

Queries

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INE-
QUA-
LITIES

*Why some people are more
equal than others and what
Europe must do about it*

CONTRIBUTIONS BY
C. Landais, D. Perrons, J. Somavía, F. Stewart,
J. Stiglitz, A. Stirati, R. Wilkinson, etc.

+ ANALYSIS

DO PROGRESSIVE ECONOMICS
STILL INFLUENCE POLITICS?

+ MY VIEW

KEN LOACH



About Queries

*Isaac Newton's famous book "Opticks" concludes with a set of "Queries."
These "Queries" are not questions in the ordinary sense, but rather
rhetorical questions intended to stimulate thinking.
This was Newton's mode of explaining "by query."*



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Queries

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BEYOND INCOMES

Societal inequalities

by Massimo D'Alema,
FEPS President, former Prime Minister of Italy

The North Atlantic financial crisis and the severe economic slowdown which is afflicting several parts of the world has reignited the debate on the negative consequences of rising inequalities of income and wealth. Several well-renowned economists such as Thomas Piketty have well documented how the growth in income and wealth inequality has risen quite sharply during the period of global economic integration initiative in the early 1960s.

The neoliberal economic paradigm has led to a gradual shift of political power in favour of capital – and against labour – and has generated an unsustainable growth model based on wage repression and divergence amongst countries. This approach has contributed to the expansion of inequality within and between countries and, finally, inequality has also become an obstacle to the economic recovery we have been expecting for too many years now, because impoverishment causes the fall of consumption and domestic markets, which is the real problem of the EU.

As highlighted in this edition of *Queries*, it is therefore important to put forward a set of alternative economic policies, which would bring Europe towards a new developmental trajectory, with equity and sustainability at its core. Further, any progressive economic policy should also be evaluated on the basis of its contribution to equality.

Additionally, in this issue of *Queries*, we want to emphasise that **the discussion on inequality should not be confined to income and welfare**. Inequality touches upon different spheres. For instance, inequality must be seen as an obstacle to health and happiness, as reminds social epidemiologist Richard Wilkinson.

Inequality is multidimensional and, as highlighted by Professor Frances Stewart, goes well beyond economic inequality. Indeed, income is only a mean to an end, and 'the end' is the ability of people to live well, perform and achieve certain actions. Age, gender, ethnicity, race, and religion are all important dimensions of a human being, and anything that impairs the capabilities of an individual because he or she belongs to a certain group of society should be combated.

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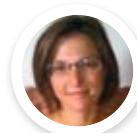
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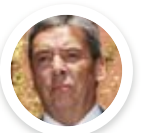
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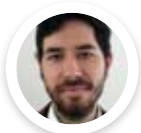
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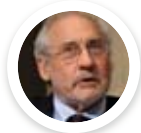
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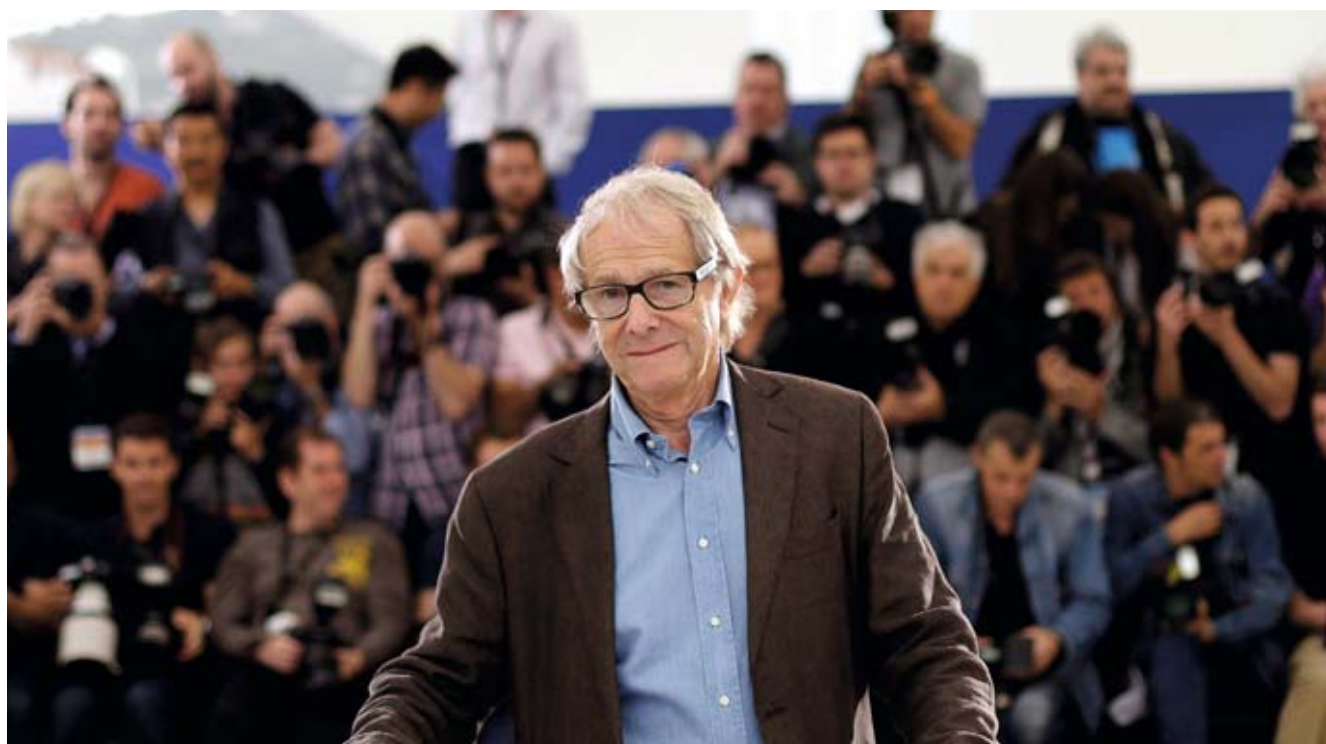
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EUROPEAN CULTURE: *the controlling hand of big business*



Ken Loach arrives at the international film festival, Cannes, France.

The idea of a common European culture may seem abstract, but has an important role to play in cinema. However, that role is made more challenging by the commercial nature of the cinema industry.



by Ken Loach

I t may be hard to define, but the idea that Europeans share common cultural traditions – from art to literature and cinema – is certainly a widely accepted one.

The problem with defining European culture is that it inevitably involves long-winded, verbose statements – to which someone will always find an exception. What are more easily discussed are the different traditions within that shared culture, such as the Italian Renaissance or French Impressionism. European cinema also has its traditions – Spanish surrealism, Italian neo-realism, the French New Wave or the Czech, Polish or Scandinavian cinemas – and all have a European element in them. They are all different from the American tradition of melodrama, sentimental music and overstated emotions. Cinematic influences aside, filmmakers in Europe also feed off a European heritage in terms of literature, painting and fine art – which are always present in our creative imagination. So whether it's theatre, the visual arts, photography or writing prose, the main cultural traditions and influences are clearly European ones.

Film makers may promote this sense of a common Europe culture. However, that should not be to the exclusion of cinema from Latin America, Asia or other parts of the world. Cinema should be international. We should have open minds to films wherever they are from – all should be welcomed.

CINEMA: A SOURCE OF POLITICAL CONFLICT

More importantly, the question of European cinema leads to a key point about a political conflict within Europe between the interests of big business and the people. In the UK at least, the ownership and programming of cinemas is dominated by big corporations, who show commodities that are designed to maximise profits. They favour films that reflect their own prejudices.

“A CINEMA SHOULD BE LIKE AN ART GALLERY – RATHER THAN BEING LIKE AN AIRPORT BOOKSTORE.”

Most film directors and writers, and probably many producers, would think of themselves as being progressive, of the Left – but that voice doesn't simply come through to audiences because the films are not available to the average cinema-goer.

The same is also true for television, which is by and large controlled by government appointees. Trade unions used to have a policy back in the 1970s for nationalisation of the film industry, including cinemas and studios. It's long forgotten now, but the idea then – and I think it's a good one – is that cinemas should be treated like theatres: largely owned by the municipalities and programmed by people who care about films. Then you would build an audience, and a cinema would be like an art gallery – rather than being like an airport bookstore. In a free-market organisation dominated by large corporations you can't get that. And that's why I believe there needs to be a change.



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ABOUT

Ken Loach is a British film and television director, winner of the Palme d'Or at the 2006 Cannes Film Festival. He founded the new left-wing party Left Unity in 2012.



Anne Hidalgo meeting with Paris citizens.

© Mairie de Paris

*The first female mayor of Paris on her way into politics,
her fight against inequality, and her commitment
to fighting climate change.*



by Moritz Pfeifer

A

nne Hidalgo is not only the first woman to run the French capital, she is also the city's first mayor with a Spanish background.

"My childhood in Andalusia and my education in France allowed me to understand the multicultural identity of the Parisians," she explains.

ASPIRING TO CHANGE SOCIETY

Hidalgo's parents moved to Lyon with their daughters in 1961 when Ana, as she was called then, was only two years old. Growing up in the social housing blocks on the poorer outskirts of Lyon gave her a first-hand experience of unequal urban planning and social divides. "I know what it means to be born somewhere else and to integrate into a new country step by step," she remembers. But France of her childhood also gave her a chance that she did not have at home in Spain: free education and the liberty to choose her own destiny. At 14, she became a French citizen. "Today, I am proud of my dual citizenship," she says. Hidalgo placed her first foot in the door of local politics by joining the social movements for the rights of women. "I realised that every individual, at his or her level, can engage and matter," she recalls. When she discovered labour rights, earning a Master's of Advanced Studies (DEA) in social and trade unionism at Paris West University Nanterre La Défense, she was convinced that she could contribute to changing society. At 23, she started working as a labour inspector putting on a hard hat and going underground to report about the conditions of mineworkers. "I witnessed the dramatic social effects of deindustrialisation," she recollects about her job as a labour inspector. Soon after, in 1982, she joined the trade union of the French Democratic Confederation of Labour (CFDT). "My political commitment is first and foremost the fruit of my civic responsibility towards those who are most vulnerable," she explains.

