Wagner, held her first press conference demanding broad action against rising inflation more than a year ago, in October 2021. Rents and energy costs had already started to rise at that time. Tenants in rented property and people with lower income noticed it first, and thus the SPÖ was alerted immediately.

Second, Social Democrats have the best answers to tackle this crisis. It is clear that market-oriented solutions are not what people need right now. **As the current inflation results from supply shocks and not from an overheated economy, raising interest rates can, at best, help lower import prices.** And this would only be if the United States did not press further in raising its interest rates (which

is not the case). Compared to the US dollar, the euro has been at a historic low for months, despite the European Central Bank (ECB) raising key interest rates. This shows that the ECB's ability to have an impact is very limited – indeed, the ECB's intervention might even harm the economy, raise unemployment, and burden borrowers with even higher costs.

► *As the current inflation results from supply shocks and not from an overheated economy, raising interest rates can, at best, help lower import prices.*

► *Although 75 per cent of the electricity consumed in Austria is covered by renewables, the Austrian electricity price index has risen by 340 per cent over the last year.*

So, what are the possible Social Democratic answers to the current situation? The crucial point is to find ways to actively lower prices instead of just paying subsidies to people and businesses, which contribute nothing to tackling the root cause of the problem. We therefore need a fundamental understanding of how markets work, and in which circumstances they simply do not.

The best example of a market that is currently failing is the liberalised energy market and its infamous merit order. **In Austria, although 75 per cent of the consumed electricity is covered by renewables, the electricity price index has risen by 340 per cent over the last year.** This is not a matter of supply and demand, but mostly of the logic of the current pricing mechanism: given that the electricity production with the highest marginal costs sets the price for all other suppliers, the electricity produced from water, wind, or the sun becomes just as expensive as the electricity produced from gas. **The higher prices, paid by consumers, become profits for the energy suppliers. The Austrian Social Democrats have therefore suggested an immediate direct market intervention at EU level for a common procurement of gas,**





© Popova Valeriya / Shutterstock.com

which should then be given to gas power plants for a reduced price. And where would the money for such an intervention come from? From taxing the windfall profits! This would lead to a rapid fall in electricity prices, and it would give the EU some much-needed time to reform the structure of the electricity market and expand renewables.

Other fields that are affected by today's high inflation demand legal regulation. Take rents, for example. In Austria, landlords are legally permitted to raise rents according to inflation. Yet while this might be a sensible framework for times when inflation is at 2 per cent, **higher rents cannot be justified when inflation comes close to double digits due to the rise of energy and food prices** (the burden of high energy costs still falls on the tenant). In addition, such increases drive inflation up even further, and very rapidly. In March 2022, the SPÖ therefore suggested an immediate legal freeze on rents: one more measure to structurally keep costs low(er), instead of subsidies to cover the skyrocketing costs.

► *The SPÖ has suggested an immediate direct market intervention at EU level for a common procurement of gas, which should then be given to gas power plants for a reduced price.*

With regard to wages, the annual cycle of wage negotiations in Austria started recently. The coverage of collective bargaining agreements is over 95 per cent, meaning that almost all employees are affected by the outcome of the negotiations. After several years of fairly quick settlements, where trade unions showed much understanding for the struggles of businesses caused by the health crisis, and where at the same time fair pay rises for the employees were delivered, this year's conditions are much more

difficult. Business representatives, together with their affiliated think tanks, started to warn of a wage-price spiral months ago, despite the obvious fact that current inflation cannot be linked to pay rises. **People suffer from high costs. Like businesses, they have to pass them on, and the trade unions deserve all possible support to settle the negotiations successfully.** Employers will not have much choice but to agree on a fair wage rise. Even if this is overshadowed by the immediate crises, employers will sooner or later have to deal with declining labour supply and competition for workers. But that is a story for another day.



Maria Maltznig,  
Director, Karl-Renner-Institut



# Towards normality!

by Krzysztof Gawkowski

All responsible political formations, which plan their actions for both the short term and long term, conceive their strategies in certain time brackets that are marked by subsequent elections. Elections are now approaching in Poland, where voters will go to the polls to elect their representatives to the Sejm and Senate in autumn 2023. Lewica (the Left) aspires to play a key role in these.

The compass that will guide the electoral campaign will certainly be the programme, which is to be adopted at the party congress. However, the developments of recent months will be sure to have an impact as well. While the pandemic, the war in Ukraine, the energy crisis, and skyrocketing inflation may not be themes that end up dominating the campaign, they will doubtless be important.

All these aspects touch upon the question of the needs and worries of individuals, with recent developments having undermined people's previous perception of security. **If the Left wants to win back votes, it needs to present proposals that are aimed at restoring security. The spotlight will thus need to focus on individuals, families and security.**

Poland's ultra-conservative Law and Justice Party (PiS), which has now been governing for seven years, uses the term 'family' as a hashtag. For the right-wing, the concepts of 'individual' and 'family' are part of their ideology, and these words are consequently used in their political fight in a way that enhances

the language of hatred and exclusion. For the Left, families are shaped by the way people live together. There is no hierarchy between better and worse types of families. For us, families are young married couples, but also older people, children, and inhabitants of large towns and small agglomerations. These are the people the Left wants to address with its pledges on a decent life and decent income. Today, **PiS has turned its back on hard-working families – but the Left is determined to take care of them.**

► *Poland is a country where 14 million people still have no access to public transport, and where half of the children still have no access to kindergartens.*

Security is a natural need for people, who expect to be able to live in it, and this issue has clearly grown in relevance since Russia's attack on Ukraine. Much attention in the parliamentary elections will therefore need to be devoted to defence policies. However, it is equally important to continue our political fight for secure jobs, a secure guarantee of education, and a safe home for everyone. Poland should continue supporting Ukraine in its fight for victory, and it should continue to help the Ukrainians who fled abroad. At the same time, however, the needs of the Polish middle- and low-income classes must not be neglected as these are the people most affected by the consequences of the war.

The Ukrainian crisis has brought a host of problems to the fore that had been swept under the carpet for years. Poland is a country where 14 million people still have no access to public transport, and where half of the children still have no access to kindergartens. It is also a country where a woman who lives, for example, in the Podkarpacie region, must travel over 100 kilometres to reach a gynaecologist. **The Left understands these issues,**

**knows how to deal with them, and must make a loud and clear call for high-quality and accessible public services.** This will be a fundamental part of our electoral programme, and our call for these services is also related to how we see the place of Poland in a united social Europe.

Poland's partnership with Brussels needs to serve both partners and contribute to building a strong European Union. The Left has never doubted the need to invest in the EU's development and will always be active in trying to convince Polish people to adhere to this idea. **We will put heavy emphasis on the need to enhance solidarity between EU member states.** Indeed, this is key to ensuring energy security for example. Unlike PiS, we see the EU as a partner, and not as a cash machine. We want to ensure that the funds from the Recovery and Resilience Facility are indeed transferred to Poland, which is why we demand restoration of the rule of law in Poland so strongly. **We also want to bring to justice every crime committed against the state by people connected with PiS.**

The resources from the EU must serve to ensure greater social justice. This is why we

want to invest these resources in the construction and renovation of hospitals, in new apartments, and in the refurbishment of train and bus stations, ensuring that public transport reaches many places that today remain disconnected from it. **We will be investing in a green energy, which will be a modernising agenda, given that in Poland the only policy towards climate change has been a lack of any agenda for years.** The Left has the New Green Deal in its DNA, and this is also why we propose to create a Centre for Energy Transformation – an agency specialised in advising local and regional governments on energy policy.

Furthermore, **we will propose a just and progressive tax system.** People who belong

► *We will be investing in green energy, which will be a modernising agenda, given that in Poland the only policy towards climate change has been a lack of any agenda for years.*

to the middle- and low-income classes will pay fewer taxes, while the richest will have to pay the most. We believe, however, that a just fiscal and public finance system should not be a burden for entrepreneurs – especially for SMEs. Instead, we want to increase taxes for international corporations and digital giants. People need to be convinced that the state is equally just for all.

In order to reinforce the public services system, we propose a 20 per cent increase in salaries for those who deliver these services – nurses, teachers, and public servants, thanks to whom the state and society can function. The deficits in funding have become particularly clear during the Covid-19 pandemic and it is our joint responsibility to take care of them.

In times of crisis, one cannot disregard older people, whose pensions often do not allow them to make ends meet. From the perspective of security for all within a family, the elderly are most vulnerable, and this motivates the Left to propose a package of shielding policies – indexation that matches the level of inflation, the possibility to purchase prescribed medications for a symbolic 5 złoty (1€) and the so-called 'widow(er) pension' (the



right to transfer the higher pension to the surviving partner after the death of their spouse).

The last few years have provided very clear evidence of the fact that a stable and well-paid job, which offers a sense of accomplishment, is key to progress. In our electoral programme, the Polish Left will be sure to speak out against zero-hour (junk) contracts, and we will argue for raising the minimum wage to at least 60 per cent of the median wage. We also would like to extend paid holiday to 32 days per year and introduce a 100 per cent income guarantee for those on medical leave.

► *The electoral strategy of the Left will be anchored to three core elements: responsibility, cooperation and the future.*

**The electoral strategy of the Left will consequently be anchored to three core elements: responsibility, cooperation and the future.**

'Responsibility' has already been discussed, so let us speak about 'cooperation' and 'the future'. First, we need to build partnerships with the other democratic parties. Our joint work should result in a governmental coalition for 'the future'. We do not see the other parties that are currently in opposition as enemies. But we exclude any cooperation with politicians from the Law and Justice party, as we do with those from the nationalist Confederation, which has often taken a pro-Russian stance. We have been and will be a responsible

opposition until the elections. We will continue to expose the bad proposals and we will continue to support the good ones.

This is also our attitude towards the future. The new government will have to be bold in taking decisions. We only see a place for ourselves in a courageous cabinet. Poland must be a country of respect, one that protects diversity and the freedom of choice. In matters of personal choice, neither state nor priests nor politicians should dictate how citizens conduct their lives. **We are therefore completely determined to stand and strive for women's rights.** We will demand the introduction of the right to safe abortion until the twelfth week, the right to reimbursement for in vitro fertilisation and the right to reimbursement for contraceptives (which should be available without prescription). We want equality in marriage, full separation of state and church, the withdrawal of religious teaching from schools and no further financing of the church with state money.

Education needs to be free from indoctrination is crucial for the future. Schools need to be places where children get free warm meals and where teachers teach with a passion for their profession. We also need to create professional public media, which fight against fake news rather than spreading it. The future is about fostering culture and mutual understanding, which is why we need to have tools to help build mutual understanding among diverse people. **Culture is therefore extremely important. It must be supported and free from censorship,** so that it becomes a part of our everyday lives and not just for days off.

This is who we are and how we imagine the Poland we long for: open, tolerant, supportive to the vulnerable, seeking compromises, European, offering a sense of security, and standing close to the people. To all the people.



Krzysztof Gawkowski,  
Chair of the Parliamentary  
Group of Lewica

# Time for grand narratives, not for footnotes

by Ania Skrzypek

We are living in complex times. There is war in Europe, there is a cost-of-living crisis, there are rising inequalities and signs of growing social unrest. But these times are also a unique opportunity to write history, to try to serve a greater purpose and to make a difference. And hence, while recently the Party of European Socialists (PES) has celebrated its 30-year anniversary, the question is if the Congress in Berlin will be remembered as a pivotal moment. Will the decisions and actions taken there translate into a grand new narrative, into a modest next chapter, or will it only result in securing a footnote in the chronicles of Europe for the next decades?