"I DEFEND THE VALUE OF EQUALITY AND THE INTEGRATION OF FOREIGNERS INTO FRENCH SOCIETY."

The election of François Mitterrand one year earlier had already fastened Hidalgo's conviction to enter politics. "The left finally stopped being the marginalised opposition and could take responsibilities," she remembers. "I am still affected by this epoch of hope and renewal." But it was only 15 years later, in 1994, that Hidalgo decided to join the Socialist Party (PS) of her neighbourhood, the 15th arrondissement in Paris. "To continue my civic engagement, I chose the path of party politics. This is when the adventure began that would later encourage me to become the mayor of Paris."

FIGHTING INEQUALITY

Hidalgo says that her political vision did not change during the course of her political career: "I work to keep my concern for other people intact, to listen to their needs and to move forward in my actions as a city councillor." One of Hidalgo's longest commitments is the fight for integration and equality. Her migration background makes her particularly aware of the capital's growing cultural and ethnic pluralism, and the related phenomena of economic inequality. "With all my heart, I defend the value of equality and the integration of foreigners into French society," she says.

To restore inequalities and facilitate integration across the city, Hidalgo has made it a priority to build more council homes. In an effort to combat the city's historic socio-economic East-West divide, Hidalgo's officials started, in December 2014, to reclaim roughly 39,000 dwellings that are owned and maintained by City Hall and

Key Points

- Anne Hidalgo is the daughter of political migrants who moved from Spain to settle in Lyon in the 1960s.
- She is the first woman mayor of Paris.
- She is determined to change the capital's reputation as unaffordable to all but the very rich.

known as “free rents”. One third of these homes are currently attributed to tenants with incomes that disqualify them for local authority housing, especially in the chic areas of Paris where there is the most abuse.

DARING MORE DEMOCRACY

With disillusioned young voters increasingly turning away from politics, Hidalgo has come up with several ideas to reactivate the Parisians’ concern for their own civic responsibilities. “I understand that many young people are feeling tired, abandoned, and angry. They are convinced that nobody is interested in their problems and think that the government represents a world that is inaccessible and opaque.” Hidalgo implemented various policies to increase public participation and make life in the French capital more democratic.

Thus she invites Parisians to take part in opinion polls on all kinds of subjects – development projects, public transportation, health, education,

the need for Europe “to speak with one voice, but in different languages and all its souls.” Hidalgo considers that renewable energy and the ecological transition in general could be the driving force to achieve such a synthesis of democratic unity and cultural diversity. It is a topic that concerns the entire continent, particularly the inhabitants of polluted megacities, at the same time that it does not interfere too much with national habits or traditions. “Europe’s largest cities need to cooperate and put the environment on top of their agenda,” she says. With Paris already having suffered from numerous episodes of heightened pollution this year, Hidalgo recently unveiled plans to ban high-polluting diesel and other types of vehicles from the centre of Paris by 2020. She is optimistic: “With the United Nations Climate Change Conference coming up at the end of this year, cities committed to combat global warming will mutually support each other!”

“WE NEED A LESS TECHNOCRATIC AND A **MORE DEMOCRATIC EUROPE.**”

etc. She also gives them the opportunity to propose their own projects. “I have chosen to create a participatory budget, the highest in the world, so that projects that are created and chosen by the Parisians can be realized as quickly as possible”, she says. The idea for this project was inspired by Hidalgo’s own experience. “I believe that everybody in France should have a chance like the one I had,” she says, cautiously adding that “this also implies to be ready to seize it: to refuse everything is like running head-on against the wall. Each one has to take a step towards the other.”

Hidalgo is worried that politics is estranging citizens all over Europe. “We need a less technocratic and a more democratic Europe,” she criticizes. Citing an often-quoted idea of Portuguese writer Fernando Pessoa, she believes in



© Carole Bellatche

ABOUT

Anne Hidalgo is the current mayor of Paris and the first woman to hold the office. She has been a member of the Socialist Party (PS) since 1994, previously serving as National Secretary for Culture and Media. She was the First Deputy Mayor of Paris, under Bertrand Delanoë.



HEIKO MAAS: UNPLANNED SUCCESS

Heiko Maas, left, takes the oath of office by President of the Federal Parliament, Norbert Lammert, right, in Berlin, Germany.

Whether it be quotas for the number of women on supervisory boards or rent controls, Heiko Maas has frequently made headlines since he became Germany's justice minister. He regards these successes as progress in the struggle for justice.



by Sandra Kössler

“Justice in all its facets has always been my biggest motivation,” says Heiko Maas. He was appointed as federal justice and consumer protection minister late in 2013,

but this has been the leitmotif of his entire political career, first in Saarland and now in Berlin.

Maas, a dapper and youthful-looking 48-year-old with a quiet, deliberate manner, first became involved in politics as a law student. “Many think, if one studies law and interprets rules made by other people, one can make a big contribution to society. This is true. But the people that make the rules bring perhaps even more about social change.”

So at the age of 23, Maas joined the social-democratic SPD. This didn't go down well with his conservative family in Saarlouis, near the French border, where he grew up. His father was a soldier, and Maas himself served in church every Sunday. “It's not exactly the kind of environment where social democracy flourishes,” he says.

His political leanings were also a way of rebelling against his parents. “We used to have heated discussions about things like nuclear power: how you deal with it, whether you should protest against it.”

Maas, a self-professed Francophile, was also affected by his proximity to the border. He often went to France to shop, eat, or just ride his bike. “I was influenced by the laid-back French lifestyle, and also by the history of Saarland, which has constantly been shunted back and forth between the two countries. It gives you a different attitude to Europe.”

He has always believed that Franco-German understanding is central to European Union policy. “Germany shouldn't claim a leadership role, and it was always a good idea when Germany and France work together in defining their key objectives within the EU.” He says the most important issues on the Union's agenda over the coming months will be refugees – “a serious

problem that we mustn't put on the back burner” – and the harmonisation of data protection regulations.

GREASY POLE

Maas wanted to play a part in shaping the future of society, and joined the SPD's youth organisation, the Jusos, when he was a student. But a career in politics was the last thing on his mind: “Believe it or not, that's not how I planned it.”

Planned or otherwise, his rise to power was rapid, and his CV shows a typical ascent of the greasy pole from local politics to high office. He became head of the Jusos in Saarland, and was then elected to the state parliament. Someone else was supposed to be standing, and Maas was about to spend a semester in France, but his colleagues persuaded him to take the plunge. “We said to ourselves only old chaps run for the SPD in the state parliament, and it's time that changed.” Maas was elected in 1994, but more unexpected breaks were coming his way. In 1996, when he was 30, state SPD chairman Oskar Lafontaine proposed him as secretary of state in Saarland's environment, energy and transport ministry. Two years later, he became minister of the same department.

TOUGH TIMES

Despite Maas's meteoric ascent, these were difficult times both for him and for the SPD in Saarland. In 1999, the party lost the state elections to the Christian-democratic CDU by a narrow margin after holding an absolute majority since 1985 and appointing Oskar Lafontaine as state prime minister. Lafontaine had recently become federal finance minister under Chancellor Schröder, and after the election Maas was selected as the first chair of the SPD group in the state parliament, and then in 2000 as chair of the party in Saarland. Three times, in 2004, 2009 and 2012, he was the front runner for the post of state prime minister, and three times he failed. In 2009, the party won less than 25 percent of the vote.

Key Points

→ Heiko Maas has been an active member of the SPD for over 25 years.

→ His main concern is fighting for social justice.

→ He believes that Germany should not claim the leadership role in the EU.

He recalls this difficult time: "We'd agreed on a coalition with Die Linke and the Greens, which would have given us a majority. But after the elections, the Greens went into a coalition with the CDU and the FDP." There is a trace of bitterness in his voice. "Ever since then, I've regarded trust as one of the key factors in politics".

In 2011 the CDU's Peter Müller resigned as state prime minister, and Maas came within a hair's breadth of succeeding him. But in the second round of the polls he lost to Annegret Kramp-Karrenbauer, also of the CDU, by 26 votes to 25. "Afterwards, a close friend came up to me and said wow, that was another stroke of luck." And how does he see it today? "That's exactly how it was," he laughs. Events can look very different with hindsight, he points out: "You learn more from defeat than from victory. When you're in politics, it's very important to experience dark times: things that teach you what it's like to be in the spotlight, and remind you that the spotlight can be switched off at any moment."

Maas's defeats are still an albatross around his neck as far as public opinion is concerned. His talents have often been praised in the media, but to many people in the Saarland he is the guy who never won an election. His image as a loser sticks to him like chewing gum, but since his appointment as a federal minister, he has gradually been putting it behind him.

MORE SURPRISES

This was another unexpected step in Maas's career: "It wasn't planned at all!". After a brief discussion with his wife and their two children, he accepted the job. He was a little-known figure in the federal government, just one of many new young faces in Angela Merkel's grand coalition, but quickly built a name for himself and started getting items onto the policy agenda.