Undoubtedly, there is incredible potential. The PES is an organisation with proud traditions and has never shied away from the ambition of arising from dire straits. At the crucial moments, it has always assumed responsibility and seen the greatest leaders of the movement step in. Their wholehearted involvement has contributed to the development of European political cooperation, as these leaders were the architects of ground-breaking decisions. Paul Henri Spaak agreed to run for the first Presidency of the European Parliamentary Assembly on condition that the Socialists of all member states would support him, laying the ground for the creation of what is now known as 'parliamentary groups'. François Mitterrand welcomed the first pan-European rally at the Champs-Élysées during the 1979 campaign. Wim Kok led the working group that drafted the concept of transnational parties, which was then

negotiated in the European Parliament by Enrique Barón Crespo, amongst others.

► *The combination of strong leadership, compelling ideas and close connection between national and European politics has determined the most outstanding moments.*

These three instances show that from the establishment of the liaison bureau of the Socialist Parties of the European Community (in 1957), through to the Confederation of the Socialist Parties of the EC and within PES (that inherited the earlier traditions in

1992), **it has been the combination of strong leadership, compelling ideas and close connection between national and European politics that has determined the most outstanding moments.** It has been this very specific understanding of what the value of European cooperation is that makes the member parties stronger also on the national level – because by influencing Europe, they safeguard rights and provide opportunities for the citizens back home. And that is something worth recalling today, when the ambition should be about more than just persevering in hard times.

Certainly, **the situation is complex. The impact of multiple crises is magnified by the effects of the war in Ukraine. In addition, it is difficult to predict how things will unfold. But there are anchoring points onto which we can hold.** The progressive



family can be proud that its representatives hold key positions at the EU level and that even now, less than two years before the next European elections, they have achieved an impressive record. Although they are not the largest group in the European Parliament, they have been able to uphold the primacy of progressive politics in many key portfolios: green transition and sustainability, international politics, employment and social affairs, gender equality and the future of Europe. But these accomplishments need to be translated into further concerted actions, which will not happen by default.

The initial solidarity and unity among the member states when they were confronted with the Russia-Ukraine war are slowly fading away. Politicians increasingly feel pressure to respond first domestically to the energy and cost-of-living crisis. This is especially the case in those EU member states where recent elections have resulted in tectonic shifts in the political set-ups of the respective countries. This pressure may well only deepen the divides among Social Democrats of different member states, who in the inter-governmental dimension keep striving for an agreement on a common position regarding key issues such as financing the Recovery and Resilience Facility (RRF), the means to realise the 'Fit for 55' package, or the question of minimum income. This situation calls for a more comprehensive, honest conversation – one that could result in a new grand narrative. Now is indeed the time to put forward a new fundamental programme and outline what kind of Europe Social Democrats want to build; how big and how strong they want it to be, and how they want to commit to working jointly on each level of governance.

But because times are hard, **this new narrative cannot be about reaching a compromise that only disguises a common lowest denominator. It must be about making bold choices.** It must be about saying precisely what does (and what does not) define progress, welfare, and social justice for all. In fact, as history shows, it is clarity and not complacency



© PES

that has united Social Democrats in the past. In times when many Social Democrats were sceptical about European integration, fearing that nothing good could come from this mainly market-driven process, Willy Brandt used the Confederation's Congress in Bonn to put forward the concept of a *Social Europe*. Then, in 2002, despite the draining divergences around the 'Third Way', Robin Cook and Ton Beumer brought a large number of prime ministers together from East and West at the PES Council in Warsaw, manifesting the unity of the PES on the most profound questions of the time: enlargement and integration. And finally, under the leadership of Poul Nyrup Rasmussen, the Party engaged in the discussion on a new form of financial capitalism, long before the financial crisis of 2008 hit. When the crisis came and provoked conflicts within various member states, the PES stood tall and coordinated, and was equipped with a clear vision of a *New Social Europe*. This proud legacy provides encouragement. It shows that when there has been a will, there has always been a way.

But there is one more thing that needs to be noted. **Even the grandest idea will just be a thought unless there is a community that**

► *Even the grandest idea will just be a thought unless there is a community that gets motivated by it and an organisation that ensures its implementation.*

**gets motivated by it and an organisation that ensures its implementation.** Over the past decades the PES has grown, emerging from a kind of consultation committee within Socialist International (Liaison Bureau), to then spending years attached to what is the current S&D Group (in the European Parliament until 2004), to then evolving into what it is now: a powerful network with stable resources. The organisational leap forward has always been a conscious and political decision, which, conducted with a certain amount of foresight, has been about keeping the PES relevant, connected and a protagonist of organisational innovation.

It is therefore not a selfish thing to look inward and to devote time to a profound

► *It is time to unite behind a new grand narrative for Europe and build a vibrant organisation.*

organisational reform. In 1973, Alfred Mozer wrote a paper on the internal reform of the Confederation, precisely to prepare it for what was the grand enlargement of the time. His contribution saw the community grow from six to nine member states. Next, Ben Fayot and Thijs Wöltgens drafted a proposal to transform the Confederation into the PES, amid debates about the new Maastricht Treaty and the geopolitical changes on the continent. The same time was also used by Karin Junker and several other feminist politicians to create a Women Standing Committee (today PES Women) and by the youth activists to establish ECOSY (today YES). Later, in 2004, at the Congress that saw a leadership contest, the core of the dispute was the framework of the organisation, with the winning concept focusing on the creation of openings and, consequently, on the strengthening of strategies to reach out to civil society as the Global Progressive Forum. Finally, in a critical moment in which the Constitutional Treaty for Europe was rejected and prospects for the EU's future looked extremely gloomy, Poul Nyrup Rasmussen and Philip Cordery proposed a reform that would for the first time strongly connect the PES proceedings with the EU calendar, but that would also open the organisation to the PES activists.

As there is currently an ongoing reflection about the new regulation on transnational parties, it is time to embrace **a call for a new kind of format and working methods that will make the organisation thrive, and that will make it a vibrant, influential and**

**inclusive community**, offering a format that engages both in formal contexts and in new ways – not least to ensure that the Tik Tok generation's votes are not lost to others. Indeed, today's expectations differ, as became clear in the last European Parliament election campaign, or at the end of the Conference on the Future of Europe (an experiment Europe ought to repeat soon, given the dramatically changed context – with the ongoing Russia-Ukraine war – and debates about new concepts of integration, as mentioned by Olaf Scholz, for example, in his speech in Prague last August). However, the need for a modern and functional platform remains the same – where national party leaders can exchange views and converge; where ideas can be developed, and practices shared to reinforce sister parties and organisations; where actions and campaigns can be coordinated; where standards are set to make sure that European progressivism embodies in practice the ideals of participatory, deliberative, and representative democracy.

The latter is incredibly important, so that when another Progressive Post is published – perhaps on the occasion of another anniversary not too far in the future – the list of those who shaped the moments is gender-balanced, but also geographically, generationally and ethnically balanced.

The time is now, and no other will be given. **It is time to unite behind a new grand narrative for Europe and build a vibrant organisation.** The elections to the European Parliament are in less than two years, and they will belong to those who show courage and who dare to propose real alternatives, against all the odds.



Ania Skrzypek,  
FEPS Director for  
Research and Training



# A fairer, greener future

An interview with Anneliese Dodds, by Ania Skrzypek



© Yau Ming Low / Shutterstock.com

*Ania Skrzypek: In the UK, the Labour Party is leading the polls and has a new programme under your leadership as party Chair. As the one responsible for its development, what would you say makes it different and credible in these hard times?*

**Anneliese Dodds: The huge problem facing the United Kingdom is, of course, the cost-of-living crisis. Labour has a very different approach to the current Conservative government. We believe that it's not just about ensuring people have the support they need, especially to pay energy bills. The question is also about who pays for that support. Consequently, Labour advocated a windfall tax on oil and gas producers. Just for comparison, the Conservatives instead decided to borrow to reduce the cost of energy bills,**

but also to pay for unfunded tax cuts for the very best off in society.

The windfall tax is a tool to get energy bills down, but it would also be about setting out a programme for a fairer greener growth for the future. Our green prosperity plan includes a commitment to decarbonise the UK's energy supply by 2030. And we believe that doing so will help us create new jobs and decarbonise existing jobs.

This agenda is most relevant in those parts of our country which suffer because of persisting regional inequalities. As Labour we have a commitment to forge a new deal for working people, which will help prevent the kind of development we have seen over the last 12 years. This period has been marked by real wages flatlining and then decreasing in

the UK. That is yet another reason why we are also setting out plans to ensure that people receive the world-class public services which they need and deserve.

*AS: At the Labour Party Conference, last September, there were a lot of speeches about how Labour is a pro-business party, and criticising the fact that the entrepreneurial arm of the country has been heavily strained under the Tory government.*

**AD:** That's right. And, in opposition, we have established a new partnership with business. **We are working very closely with a whole variety of businesses – small, medium, and large businesses from every sector. At the same time, of course, we cooperate with our trade unions, and with civil society.** Where we are already in government – like in Wales – we create partnerships through our metro mayors (metro mayors are directly elected leaders of city regions that include several local council areas, Ed.) and local government and with our police and crime commissioners. And this is the approach we will take on the national level in the future. When we come into government, as we hope we will, we will be working with business, trade unions and civil society to bring our country forward together.

*AS: At the Labour Conference you had an intense debate about democracy and a need for a radical reform of the system as well.*

**AD:** Our shadow Secretary of State for Levelling Up, Housing and Communities, Lisa

Nandy, always says that we have a country where too many people feel they have to get out in order to get on. And in many parts of the country, political power feels hundreds of miles away from individuals. So, we have already set out several changes we want to make. Lisa has called, for example, for far more control of people over community assets. We are going to give them the right to actually buy these together collectively to have that control. Then we are also working on a proposal for another reform of the so-called 'levelling-up funding' that really has not been controlled regionally.

Furthermore, we also have a commission on the UK's Future. There, Gordon Brown is looking at how we can prevent today's situations of a real lack of partnership and even a very patronising approach. During the Covid crisis, for example, some of the northern city mayors were being really humiliated by the London Conservatives who were not providing the necessary support for communities. Many of those cities had been affected the worst in financial terms. We ask ourselves the question of how to bounce back and make sure that democracy comes right down to the level of communities.

**AS:** *Given that you are serving as Shadow Secretary of State for Women and Equalities, how is the Labour Party making sure that its programme is seen as socially inclusive? We know of several policies, including meals for children at school. But these are hard times, so what else is there to ensure that Labour remains the party of hard-working families and women's rights?*

**AD:** I often say that **our new deal for working people should really be called our new deal for working women because it will have such a serious impact for women. First, it would radically change the balance on the issue of flexibility by ending one-sided flexibility and placing it in the hands of workers – particularly women.** They often feel flexibilities are just in the hands of their employer instead. In power, Labour would change this by ensuring

that working people have a right to flexibility in terms of working practices, and hours.

Furthermore, the introduction of fair pay agreements would likely have the strongest impact on women. They are, as we know, far more likely to be low paid than men are.

And then, we would alter systems so that maternity and pregnancy discrimination are effectively tackled. And we would introduce processes against so-called third-party harassment. Sadly, women are often subjected to sexual harassment at work by customers for example. And frequently the management believes it is not their problem and they do not have to do anything about it. To change it, we would put new measures in place.