Maas says one of the most important successes during his term of office has been quotas for women on supervisory boards – "long overdue, and it's made Germany a more just and modern

society" – and another has been a cap on rent increases introduced in March. "I think it's unacceptable that people should be driven out of their homes just because they can't pay their rent." Not all of his initiatives have been successful. He was opposed to a recent bill requiring telecoms companies to retain their customers' call data. "For the politicians focused on internet-issues, it goes too far, for the security-oriented politicians, not far enough. That shows: it is a good compromise." He sees this as an example of political pragmatism, and says that despite being younger than most of his colleagues in the cabinet, he has already learned the ropes. "It is a common misapprehension. People think the more senior you are, the easier it is to get things done, but the opposite is true. The higher you go, the more you have to compromise and soft-pedal your own opinions so that they gain as much public acceptance as possible."

"I'VE BEEN INFLUENCED BY THE HISTORY OF THE SAARLAND, WHICH HAS CONSTANTLY BEEN SHUNTED BACK AND FORTH BETWEEN TWO COUNTRIES."



© Frank Nürnberger

ABOUT

Heiko Maas was born in Saarlouis in 1966. He studied law in Saarland, joined the SPD in 1989, and held various offices in his home state before being appointed federal justice and consumer protection minister in December 2013. He is married with two children.

DO PROGRESSIVE ECONOMICS *still influence politics?*

Economic ideas always have the potential to influence politics, but the relationship is hardly straightforward. Indeed, it was John Maynard Keynes, one of the most celebrated progressive economists of the twentieth century, who once wrote: 'Practical men who believe themselves to be quite exempt from any intellectual influence, are usually the slaves of some defunct economist. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few years back'.



by Patrick Diamond

Economics can reshape politics, but often the time-lag involved is very considerable, as Keynes' writings illustrate.

Keynes' most important treatise, *The General Theory of Employment, Interest and Money*, was published in 1936 in response to the great depression that had begun in 1929. However, it took at least a decade for his theories to be translated into recognisably 'Keynesian' models of macro-economic management in the mid-1940s, which cast aside the laissez-faire free market orthodoxies of the early twentieth century. The Second World War played a crucial role: across Western Europe there was a strong desire not to return to the social misery and mass unemployment of the inter-war years, so Keynes' ideas found a receptive audience among politicians and policy-makers. Another reason why progres-

sive economics struggles to influence politics is that the analysis of what is wrong has to be matched by a compelling prospectus of what might be done to put it right. The celebrated French economist, Thomas Piketty, has produced a landmark book, *Capital in the Twenty-First Century*, assessing the scale of global wealth inequality and its origins in contemporary models of western capitalism. Piketty draws on historical data to argue that wealth tends to expand more quickly than economic output, ensuring that over time capital is concentrated in fewer hands: as a result, Western societies are returning to a form of 'patrimonial capitalism'. The real success of Piketty's volume is to put the question of inequality firmly on the mainstream political agenda. Today, all politicians across Left and Right profess to be opposed to extreme inequality. Business leaders and financiers fall over themselves to express concern about the scale of inequalities in income and

wealth in the aftermath of the 2008 financial crisis. What is missing, however, is any substantive agreement about what could or should be done by democratic governments. Piketty advocates a global wealth tax – not a bad policy at all, but very tough to implement in a world increasingly divided into regional blocs (such as the European Union) where citizens still identify strongly with the nation-state.

A DIFFICULT POLITICAL IMPLEMENTATION

In Europe today, there is general agreement among progressive economists about what needs to happen at the policy level to address the long-running economic crisis: the difficulty, as ever, is political implementation. The financial crash has triggered the worst recession in Europe since the 1930s, plunging many EU member-states into deep fiscal crisis and straining the Euro-zone almost to

breaking point. Initially, it was hoped that the turbulence would quickly pass, but Europe's economies have been afflicted by a series of damaging 'aftershocks' which ensures that the crisis in the EU, and in particular the Eurozone, is far from over. There is frustration that European governments and the EU itself have been slow to act.

Nevertheless, economic ideas and prescriptions have often struggled to influence politics because of the inherent tension between capitalism and democracy. Nowhere is this truer than in today's Europe. The German political scientist, Wolfgang Streek, points towards: 'an endemic conflict between capitalist markets and democratic politics'. The post-1945 social settlement temporarily resolved the conflict by subjecting markets to democratic control through Keynesian macro-economic management, public ownership, welfare provision, and an ethos of social partnership between employers, governments and labour. The social contract fell apart in the 1970s, however, as markets forces were allowed to prevail over the 'welfare needs' of society in order to restore international competitiveness – nowhere more so than in the United Kingdom under the governments of Margaret Thatcher.

RESTORE THE EQUILIBRIUM

Today, there is an attempt at EU level to restore the equilibrium between capitalist markets and democratic politics, explicitly accepting that nation-states are no longer sovereign actors and that they cannot hope to regulate the forces of global capitalism by acting alone. The European Commission is attempting to strengthen the EU's economic governance arrangements by refining policy co-ordination instruments such as budgetary surveillance and improving crisis management mechanisms to prevent destructive contagion effects. The policy regime of infla-



French economist Thomas Piketty.

tion targeting and rules for fiscal stability that has prevailed since the 1990s proved to be inadequate. The Euro was originally a bold progressive idea: to control the power of financial markets in destabilising national currencies and national governments. But because fiscal sovereignty has not been pooled, the Euro has transferred risk from the currency markets to the sovereign debt markets. This has left countries caught in a sovereign debt trap, with little alternative to austerity as they struggle to rebuild bond market confidence. Some economists argue that fiscal federalism, which requires the creation of democratically accountable institutions at Euro level, is the only answer. If the politics of attachment to national sovereignty makes this impossible the Euro can still survive, but as a 'sub-optimal' currency area with all the attendant social stresses and political instability.

DEALING WITH IMBALANCES

More fundamental questions therefore remain about how Europe can deal with major structural imbalances both *within* and *between* member-states, and whether further financial liberalisation is actually conducive to sustainable economic growth. It is

striking that mainstream 'rational expectations' economists made mistakes prior to the crisis encouraging complacency about the benevolence and self-correcting properties of markets – in contrast to more intuitive thinkers earlier in the twentieth century such as Keynes and Polanyi. The danger now is that aggressive enforcement of austerity to ensure economic stability will lead to a 'lost decade' of secular stagnation and relative economic decline, as the broader agenda of 'Europe 2020' focusing on climate change, widening access to post-compulsory education, and reducing relative poverty is increasingly marginalised. The obsession with budget balance will further undermine Europe's long-term growth potential.

This serves to underline that more innovative ideas as well as concrete action on economic and social policy is urgently required in Europe, including programmes to expand the long-term productive base of our economies through 'social' and 'physical' investment. Growing disenchantment with the European project arises because of the lack of bold and decisive action despite the severity of the crisis and its impact in rising unemployment and social deprivation. European integration will only be politically acceptable if policy can restore economic growth, ensure socially inclusive welfare systems and labour markets, and develop an alternative to the discredited market liberal model of western capitalism. Progressive economics will, no doubt, have a vital role to play.

Patrick Diamond is Vice-Chair of Policy Network, Lecturer in Public Policy at Queen Mary, University of London, and an Associate Member of Nuffield College, Oxford.



FOUR OBSERVATIONS ON MAINSTREAM ECONOMICS



by Ben Fine

Four things stand out after the Great Financial Crisis (GFC).

One is the disarray of mainstream economics, proving incapable of predicting the crisis and even to allow for it. Articles from leading scholars continued to proclaim the health of macroeconomics to be ideal even after the GFC broke. Second, this complacency is the consequence of the extremes to which macroeconomics has evolved: monetarism with its perfectly working markets, fully rational, representative individuals, and the ineffectiveness of the state; and the weakest of reactions against these extremes in the new Keynesian consensus with its absolute, if limited, efficacy to monetary policy, confined to control of the interest rate.

More on IIPPE

Rethinking Economics: Pluralism, Interdisciplinarity and Activism is the focus of the Sixth Annual Conference of the International Initiative for Promoting Political Economy (IIPPE), 9-11th Sept. Univ. of Leeds, UK. Organized with the support of FEPS, this conference aims at fostering a reflection on positive alternatives to the mainstream.

Visit <http://iippe.org>

Third, this dismal state of macro, in failing to realise finance can destabilise, is the tip of an iceberg of other devastating failures, with neglect of fiscal policy, distribution, monopolisation, technical change, that short and long runs are not independent, the role of health, education and welfare in promoting economic performance and stability, etc.

Fourth, despite these deficiencies, the mainstream has a monopoly of the discipline. Dissent, even on its own terms, primarily on the grounds of more extensive market or individual (behavioural) imperfections than previously allowed, has been ineffective in shifting policy in practice. Despite appeal amongst students, heterodox economics has been further squeezed in the academy after the GFC. But hollowing out is not confined to economics. Neoliberalism has hollowed out institutions capable of implementing alternative policies and those that press for them, especially labour movements and their representation in social democratic parties. The reasonable demands from the Greek government are seen as extreme and do not attract international support. This reflects the rise of global finance, and its strengthening in policymaking, termed financialisation. Until financialisation is addressed, the scope for alternatives remains limited. And mainstream economics will not influence policy but act as an ideological veil over the potential for alternatives.



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ABOUT

Ben Fine is Professor of Economics at the School of Oriental and African Studies, University of London, and Chair of IIPPE.



In spite of tight results in the European elections between Conservatives and Social Democrats, the new College of European Commissioners, invested on 22 October 2014, largely leans to the right as only eight commissioners are progressive.

WHY COMMON SENSE IS NOT ALWAYS WHAT IT SEEMS



by Mark Thatcher

The resilience of neo-liberalism in Europe's public policy debate is puzzling.

One would have thought that new ideas would have flourished following the economic crisis of 2008. Economic policy alternatives certainly exist, whether advocated by social or Christian democracy, Marxism, socialism or nationalism, while many influential voices challenge the need for, say, balanced budgets or deficit cuts. Yet neo-liberal ideas continue to dominate, as Professor Vivien Schmidt and I have shown.

Neo-liberalism advocates competition as well as a strong state, yet one that is limited to a small number of functions, such as the promotion of property rights and competition. There are many reasons for its resilience. Its core ideas are malleable and can be readily adapted when challenged. They are not scientific theories, but rather general principles that cannot be disproved, and there is often a big gap between the rhetoric and the reality.

Cuts in public expenditure and taxes are proposed during every general election, for instance, yet never really happen. Yet neo-liberal thinking is coherently expressed and easy to communicate, even when not standing up to academic scrutiny. 'Families must balance their budgets and so should nations' sounds like basic common sense, yet if everyone stopped spending then demand would drop, investment fall and a depression

follow (the 'paradox of thrift'). The power of interested parties – large companies championing privatization or liberalization, or bureaucrats championing stronger regulation – adds to this resilience, while neo-liberal ideas have become institutionalised – as in the Maastricht Treaty – so that changes require the rewriting of complex sets of rules.

Challenging neo-liberal ideation may be difficult yet it should be welcomed. And it can happen. Policies may become unsustainable due to internal conflicts, the gap between rhetoric and reality may become too big or powerful alternatives may emerge. Major players like the IMF can question their approaches, or institutions could even break down. If a set of ideas dominates there is less room for choice and proper debate. Disillusion with politics sets in. The key to democracy is to offer real choice.



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ABOUT

Mark Thatcher is professor of Comparative and International Politics at the London School of Economics. He studied at Oxford University then qualified as a barrister. After his doctorate he researched and lectured in Paris, joining LSE in 1995.

HOW TO RECONCILE EUROPEAN LAW AND ONLINE RETAIL



© CHESNOT/SIPA

Warehouse of Sarenza products in Beauvais, France. The online shoe shop has become in 10 years the reference on its market segment.

Three European experts propose ways to better protect citizens when they make purchases online, while fostering the potential of this dynamic market.





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ONLINE RETAIL: THE MISSING PIECE IN EUROPE'S JIGSAW

European law has come a long way in reconciling itself with online retail, but consumers still need persuading. The key question? If the industry fails to deliver, how do I get my money back?



by Hans-Wolfgang Micklitz



Online shopping is transforming the retail industry and few would contest its benefits in saving time and money

and widening accessibility. Naturally, the European Commission wants to promote cross-border online sales. Yet isn't a vital piece of the jigsaw missing?

Cross-border contracts are complex, potentially involving a retailer, supplier and distributor from different countries. When things go wrong – goods can be faulty, damaged or arrive late – issues of legal jurisdiction and of the applicable law arise. Where should customers turn? With large purchases, of course, there is an incentive for them to fight their case in courts. But what if you order a €30 item? You may have wonderful consumer rights on paper, but when things get complicated, many will cut their losses and give up. There are safeguards such as ODR (online dispute resolution) and ADR (alternative dispute resolution) legislations, aiming at facilitating conflicts – easily, simply and cheaply – outside courts. The EU wants to establish a pan-European platform for such disputes, with customers directed to relevant national dispute settlement bodies. Currently, though, there is no direct connection between online

purchase contracts and such dispute settlement mechanisms. Companies provide some information but it is often complicated and over-long. The result? No one reads it. But even if one reads it and even if the dispute settlement bodies decide in favour of the consumer, the money is automatically returned. A lot depends on legal surveillance and here we are back to the reason why so many consumers do not buy across the borders. They feel better off at home – and they can speak their own language.

PROTECTION FOR CREDIT CARD BUYERS

Crucially in cross-border sales, there is no clear mechanism for money paid by customers in advance to be returned. In the United States and United Kingdom, minor transactions made by customers are protected via their credit cards, through a system called Charge Back. Buyers alert their card issuer of a problem and the purchase money is returned via their card. It may be a crude tool and involve a fee, but it is effective.

Such systems were discussed before the launch of the EU's 2007 Payment Services Directive but not adopted. Instead, customers commit to such systems as ODR and ADR or can take legal action. For €30, though? The key question – how do I get my money back? – is not adequately tackled. Without

such security, many consumers avoid using the Internet for cross-border transactions.

There are also issues of clarity. Download a purchase contract and you can be inundated by reams of paper. And many such contracts are poorly translated by computer software (the EU has more than 20 official languages) and can be changed regularly. The European Commission, in promoting online sales worth billions of Euros annually, must consider these consequences and must develop practical solutions not perfect ones.

There are other issues. Just to mention a few: Where, for instance, does the EU get its legitimacy in promoting online sales, to the detriment of all other forms of promotion or distribution techniques (such as inner-city shops who are vanishing)? Not all countries are happy with the loss of urban life. And yes, data protection and differing European taxation are important.

The EU has made great progress in establishing safe legal ground for cross-border online transactions but there remain loopholes. By far the biggest: How do I get my money back?

Hans-Wolfgang Micklitz is Professor of Economic Law at the European University Institute in Florence, Italy.



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THOUGHTS ON APPROACHING A DIGITAL UNION

Today the digital world impacts all aspects of our lives and we should welcome the opportunities this can hold for us within the European Union.



by Jörg Leichtfried

Digitization can help us challenge social inequalities and discrimination, create jobs and help Europe out of the

economic crisis. Digital tools will help promote transparency, fairness and accountability in today's society. Simultaneously, digitization is changing democratic processes and business models. It will be crucial to ensure that these changes benefit all citizens and reflect fundamental values such as individual freedom, pluralism and solidarity. In order to achieve this, we will need a fully integrated digital strategy with clear legislative and financial ways and means. We should aim for a Digital Union that is more than just a market or an agenda.

CREATING SUSTAINABLE JOBS IN A DIGITAL ECONOMY

For the S&D group, an important aspect is the impact that digitization is having on the labour market. ICT development will bring many new jobs in innovative, smart and creative workplaces. To benefit from this, it will be vital that we manage to assist the employees to adapt quickly enough, by funding and encouraging training, retraining and life-long learning. I believe that there is

a great need for proactive policies to make both workers and industries fit for a digital future and to ensure that a transition towards a digital working environment does not undermine European working and employment standards.

ADAPTING A LEGAL FRAMEWORK ONLINE

Legal rules will have to be adapted to make EU digital law, trusted, fair, and responsible. A first crucial step to achieve this is agreeing on the data protection regulation, to make sure that citizens are protected online and that there is security of electronic communications and networks technology.

We also need to reform European copyright laws to strengthen creators' rights and at the same time support public user access to cultural goods. An important step in the process is to review market practices that currently abuse dominant positions to distribute content without adequately compensating the creators. At the same time, we will need to look at sustainable solutions for fair taxation in the digital economy.

It is also essential to strengthen consumer rights online, including a fair EU level solution to geo-blocking, a business practice of restricting access to digital content or even tangible goods based upon the user's

geographical location. This not only hinders the digital economy, but also incites EU consumers to use bypassing tools which may push them into illegal practices. We also need to quickly agree to an end to roaming charges and guarantee legal certainty for genuine net neutrality.

TOWARDS A PROGRESSIVE DIGITAL UNION

Having recognised the great opportunities and challenges of the digitalization, it is important that we, as policy makers, develop the Internet as a space that is open, accessible and safe for all citizens and that helps businesses to create, communicate and (co-)operate more effectively. We therefore need a strategy that balances digital innovation with the need to protect consumer rights, personal data and privacy.

Jörg Leichtfried is an Austrian politician and Vice President of the S&D Group in the European Parliament with the SPÖ. He sits on the European Parliament's Committee on Transport and Tourism.



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DEBATING THE EUROPEAN CONSUMER AND CITIZENS' RIGHTS LEGISLATION

There are a lot of positive things that can be said about European consumer and citizens' rights legislation.



by Joe McNamee



Clear and predictable rules can and do lead to increased trust which, in turn, leads to more economic activity, more

competition and more choice. European legislation on distance selling, for example, includes rules that provide clarity regarding the right of withdrawal from the contract and the identity of the seller. While some retailers may, at first glance, see these rules as burdensome, the value of the overall level of trust in the online business sector needs to be factored in – making the balance clearly favourable, both from a commercial and consumer perspective.

A similar logic can be applied to unfair contract terms legislation. While we all have a degree of responsibility to pay attention to what we are signing, it is important that the balance of power between the service provider and the individual cannot be unduly exploited. The alternative would be more hesitation before entering into agreements, with obvious commercial knock-on effects.

Of course, in the last few years, the EU has also been battling with questions around the thorny issue of protection of personal data.

On the one hand, these data are becoming exploitable economically but, on the other, there is a significant risk that inappropriate exploitation will generate a lack of trust causing individuals either to avoid handing over personal data or to use fake data whenever they can get away with it. Indeed, long before I ever heard of data protection, I remember using Beverly Hills 90210 as my address when signing up for a webmail account in 1995! These days, there are increasing options to buy, sell and merge data – often to engage in “profiling” – whereby computer algorithms are used to guess if you might be interested in product X or service Y. But what about if your online bookstore or search engine was guessing if you were healthy or not? What about if they are allowed to sell these guesses to insurance companies or healthcare providers? Good data protection leads to good practice and good practice leads to trust.

There is lots of talk these days about “better regulation” – but let’s first think about building on our successes – the positive experience of the legislation that I have just mentioned. How do we succeed in the challenging task of adapting these principles to the online environment? It is one thing to be allowed to send back a music CD, but what

about a music or film download? Should the increased functionality of new(ish!) technologies mean the abandonment of principles that have been good for retailers and good for individuals? Of course not.