As Labour, we want to see a very significant change when it comes to measures against violence against women and girls. We have produced a green paper on it and we are further developing specific proposals. Shockingly, in the UK, we have extremely low levels of conviction and prosecution for both domestic abuse and relatedly. The number of sexual violence cases is on the other hand disproportionately high, and some campaigning groups have even talked about decriminalisation of certain offences. Hence, we would introduce specialist courts dealing with sexual violence, which would not only certainly increase sentencing for different kinds of violence against women and girls, but would also change policing as well. The latter we know is possible thanks to some of the good practices we have seen with Labour police and crime commissioners.

**AS:** *I also would like to ask about Labour's plans for the campaign. These are very difficult times, and people are so tired and scared. How can you succeed on the doorstep or elsewhere when it comes to winning their trust?*

**AD:** Certainly, recent Conservative governments have damaged people's trust in the political system. We have seen so many different scandals around lobbying, as we have cases of harassment and bullying

**in Parliament. And one of those scandals brought down Boris Johnson.** Furthermore, recent developments where the Conservatives introduced a new budget, have had a catastrophic impact. While people's mortgage costs went up, it seemed that the Conservatives did not seem to be listening. And of course, all of that is damaging not only for them.

**As Labour, we know what we want to do. We want to create a fairer, greener future. We can do that working with people up and down the country. We do have a clear plan for growth and green prosperity.** So, when we talk with people up and down the country, they really share in our optimism about alternatives and aspirations. And of course, you know, Labour did this before we came into office in 1997. We made radical improvements to our National Health Service, to the safety of our communities and so forth. We know that we can do this again, in government, if the electorate gives us the privilege of being able to deliver on our agenda.

Anneliese Dodds,  
Labour Shadow Secretary  
of State for Women and  
Equalities and Labour  
Party Chair, UK



Ania Skrzypek,  
FEPS Director for  
Research and Training



# Future-proof resilient welfare states in the European Union through social investments?

by Slavina Spasova and Matteo Marengo



Anton Hemerijck and Robin Huguenot-Noël

*Resilient Welfare States in the European Union*

Agenda Publishing, 2022

As persuasively argued by Anton Hemerijck and Robin Huguenot-Noël in their book *Resilient Welfare States in the European Union*, the key feature of European welfare states is their resilience – that is, their adaptation to structural change throughout shifting political and ideological contexts and seminal economic crises. In addition to being a compelling academic analysis, this book stands out as a *manifesto* for social investment as a lifelong 'stepping stone' for citizens. It also maps a path towards developing social investment at the EU level while looking at the national-level intricacies and impacts this involves.

The Covid-19 pandemic incontrovertibly highlighted the importance of welfare states, not only in terms of reacting to unexpected shocks but also in terms of identifying solutions to overcome them. While this was no novelty *per se*, debates on the 'return of the state'

sounded almost exotic after decades of neo-liberal prescriptions positing – with varying intensity – the need for state intervention to be limited in order for free markets to flourish. In a context of fast-paced technological change coupled with ever-growing environmental challenges, high income inequality and relatively low trust in electoral politics, the question of what constitutes a desirable and future-proof way of organising social policies is quickly moving up political agendas.

**Defining European welfare states as the 'unsung hero' of the Great Recession and the pandemic, the authors persuasively argue that social investment is a *paradigm* representing the best way to future-proof welfare states.** Drawing on previous welfare state approaches and seeking to build a new welfare paradigm, social investment sets out to cope with so-called 'new social risks' via a portfolio of three complementary sets of policies: a) 'buffers' – such as income protection

safety nets (for example social assistance), b) 'flows' – that is, helping people to bridge critical transitions in the course of their lives (for example social insurance programmes), and c) 'stock' – that is, the building of human capital and capabilities into the core of social investment.

► *Defining European welfare states as the 'unsung hero' of the Great Recession and the pandemic, the authors persuasively argue that social investment is a paradigm representing the best way to future-proof welfare states*



The idea of social investment as a paradigm is convincingly constructed on seminal theories of social justice and human capabilities (John Rawls, Amartya Sen and Jonathan Wolff, and Avner de-Shalit). Social investment has a dynamic conception of institutions – including normative beliefs and value orientations which are essential features of the paradigm. The paradigm often sees institutions as cumbersome but not immovable. Institutions are also seen as capacitating tools which can ensure that equity and efficiency go hand in hand. A central point made in the book is therefore that the social investment approach is dynamic and rooted in the changing nature of social risks, and that it implies that welfare reforms are difficult, but indeed possible, and in fact constantly happening.

A salient merit of Hemerijck and Huguenot-Noël's book is that it empirically documents the gradual transformation of European welfare states into a social investment model. Using social spending macro-data and macro-economic indicators, the authors demonstrate that the long-postulated inverse relationship between equity and efficiency does not hold true. Quite the contrary, in fact. **The highest-spending countries have achieved better outcomes in terms of poverty alleviation, competitiveness and employment creation.** While the shift towards social investment has been context-specific, piecemeal and often truncated, the book provides valuable data that demonstrate the shift.

Another great merit of the book is that it reviews the difficult road to a 'Social Europe', highlighting the EU's important contribution to the development of a social investment agenda – starting in the late 1990s and intensifying with the adoption of the Social Investment Package in 2013, and the European Pillar of Social Rights in 2017. The authors' core proposal regarding the EU level is that the European Commission's commitment to social investment needs to be accompanied by modifications to the macroeconomic governance

of the EU, especially in times of crisis. In November 2022, the Commission issued a communication setting out orientations for a reformed EU economic governance framework. These orientations "aim to strengthen debt sustainability and enhance sustainable and inclusive growth through investment and reforms". However, the idea of having a substantial demand-stabiliser at the EU level remains absent from the EC's agenda. **In the absence of such stabilisers, the authors propose that human capital-centred social investments should be exempt from debt and deficit rules. Such exemption is essential, especially because debates around social spending continue to be focused on its levels, and because evaluating social spending in terms of social outcomes and effectiveness is still underdeveloped in several member states.**

► *The highest-spending countries have achieved better outcomes in terms of poverty alleviation, competitiveness and employment creation.*

The authors respond elegantly and convincingly to previously addressed criticism of this approach – criticism which highlighted the underlying economic assumptions of the approach, and the fact that it benefits working middle-class families at the expense of poorer households. The authors defend the social investment paradigm approach by demonstrating that it takes the above-mentioned issues into consideration through the three functions of 'buffer', 'flow', and 'stock', and the combination of 'social protection' and 'social promotion'.