Similarly, application of rules on unfair contract terms for online service provision needs urgently to be brought into line with existing principles. Most online services, such as social media, free webmail and “cloud” hosting services have terms of service that are based on foreign law, claim foreign jurisdiction and frequently don’t even make sense linguistically. One typical online service “reserves the right to terminate your access to any or all of the Communication Services at any time, without notice, for any reason whatsoever.”

Our challenge today is to give ourselves credit for what has been done right in the past and to ensure that these principles are supported in the digital environment.

Joe McNamee is the Executive Director of EDRI, the European Digital Rights association founded in 2002 by 10 NGOs from 7 countries.

RAISING CLIMATE AMBITION THROUGH FORESTS

On the way
to COP 21
Paris 2015

Paris climate talks should help end natural forest loss, the biggest, cheapest and fastest way to cut carbon pollution. Europe should partner with developing nations by agreeing to finance 1 billion tons of emission reductions from tropical forests per year by no later than 2020.



by Nigel Purvis

© Martin Wegmann

Paris is shaping up to be a major step forward for global climate diplomacy. For the first time, all nations will put forward national

plans for tackling their own climate pollution. Nations are likely to agree to new rules that increase transparency and accountability, and that require nations to come forward with new climate commitments every five years or so. This will represent unprecedented progress.

But so far, the national climate pledges countries intend to make by Paris will not get the world on track to limiting global warming to less than 2°C, a goal nations have agreed is essential to avoid potentially catastrophic climate impacts, which would inflict the greatest harm on the world's poor.

Analysis of the unilateral pledges submitted to date shows that Paris could deliver about half the climate action needed over the next decade. That's good but not good enough. Paris needs to move us from a world of parallel unilateral action to one of genuine international cooperation.

In order to limit warming to less than 2°C, global emissions need to peak soon, plummet 40-70 percent from 2010 levels by mid-century and be near or below zero by the end of the century or sooner. Developed country emissions have already peaked and are now declining; advanced economies need to do more but are heading in the right direction. In contrast, developing country emissions are increasing rapidly. Even if rich countries brought their emissions to zero, the world would still exceed 2°C warming without significant

new climate action in developing countries. But the growth in emissions in the developing world also means the largest and cheapest mitigation opportunities are there, too. It's far cheaper to build new climate-smart cities and factories in the developing world now than to rebuild and retrofit industrialized economies. Yet it would be both unfair and politically unrealistic to ask nations that have done the least per capita to cause climate change and have the fewest resources to finance the lion's share of emission reductions. The only durable solution rests on real partnerships between developed and developing nations.

THE DEFORESTATION ISSUE

Signs of such a partnership are emerging on forests. Deforestation is one of the largest sources of carbon pollution in the world,

contributing more to climate change than all the cars, trucks, ships and planes globally. Stopping deforestation is also the largest, cheapest and fastest solution for reducing carbon pollution. No costly technologies are required to save trees. The cost of conserving carbon rich tropical forests has averaged \$2-5 Euro per ton of CO₂ over the past few years, many times less than the cost of reducing emissions in Europe or other advanced economies.

Some developing nations are starting to lead on forests, which are increasingly understood to be essential, for clean air and water, drought and flood prevention, and agricultural productivity through pollination and soil conservation. Deforestation often harms local communities, including indigenous peoples, and can contribute to corruption and other illegal behavior.

Brazil has reduced forest loss in the Amazon by more than 75 percent over the past decade; Brazil alone has cut more carbon pollution than the entire EU since 2005. Peru recently committed to ending deforestation



"Progressives for Climate" is a project led by the Fondation Jean-Jaurès and FEPS that aims at informing the debate on the issues pertaining to the negotiations on climate change and at broadening the perspectives for the agreement to be reached in Paris in December 2015. It will serve as a platform for debate bringing together politicians, civil society, researchers, policy experts and citizens.

"THE ONLY DURABLE SOLUTION RESTS ON REAL PARTNERSHIPS BETWEEN DEVELOPED AND DEVELOPING NATIONS."

by 2021, and Colombia has plans for the largest forest conservation area in the world. And last September at the U.N. Secretary-General's Climate Summit, over 160 countries, companies, civil society institutions and indigenous peoples pledged to end natural forest loss worldwide by 2030, and cut it in half by the end of the decade. If implemented, this commitment would cut between 4.5 and 8.8 billion tons of carbon pollution per year by 2030 – conservatively, about the same as ending pollution from every car in the world. Some of the largest agricultural commodity companies in the world also signed on, which is enormously important because commodities drive over 70 percent of tropical deforestation.

This New York Declaration was endorsed by Indonesia, Colombia, Peru, Congo, Liberia and many other tropical forest nations, as well as major developed nations such as the US, EU and Japan. In exchange for ambitious forest goals, developing countries received assurances they would receive large-scale economic incentives to help share the cost of action.

THE LIMA CHALLENGE

In December 2014, fourteen developing countries went further and issued the "Lima Challenge", challenging developed nations to make good on their pledge. These forest countries highlighted their commitment to do their fair share on their own, and also pledged that by Paris they would quantify the supplemental climate action they would take if developed nations delivered on the

promised economic incentives for action. Endorsers of the Lima Challenge included Colombia, Chile, Costa Rica, the Democratic Republic of the Congo, the Dominican Republic, Ethiopia, Guatemala, Guyana, Liberia, Nepal, Panama, Paraguay, Peru and the Philippines, and more nations are coming on board with this approach every month, including India, Mexico and others.

The path to success in Paris is clear. Together, advanced economies and forest nations should articulate a bold commitment to forest conservation – perhaps on the order of an additional three to four billion tons of CO₂ per year by 2030 – backed by concrete economic and financial incentives. The EU should take responsibility for delivering on financing for 1 billion of these tons per year by no later than 2020, and the US should make a similar commitment. While these pledges should supplement not offset domestic action, accelerating international action would save many tens of billions of dollars per year for developed nations compared to comparable domestic carbon cuts. The unilateral emission reduction pledges nations will make in Paris are a good start. But by working together to end natural forest loss globally, nations could go much further in ways that promote economic growth in both developed and developing nations alike.

Nigel Purvis is a former senior U.S. climate negotiator and CEO of Climate Advisers, a policy and advocacy consultancy working to deliver a strong low-carbon economy.

DigitalSingleMarket

DIGITAL SINGLE MARKET ONTOLOGY

by Jean Pisani-Ferry and Lionel Janin

A digital shift is taking place. Innovation is changing our lives. The effects of the Internet are extending to sectors that used to be protected from international competition, like transport and hotels. Tomorrow, public services like education and health will be concerned. Europe is lagging behind in this field. Not only does Europe lack hardware manufac-

turers and digital platforms, but its labour and capital markets are not well designed to favour the scaling up of start-ups offering radical innovation. Even when innovations are born in Europe, they are not developing fast enough.

On 6 May, the European Commission published its roadmap for completing the “digital single market”. That is good news. Beyond this banner term, the issues are technical, complex, and political: this is the way Europe is.

THE CONSTRAINTS

The European Commission is constrained by the institutional framework. Various useful proposals would require a transfer of sovereignty that member states are not ready to endorse.

An example is the radio spectrum. Borders do not affect the transmission of radio waves. There are significant economies of scale in the normalisation of technologies and devices, and this could call for greater integration. But spectrum auctions at the

“IT IS NECESSARY TO **FOCUS ON WHAT CAN REASONABLY BE ACHIEVED**, AND LEAVE IT TO SUBSIDIARITY WHEN THERE IS NOT MUCH TO GAIN.”

domestic level are raising billions of euros. It is therefore understandable that member states are reluctant to lose control of this strategic resource.

Quantitative evidence about what is lost from lack of coordination is badly needed in order to overcome national resistance. The banking union should act as a flagship example in this regard.

WHAT TO FOCUS ON

It is necessary to focus on what can reasonably be achieved, and leave it to subsidiarity when there is not much to gain. France Stratégie has been working on four fields that meet those criteria:

1) Personal data regulation. As the Snowden case has shown, it is essential to ensure personal data protection, which is subject to European law. The regulation currently under discussion needs to be finalised. Nevertheless, data protection and innovation should not be at odds with each other; rather, a fine balance needs to be struck. For example, a robust framework for legal and safe exchanges of data among companies could be established through the definition of a common template.

2) Favouring the growth of the next generation of platforms for the Internet of things. Sufficient coordination between companies and member states is required

for European solutions to grow, so that European citizens may reap the benefit of a smarter, leaner, and cleaner environment.

3) Establishing an appropriate framework for digital platform regulation. Such platforms are the new bottleneck for consumer access and for new businesses to emerge. They should be kept sufficiently open.

4) Establishing a framework for fair taxation of the digital economy. The current work by the OECD on base erosion and profit shifting should be deepened at the

European level in order to create a Europe-wide tax on profit for digital platforms, to be apportioned among member states.

The latter two subjects are defensive policy. They alone won't foster the growth of European companies, but these measures are a precondition for sustaining innovation. And Europe is the minimum geographical scale for such actions.

If the actions of the European Commission lead to some progress in those areas, then it will be a reasonably giant step for digital Europe.



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ABOUT

Jean Pisani-Ferry currently serves as the French government's Commissioner-General for Policy Planning. He is a former director of Bruegel, the Brussels-based economic think tank.

Lionel Janin is an economist for France Stratégie (Digital and Sustainable Development department).

FOCUS

Inequalities:

*Why some people are more equal than others
and what Europe must do about it*

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BEYOND ECONOMIC INEQUALITY

It is time we measure economic inequality alongside GDP as a core economic indicator.



by Nat O'Connor

The economic crisis that engulfed Europe was partially due to a failure to correctly measure and respond to the growth of economic inequality.

The evidence from many developed countries is that increasing numbers of people at work cannot adequately meet their material needs. Most people's wages have stagnated while a greater share of income goes to those in the top ten per cent of society and to those who hold financial assets. Meanwhile, the safety net provided by public services has weakened in many cases.

The OECD, IMF and World Economic Forum have all now recognised the challenge that inequality poses to the economy, as it damages consumption and undermines social cohesion.

ECONOMIC INEQUALITY IS MORE THAN JUST INCOME INEQUALITY

Income inequality, measured in terms of the Gini coefficient or income ratios, is important, but it only tells part of the story. A much more robust concept is inequality in net economic benefit.

An overly narrow focus on incomes has led to meaningless comparison between countries on the basis of income per capita or headline income tax rates without reference to tax reliefs or to the value of goods and services provided via taxation rather than purchased

by individuals from their net incomes.

The value of public services can be priced in a similar way to insurance. Not everyone will need to use services like healthcare to the same extent, but everyone has an economic benefit from the 'insurance' provided by affordable access to these services.

Unfortunately, attempts to address economic inequality are too often focused on the 'quick win' of increasing net incomes, including through tax cuts, rather than the more complex and more important issues like the cost of living and the real economic value of public services.

A recent report from TASC entitled "Cherishing All Equally" *, is one attempt to show the range of variables that need to be measured. Europe needs a detailed cost of living index (not just inflation) alongside comprehensive accounting for tax reliefs and an index of the value of public services provided in each state. Only then can meaningful comparisons

be made between the economic and social policies of different European countries.

SOCIAL EUROPE SHOULD MEET EVERYONE'S MATERIAL NEEDS

There is a common set of needs that every human being requires, although the quantity of each item will vary depending on people's circumstances and number of dependents. These material needs include food, clothing, housing, household goods, water, sanitation, energy, transport, healthcare, childcare, education, telecommunications and a modest level of savings.

A focus on meeting everyone's needs should provide Europe with a new impetus for innovation and social development as a replacement for the slavish drive for GDP growth regardless of its ecological and social costs. There is no greater economic inequality than between people who cannot meet their basic needs and those who have more than they need. A guarantee of a modest level of material security to meet basic needs should be the cornerstone of Social Europe.



CHERISHING ALL EQUALLY: ECONOMIC INEQUALITY IN IRELAND

Nat O'Connor & Cormac Staunton

Nat O'Connor is former Research Director of TASC (www.tasc.ie), the think-tank for Action on Social Change.

THE NUMBERS ARE IN

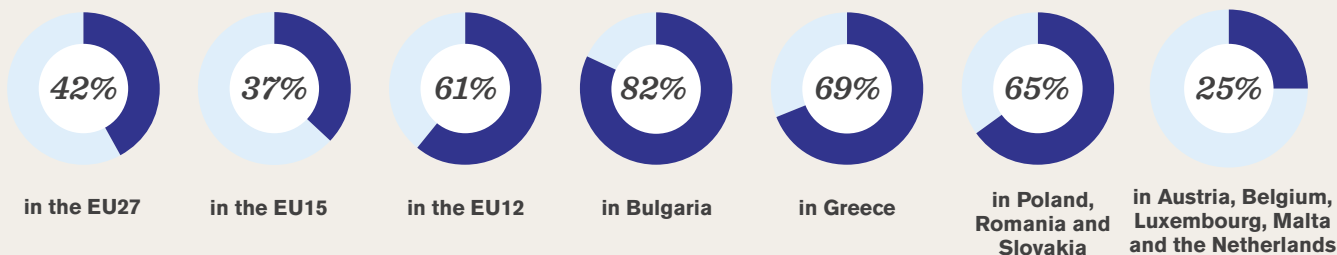
Even though European integration makes progress in narrowing the gaps between member states, various types of inequalities still remain.

Showing striking contrasts between EU countries and rampant inequalities throughout the Union, Eurofound has selected striking figures that underline where Europe can do better.



ACCESS TO HEALTHCARE

Individuals rating long-term care services as 'lower quality' rather than 'higher quality' in 2011:

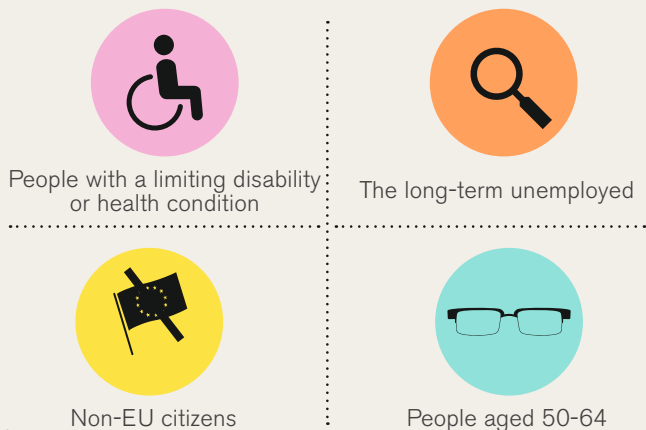


STANDARD OF LIVING

2007 vs 2011

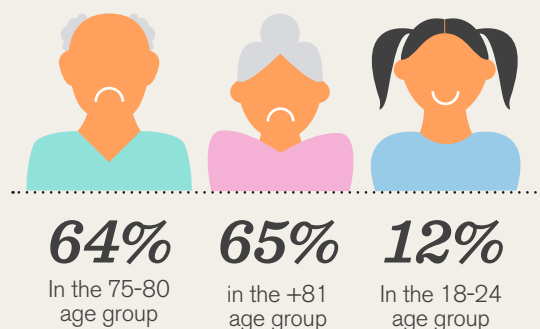
The proportion of the EU population who experienced material deprivation increased between 2007 and 2011.

Above-average increases among



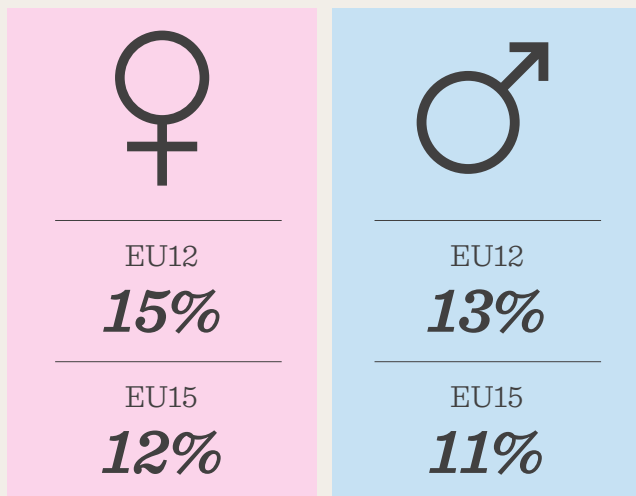
SOCIAL SUPPORT FOR OLDER PEOPLE

Individuals reporting having no social support at the EU27 level:

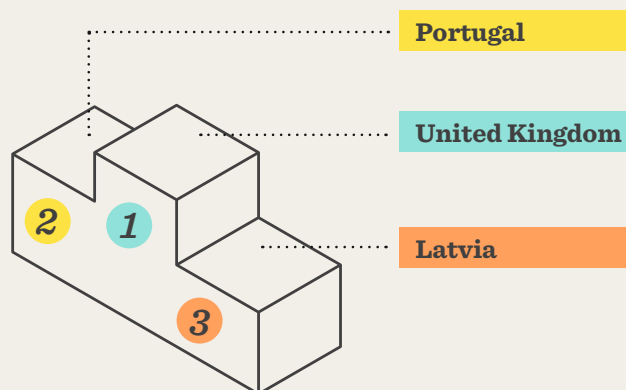


GENDERED SOCIAL EXCLUSION

Women were more likely than men
to report feeling left out of society

**DISTRIBUTION OF WAGES**

Three most unequal countries in the EU
for distribution of wages (when wages are measured
in terms of purchasing power parity)

**YOUTH UNEMPLOYMENT
THIRD-COUNTRY NATIONALS**

2008 ▾ 2012

*The employment
of third-country
nationals has fallen
since 2008, from
8.9 million to
8.6 million in 2012.*

YOUTH UNEMPLOYMENT

Youth unemployment rate



28%

of those aged 15–29 were at risk of poverty
or social exclusion in 2011.



The “too big to fail” theory asserts that certain financial institutions are so large and so interconnected that their failure would be disastrous to the greater economic system, and that they therefore should be supported by the government.

FINANCIALIZATION AND INEQUALITY: A EUROPEAN CHALLENGE

Economists use the term “financialization” to denote the increasing prominence of financial motives and practices within the economy.



by Gary Dymski, Annina Kaltenbrunner,
and Hanna Szyborska

The term captures a range of phenomena: the growth of financial risk taking and speculative operations; the growth in the size of financial intermediaries relative to non-financial firms; the increasing focus of non-financial firms on financial activities and returns; the growing reliance of households on increasingly precarious credit (to either purchase homes, to respond to emergencies, or even to afford the costs of everyday living, such as rising heating and water bills); and more generally the transcendence of financial motives and operations in nearly every aspect of daily life ranging from education and childcare to old age provision and funeral care.

THE RISE OF FINANCIALIZATION AND ITS CRISIS

Financialization emerged due to changes initiated in the 1980s. Prominent among these are the deregulation, liberalization and globalization of finance, the relocation of much manufacturing to lower-wage locations, the shift in focus for many firms from their responsibilities to stakeholder communities to shareholders' financial returns, and the pressures on the public social-welfare provisions that were put in place or reinforced after World War II. The last trend was reinforced by the international mobility of capital: this created an exit option for capital, which pressured governments to adopt market-friendly policies.