Yet, beyond this type of criticism, the following issues arise: **while the authors' proposal to exempt human capital comes with a certain policy value, it presupposes that national governments will be willing to take advantage of such a discount and invest in human capital.** A recent study, however, found that social investments have different *functions* (skills creation, preservation, mobilisation) and *distributive implications*. These findings spotlight a key point that is overlooked by Hemerijck and Huguenot-Noël: that the heterogeneous character of social investment politics poses a fundamental challenge to their proposal (and to any EU-wide proposal on social investment). Reasons for this are deeply rooted in the character of the EU, which leaves the bulk of social spending decisions in the hands of member states. Moreover, the social investment approach seems mostly to relate to wealthy Western European states. Several Central and Eastern EU member states have been holding the welfare state hostage to neoliberal and austerity policies for decades. Moreover, the authors rightly point to the fact that many of these states are having problems absorbing the funds, as may be the case under the Resilience and Recovery Facility, where many national plans have social investment components.

► *While the authors' proposal to exempt human capital comes with a certain policy value, it presupposes that national governments will be willing to take advantage of such a discount and invest in human capital.*



A second question pertains to the central role of the family in the social investment approach. Although the authors recognise disruptive transformation in families, and although one of the primary focuses of social investment is on investing in children and childcare as a solution, there are other issues to be addressed. In a context of high divorce rates and single-parent families, beyond providing specific social assistance and investing in children, the fundamentals of the social protection systems should also be re-thought, looking into possible impediments in insurance-based systems due to the persistence of the male-breadwinner model. This question has strong gender implications. Although the social investment paradigm definitely empowers women by stressing employment and the accessibility of childcare facilities, further consideration and operationalisation of these issues are needed, also in view of engaging in a cultural battle with conservative forces.

Third, **the authors argue that European solidarity is more relevant than usually depicted and that it could be a trigger for ground-breaking EU-wide social initiatives. Not only is this argument not elaborated at length, but data to support it also refer solely to the Covid-19 period**, during which it was reasonable to expect that citizens were in favour of more overall protection (which was also provided by the EU). For this reason, the role of European solidarity seems overrated.

Finally, the social investment paradigm is centred on continuous productivity increases to sustain the welfare state. In this respect, although it is seen as a solution to the problems raised by climate change and as a tool to ensure a 'just transition', there is no clear operationalisation, and no set of concrete proposals on how social investment should respond to these issues. Relatedly, the book does not elaborate on how social

investment and its principal political supporter social democracy relate to paradigms such as degrowth or 'irrational optimism'. Nonetheless, a serious consideration of alternative paradigms will be crucial for Social Democracy to be politically appealing in debates on the politics of climate change, and to be politically appealing especially to young people like those who have been going on strike for the climate all over the world.

All in all, *Resilient Welfare States* not only does the work of developing ideas for sustainable and functioning social policies, it also provides tangible policy proposals that national and EU policymakers should take seriously.

*Slavina Spasova,  
Senior Researcher,  
European Social  
Observatory; Associated  
Researcher at CEVIPOL,  
Université Libre de  
Bruxelles (ULB)*



*Matteo Marenco,  
PhD researcher, Scuola  
Normale Superiore in  
Pisa; Visiting Researcher,  
European Social  
Observatory (OSE)*



# RECOVERY WATCH

The Recovery Watch is a research project by a structured network of experts to **monitor the implementation of the National Recovery and Resilience Plans** and assess their impact on key social outcomes.

Outcomes consist of a series of policy studies dedicated to cross-country analysis of the NRRPs and NextGenerationEU, focusing on four areas: **welfare measures, climate action, digital investment, and EU governance.**

It is led by the Foundation for European Progressive Studies (FEPS), the Friedrich Ebert Stiftung (FES) and the Institut Emile Vandervelde (IEV), in collaboration with several first-rate research organisations.

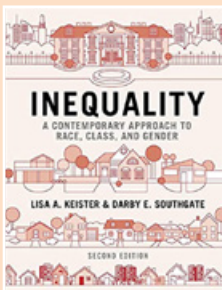
Find available and upcoming research on this link.





# A textbook case of race, class and gender

by Péter Tamás Bózsó



**Lisa A. Keister and Darby E. Southgate**

*Inequality – A Contemporary Approach to Race, Class, and Gender*

Cambridge University Press, 2022

**What is inequality and how does it influence society and the many facets of our lives? The excellent textbook by Lisa A. Keister and Darby E. Southgate, *Inequality – A Contemporary Approach to Race, Class, and Gender*, answers most of these questions and provides the reader with a comprehensive introduction to the main concepts of the current research in a comprehensive way. It also offers data-supported facts for analysis in several related areas, but avoids the trap of trying to decide what is right and what is wrong.**

*Inequality* deserves its place for review in the *Progressive Post* not only because it covers the topic of inequality, but also because its range is comprehensive, making it valuable both as a textbook for students and for the general audience. As its title indicates, it is an extensive guide to current inequality issues in race, class and gender.

One of the two authors of the book, Lisa A. Keister, is Professor of Sociology and Public Policy at Duke University in the US, whose research focuses on organisation strategy, elite households, and the processes that explain extremes in wealth and income inequality. It also focuses on group differences in the intergenerational transfer of assets. The other author is Darby E. Southgate, an associate Professor of Sociology at Los Angeles Valley College, whose primary research interests are stratification and education with an emphasis on culture.