The guiding principle of this 'neoliberal' era was that liberating finance would permit an efficient market-based redirection of credit. Capital could be deployed in locations where it was scarce and/or where opportunities for return were greater. A spike in

the number of financial crises in the 1980s and 1990s suggested to some that this logic was flawed, and to others that the process of marketizing finance had not gone far enough. The latter argument won the day and financial markets became even bigger, more "sophisticated" and global. One major invention was the securitization of loans via the "originate and distribute" model, in which loans were bundled together and sold off. This permitted the pricing of riskier loan commitments and the standardization and diversification of risks across regional and even national borders. The focus in the 2000s, in several countries, was on increasing the number of households who could borrow to buy homes. This model had a further consequence: because it involved both the standardization of credit assessment and efficient loan bundling, it accelerated the growth of dominant banks in financial centres.

In Europe, the largest banks have grown to asset sizes sometimes greater than their home-countries' GDP levels. The growth of European banks to global scale has led to global competition. Europe's largest banks competed for market share in derivatives and securities markets, using the highly-leveraged strategies of their Wall Street competitors. The largest banks became so complex that the Basel accords were modified to permit the self-assessment of institutional risk. At the same time, the size and complexity of non-bank financial institutions (the "shadow banks") surged. Households and pension funds shifted their financial wealth from bank deposits to mutual funds and, for the wealthy, to hedge and private-equity funds.

The rapid growth of sophisticated and risk-loving financial institutions built this

brave new financial world on unstable ground. It had three critical flaws: first, it assumed the risks generated in the lending process would be accurately priced, and could be adequately underwritten by market-based firms; second, it assumed that the prices of the assets against which lending was done would not fall; third, it shifted the funding basis of credit from deposits to wholesale funds, often obtained overseas.

In 2006 and 2007, the housing-price growth underlying these lending chains slowed, and then collapsed. This triggered the subprime crisis of 2007-08. The damage done to financial intermediaries by that episode, together with slower macroeconomic growth, then led directly to the European economic crisis. Neither crises were intended by advocates of financialization, but both happened. However, the flaws in this centralized, deregulated approach to finance have been laid bare, as have their profound consequences. Instead of reducing inequality by widening access to capital assets, these innovations in finance and their collapse have worsened inequality in several different ways.

Key Points

- The crisis of financialization has increased inequality and reduced public services.
- Households have had to increase their reliance on high-cost debt, while banks have been rescued.
- A safe and economically functional financial system remains a central challenge.

“IDENTIFYING THE ELEMENTS OF A SAFE AND ECONOMICALLY FUNCTIONAL FINANCIAL SYSTEM REMAINS A CENTRAL CHALLENGE.”

CONSEQUENCES OF THE CRISIS OF FINANCIALIZATION FOR INEQUALITY

First, the crisis engendered a massive fiscal cost in the form of bailout payments to stabilize or rescue endangered banks, especially those deemed ‘too big to fail.’ A 2009 International Monetary Fund report records these representative direct bailout costs: United Kingdom, 18.9% of GDP; Norway, 15.8%; Austria, 8.9%; United States, 7.5%; Netherlands, 6.2%; Greece, 5.4%; Ireland, 5.4%; Sweden, 5.2%; Belgium, 4.8%; Spain, 4.6%; Germany, 3.7%; Portugal, 2.4%; Russia, 1.7%; France, 1.6%. While some portion of these outlays have been reclaimed in some cases, the immediate effect was to increase the burden on the tax-paying publics of European countries and, perversely enough, to generate the apparent need for the fiscal austerity measures that were subsequently implemented.

Second, the rising levels of government debt has put downward pressure on the public expenditures, and especially on public welfare systems. In the UK, for example, the public debt/income ratio doubled due to bank bailouts, leading directly to cuts in welfare and in National Health System expenditures. Since large financial institutions’ salaries and bonuses have contributed mightily to the growth of the 1% that Piketty and Saez have pointed out, this represents a transfer from the bottom to the top of the income distribution.

A third contribution to inequality is that during the time banks damaged in the global financial meltdown are rebuilding their equity and unloading non-performing assets, they are not lending. Indeed, some studies have suggested that hedge funds have been the only source of small-medium enterprise lending growth in Europe. This means that the finance needed to accelerate non-financial businesses’ recovery and employment expansion is compromised. The slow employment recovery that has afflicted most European countries, especially the young, makes households more economically vulnerable.

Fourth, the slowdown in global growth has generated massive cash piles for a select number of large non-financial corporations. Given the lack of global aggregate demand, these corporations have used these funds not for productive investment, but to appease their shareholders, buying back their own equity shares or increasing dividend payments. This has increased the bargaining power of firms and wealth holders over workers, reinforcing the trends toward falling real wages and increasingly precarious working conditions.

This leads directly to the fifth and final impact of the crisis of financialization: the spread of predatory lending as a means of everyday coping. Faced with reduced bargaining power in the workplace, with shrinking public services, and with rising

utility and food bills, many households have had to turn to payday loans or other forms of high-cost debt. Massive increases in household debt have forced people to use more of their scarce income to meet their debt service obligations. The high interest rates charged for these loans are justified by the riskiness of borrowing households; but in an ironic twist, these loans are often financed by megabanks (or their subsidiaries) whose own riskiness has been reduced by public authorities’ quantitative easing policies.

The puzzle now confronting policy-makers in Europe and across the globe is how to realize the gains in opportunity that the era of financialization promised, without again risking crises that lead to even deeper inequality. Identifying the elements of a safe and economically functional financial system remains a central challenge of these times.

Gary Dymski and Annina Kaltenbrunner are faculty members, and **Hanna Szymborska** is a doctoral student, in the economics division of the Leeds University Business School.

RECENT AND LONG TERM TRENDS

in income distribution and wages

In the last years there has been increasing attention to the changes that have occurred in income distribution away from labour incomes, as well as to increasing inequality in personal income distribution: top incomes increase disproportionately, while low and middle incomes have been stagnating.



by Antonella Stirati



The City is the major business and financial centre of London. The UK is now the country with the most economic inequalities in Europe.

© Kloniwski

Top incomes (the highest-income 1% of population) generally consist of incomes from capital and a few very high 'labour' incomes earned by super-managers in large private companies.¹ These trends are common to industrial countries as a whole, and

Europe is no exception.

In the Eurozone, the average compensation of employees (including the tax wedge and social contributions paid by employers) in purchasing power has been stagnating since 2010, and increased very little (0,5 percentage points per year on average) since 2000. It must be noted that this is an average of all kind of wages and salaries of employees, including the high and generally increasing compensations of managers; accordingly, it tends to under-estimate the stagnation of wages of the large majority of non-managerial, low-income employees. Among the latter there are also differences (albeit of much lower import) with atypical workers usually experiencing lower pay.

There are of course differences among countries, which can be to some extent associated to their economic conditions. Some of the countries where productivity grew faster in 2000-07, namely Greece, Ireland, and, outside the Eurozone, the United Kingdom, saw an above average increase in wages up to the crisis, and a decline afterwards, following austerity measures and the fall in GDP. On the other hand, Germany experienced a moderate productivity growth along with a decline in real labor compensations up to 2007 (figures 1 & 2). It would be wrong however to believe that stagnating

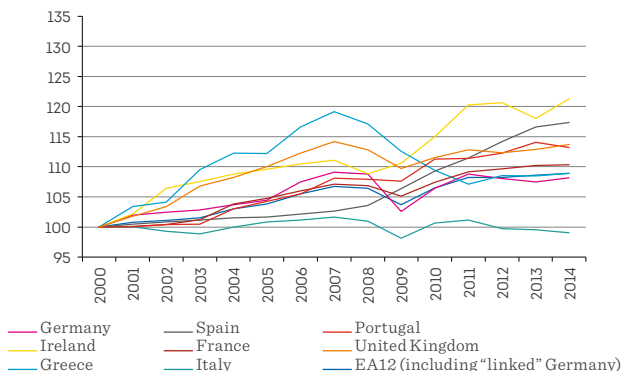
wages are simply the result of slow growth in productivity. If we take a long-run view, some tendencies common to all industrial countries emerge clearly, and show that wages and productivity have not been so closely connected as it is sometimes suggested. In the Eurozone, the ratio between average wage and average GDP per worker has been increasing between the beginning of 1960 and the end of the 1970s (meaning that wages increased more than product per worker) while since then that ratio fell by 20%. As a result, the net returns on capital have been increasing by about 50% between the 1970s and 2007 (figure 3). Afterwards they have lost ground, as a result of the negative effects of the crisis on the intensity of utilization of fixed capital and labour, and not of an improvement in labour compensation. Such long-term trends in primary income distribution (that is, before tax and subsidies from the government) between sources of income (capital and labour) have certainly contributed to increasing inequality in personal income distribution, which in many instances has been further enhanced by diminishing taxation of incomes from capital and high incomes in general.