*Inequality* is divided into two parts. **The first deals with basic theoretical concepts, while the second is the application of these concepts to different topics. This two-part structure provides a didactic and easy-to-follow series of chapters.**

The book consists of 14 chapters and is easy to use in a class for a semester. Each chapter

► *While a reference to the Theses on Feuerbach by Karl Marx is new in this chapter, the problem of social change certainly is not. A further update is that the chapter on women has been expanded to a chapter on gender.*



is "filled with contemporary statistical evidence", has a summary, detailed external references in text boxes and a list of key concepts. The chapters also provide "questions for thought" and are equipped with exercises (p. xxi). In addition, as our digitalised world seems to require, *Inequality* is linked to online resources on the publisher's website. These resources provide illustrations of all the figures and tables in the book, slides for lectures, questions to be posed by instructors and sample syllabi that make the life of students, teachers and interested readers easier.

The current version of *Inequality* is a second and updated edition, enriched by new developments. Compared to the previous edition, this enhanced version also contains a chapter on social change, "a section that considers two social structural theories, political opportunity or political process and resource mobilisation theory" (p. 484, 486). **While a reference to the *Theses on Feuerbach* by Karl Marx is new in this chapter, the problem of social change certainly is not. A further update is that the chapter on women has been expanded to a chapter on gender,** reflecting the general development of public discourse.

### | AVOIDING THE TRAP OF TAKING SIDES

When it comes to textbooks, taking sides in theoretical or public debates is a sensitive issue, especially when talking about inequality – a topic that generates fierce discussion and often high emotion. *Inequality* tackles this point head-on, stating that the book's content "does not advance a political agenda" but instead presents different approaches which encourage discussion and invite varied opinions" (page xxi). This

approach is substantiated by the structure of each chapter concluding with questions and exercises for its readers. "Avoid trying to decide which is right and which is wrong, this type of thinking prevents you from understanding the important benefits of each approach", the authors state (p. 31).

The part of the book that introduces the basic concepts of inequality research highlights the importance of the main topic of inequality. It starts with comparing the hourly income of Jeff Bezos to that of average workers employed by Amazon, and while this seems somehow provocative, it certainly catches the reader's attention. The book is then able to maintain the curiosity of the reader and stimulate active thinking. For example, the first didactic question to be discussed is: "Is inequality acceptable as long as incomes continue to rise?" (p. 28).

The book starts off by introducing theories and ideas about inequality with reference to Thomas Kuhn's *Structure of Scientific Revolutions* (1970), which explains shifts in paradigms. "As you read about these ideas, be aware of the strengths and weaknesses of each, and consider how each might address the most interesting aspects of inequality" (p. 31). The authors then go on to introduce the main thinkers and their theories by presenting these shifts. In addition, *Inequality* also encourages its readers to apply the different approaches to real-life topics. For instance, in a text box, the authors also question the role of unions today, pointing out that this deserves reflection. The chapter on theories is a short but powerful section of the book.

The next chapter gives a brief overview of the most common methods used to design, conduct and evaluate social science research. The authors also highlight the usual mistakes

that students and others make. In a text box section, Keister and Southgate present an example of how poor samples have led to bad conclusions, and they recall the "the most famous example of a mistaken electoral prediction": the race between Harry Truman and Thomas E. Dewey in 1948 (p. 93).

The last chapter in the first part of the book examines social class as this is the main category for analysing inequality. "There is widespread agreement that social class is extremely important," (p. 99) the authors state – which is why **they only very briefly mention the approach to structural inequality, according to which inequality is distributed along a linear scale, and there is no real role for distinct groups that can be called 'class'.** This chapter presents the American class structure with its economic and cultural dimensions. It also raises the question of how these classes can be identified.

The second part of *Inequality* comprises ten chapters which apply the first part's theoretical framework and methodological apparatus to concrete cases. The first block of three chapters sets out how social strata can be identified as the upper class and elite, the middle class and workers, and poverty. The following two chapters discuss the movement between these layers, analysing social mobility and dedicating a separate chapter to education, as an institution that "functions as a moderator of stratification and inequality" (p. 272).

A further two chapters on gender, race and ethnicity complete the previous chapters mostly based on class, thus bringing the subtitle of the book to fruition. A chapter on global inequality then expands the focus beyond the US, while another chapter on public policy and social change can be linked to the active formation of social mobility that



was examined in previous descriptive chapters. Here, **the activities of social agents are examined, giving the reader inspiration not only to understand that the structure of inequality may be changed, but also that this approach may recall the concept of class struggle.**

### | A NOVELTY AND MISSING PARTS

In addition to class, race, ethnicity and gender, the new edition of *Inequality* has a chapter on culture. This is a novelty, and indeed it seems the authors might have felt the difficulty of inserting this topic among the traditional ones that address inequality as they write: "Culture as a scientific discipline is often considered *squishy*" because "defining culture has proved problematic given the differing status memberships of each individual" (emphasis in original p. 390). What Social development from the first edition of *Inequality* in 2012 to the second edition in 2022 might justify the addition of this chapter? **Although they dissect all facets of culture, the authors fail to explain this new addition from a historical perspective, as they do not engage in a description of long-term social currents.** Perhaps they will deal with these issues in the next edition.

Reading through *Inequality*, there are unfortunately some authors who could be mentioned but who are missing. One of them is Branko Milanovic, the author of *Global Inequality* (Harvard University Press, 2018), whose famous "elephant curve" depicts the global changes in real income across different income strata between 1988 and 2008. This could have been an interesting topic for discussion in a classroom. Thomas Piketty's *Une brève histoire de l'égalité* (Editions du Seuil, 2021) was probably published too late for this second edition of *Inequality*, but Piketty's earlier work, such as *Le Capital au XXI<sup>e</sup> siècle* (Editions du Seuil, 2013), could nevertheless have been mentioned.

► *The authors only very briefly mention the approach to structural inequality, according to which inequality is distributed along a linear scale, and there is no real role for distinct groups that can be called 'class'.*

All in all, **Keister and Southgate's well-written textbook deserves the attention not only of students and teachers but also of the general public thanks to its comprehensive content, didactic structure, and tailor-made design both for classroom use and individual learners.** Its added value is that it examines, in separate chapters, the role of culture in connection to inequality, and also the activity of related social movements. Even if it is not read through from cover to cover, *Inequality* also serves as a excellent reference book.

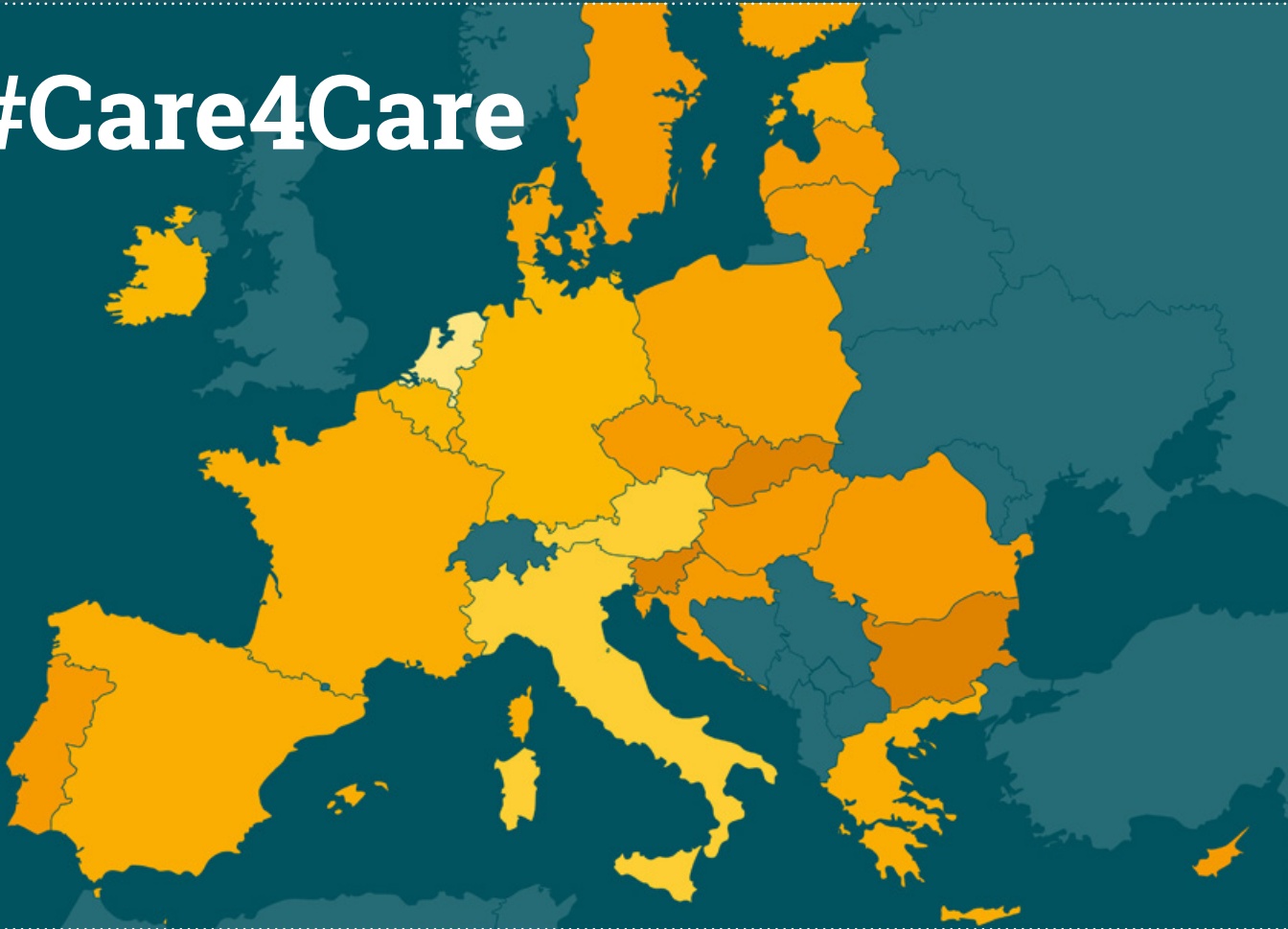
Péter Tamás Bózsó,  
PhD student in geopolitics,  
University of Pécs,  
Geography Department



# EU CARE ATLAS

A new interactive data map showing how care deficits affect the gender earnings gap in the EU

## #Care4Care



Browse through the EU Care Atlas, a new interactive data map to help uncover what the statistics are often hiding: how care deficits directly feed into the gender earnings gap.

While attention is often focused on the gender pay gap (13%), the EU Care Atlas brings to light the more worrisome and complex picture of women's economic inequalities. The pay gap is just one of three main elements that explain the overall earnings gap,

which is estimated at 36.7%. The EU Care Atlas illustrates the urgent need to look beyond the pay gap and understand the interplay between the overall earnings gap and care imbalances.

The EU Care Atlas is part of the #Care4Care project, by FEPS and Friedrich-Ebert-Stiftung, which over the last two years has developed a care framework supporting the EU gender equality strategy.



FEPS  
FOUNDATION FOR EUROPEAN  
PROGRESSIVE STUDIES



FRIEDRICH  
EBERT  
STIFTUNG



Discover our latest issues: [progressivepost.eu](http://progressivepost.eu)



**FEPS**  
FOUNDATION FOR EUROPEAN  
PROGRESSIVE STUDIES



Avenue des Arts, 46  
1000 Brussels - Belgium  
+32 (0)2 234 69 00  
[info@feps-europe.eu](mailto:info@feps-europe.eu)  
[www.feps-europe.eu](http://www.feps-europe.eu)

ISSN 2506-7362  
3.00 €