CAUSES AND REMEDIES

What are then the long-term and most recent causes of wage stagnation? Mainstream economic models predict that normally wages tend to increase with productivity and that national income shares between capital and labour will tend to be stable. The evidence to the contrary has been explained mainly by technical change and international trade (globalization) both tending to make

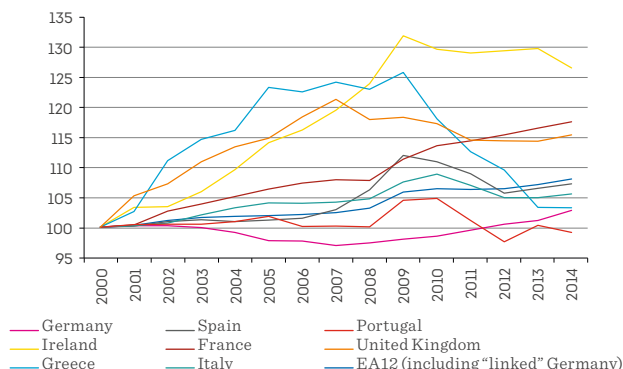
1 REAL GDP PER WORKER, TOTAL ECONOMY

index 2000=100, source: ameco



2 REAL COMPENSATION PER EMPLOYEE, TOTAL ECONOMY

index 2000=100, source: ameco



“WAGES AND PRODUCTIVITY HAVE NOT BEEN SO CLOSELY CONNECTED, AS IT IS SOMETIMES SUGGESTED.”

unskilled labour super-abundant, while at the same time technical change increased demand for skilled labour. This, the argument goes, would tend to increase the gap between the full-employment wages of the two types of labour. These models however encounter a number of theoretical and empirical difficulties, in some cases acknowledged even by the international institutions that base their analyses on these models. The evidence suggests that what has happened is not a widening gap between skilled and unskilled pay, since both have performed poorly, at the advantage of a tiny minority of super-managers and of incomes from capital.

Like many other economists, I believe that at the origin of the observed trends there is a profound change in economic policies and institutional setting that began at the turn of the 1970s, as a reaction to the changes in income distribution and the increasing economic role of the state. In fact, the latter tends to subtract to private capitals opportunities for profitable business in areas such as retirement insurance, health, education, and public utilities. These changes have been well described, particularly with reference to the United States, by several economists of diverse

orientation², and have been taking place in Europe too, with a sharp acceleration after the 2008 crisis and the subsequent push towards austerity policies accompanied by so-called structural reforms, that is, labour market deregulation and privatizations.

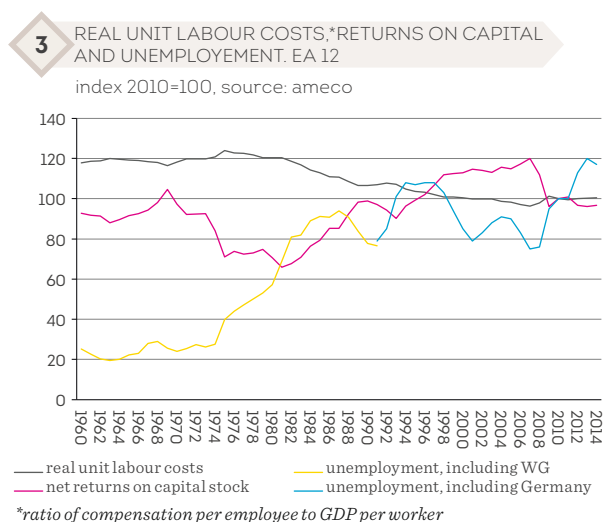
The main transformations initiated at the end of the 1970s have involved changes in monetary and fiscal policies and rules, and profound institutional changes in labour market regulations and the role of trade unions. The combination of the high unemployment generated by the changes in macroeconomic policies, and the institutional changes weakening collective wage bargaining and deregulating labour markets have impaired wages growth, while the high real interest rates between 1980 and the end of the 1990s represented an incentive for firms to search for higher returns on productively invested capital.

THE EUROZONE ECONOMIC PERFORMANCE

According to mainstream economics, such changes in distribution and labour markets institutions should have led to lower unemployment. This however has not been the case in the Eurozone, neither before nor after the crisis. There is increasing evidence that employment protection legislation has no impact on unemployment rates across countries and periods³, while sharp cuts in nominal and real wages after 2008 in some European countries have been accompanied by a huge surge in unemployment.

Following a different, broadly post-Keynesian view of the functioning of the economy the prediction on the contrary is that lower labour incomes (in absolute or relative terms) adversely affect consumption demand, and hence worsen growth and employment. In turn, the lack of GDP growth, or its decline, dampens new investments and hence productivity growth. These views are confirmed by the economic performance of the Eurozone and particularly of those countries where austerity policies and wage cuts have been sharpest. Thus, in a vicious circle, worsening of income distribution along with public budget cuts increases unemployment, and this in turn tends to further depress wages and increase inequality and poverty, with adverse consequences on economic performance.

Given the economic analyses and policies prevailing in the Eurozone





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today, which explicitly propose wage cuts and labour market deregulation as means to recover growth and international competitiveness, the perspectives are indeed gloomy. However, the good news is that since unemployment and low wages are the result of specific policies, a change in such policies could be very effective. The changes ought to be towards non-restrictive budget policies and higher wages in order to sustain demand. Such efforts ought to be particularly strong in Germany: this country carries, in violation of the six-pack European agreement, a huge surplus in its current account, since it has pursued a model of growth based on stagnating internal demand and growing exports. Accordingly, by fostering its internal demand (i.e. private consumption and public expenditure) this country could increase its imports from the rest of Europe and thus help recovery in Europe by making its economy grow more. Unfortunately, changes in this direction are not on the agenda of the European institutions and political leaders.

¹ See Piketty (2014), *Capital in the 21st century*, Harvard University Press.

² See for example: Glynn A. (2006) *Capitalism Unleashed*, OUP; Krugman P. (2007) *The Conscience of a Liberal*, Norton & Company; Pollin R. (2003) *Contours of Descent – U.S. Economic Fractures and the Landscape of Global Austerity*, Verso.

³ Howell D. R., Baker D., Glyn A. and Schmitt J. (2005) *Labor Market Institutions and Unemployment. A Critical Assessment of the Cross-Country Evidence*, in D. R. Howell (ed) *Fighting Unemployment: the Limits of Free Market Orthodoxy*, OUP.



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ABOUT

Antonella Stirati is a professor of economics at Roma Tre University. Her research interests include income distribution and theories of output and employment. She has published a book on classical wage theory and several articles and essays.

THE EUROZONE AND THE GREAT GATSBY CURVE



by Juan Gabriel Rodríguez

The significant rise of income inequality in Europe and the U.S. since the 1970's has fostered a heated debate on the primary driving force behind inequality. On one side,

there is the idea that if the root cause of inequality is technical change, incomes at the top grow much faster than average because talented and hard-working individuals make significant economic contributions, and therefore, increasing inequality should not be a concern.¹ However, on the other side, there is the idea that the fundamental factor for the growing incomes of the rich is the worsening of institutions and rent-seeking, and that the resultant increases in top shares have not translated into higher economic growth and are therefore undeserved.²

Regardless of its origin and merit, higher inequality could hurt economic performance by reducing intergenerational mobility. There would be a significant cost for the economy and society if children from low-income families do not have the equivalent opportunities to develop and apply their talents as their more fortunate counterparts from better off families, who attend better schools and draw on a network of family connections in the job market. The tendency of countries with higher income inequality to be countries where a greater fraction of economic advantage and disadvantage is passed on from parents to children has been coined the "Great Gatsby Curve" by the Chairman at the U.S. President's Council of Economic Advisors, Alan Krueger.³ If this relationship is true, the significant rise of inequality in Europe in the aftermath of the Great Recession will cause an undesirable decrease of social mobility in the future and, consequently, a deterioration of economic performance and opportunity. To throw some light on this, we have recently examined a unique cross-country data set, the International Social Survey Program (1992, 1999 and 2009). The survey asks each respondent to compare his present job with his father's job when he was 16 years old. Job status mobility may be a more appropriate measure of social mobility than earnings mobility because high-income parents may have children who choose relatively low paying high status jobs.⁴

Using a sample of seventy countries, we look for the long-term determinants of upward mobility, downward mobility and immobility in job status across a generation. In particular, we consider income inequality, the degree of development, the level of human capital, the quality of institutions, ethno linguistic and religious fractionalization, the role of government, and social infrastructure.

In accordance with previous literature, better institutions and higher religious fractionalization favor upward mobility, while deterring downward mobility. Additionally, higher levels of past GDP result in less upward job status mobility and more downward job status mobility. Most importantly, we find a clear negative effect of lagged inequality on upward intergenerational job status mobility and a robust positive effect of lagged inequality on downward intergenerational job status mobility. Moreover, the impact of lagged inequality on intergenerational immobility is in general not significant. The rest of the factors are generally not important.

Thus the findings support the contention of the "Great Gatsby Curve", income inequality harms intergenerational mobility. The bottom line for the Eurozone is clear: the significant rise of inequality prevailing in the Eurozone today will cause an undesirable decrease on social mobility in the near future and, consequently, a deterioration of economic performance due to the misallocation of talent and the deepening of rent-seeking activities. This adverse impact on growth will in turn reduce opportunity and increase income inequality again.

Juan Gabriel Rodríguez was Head of Research Studies at the Spanish Institute for Fiscal Studies and now is a professor of economics at Universidad Complutense de Madrid. He has edited two books, "Inequality of Opportunity: Theory and Measurement" and "Economic Well-Being and Inequality". His current research focuses on the role of opportunity and mobility on economic performance.

¹ Mankiw, N.G. (2013) *Defending the one percent*, in *Journal of Economic Perspectives*, 27, 21-34.

² Piketty, T., Saez, E. and Stantcheva, S. (2011) *Optimal taxation of top labor incomes: a tale of three elasticities*, in NBER Working Paper N. 17616; Stiglitz, J. (2012) *The price of inequality: how today's divided society endangers our future*, W.W. Norton and Company.

³ Krueger, A. (2012) *The Rise and Consequences of Inequality*, presentation made to the Center for American Progress, January 12th. Available at <http://www.americanprogress.org/events/2012/01/12/17181/the-rise-and-consequences-of-inequality/>.

⁴ See Clark, G. (2014), *The son also rises: surnames and the history of social mobility*, Princeton University Press.

⁵ See Bishop, J., Haiyong, L. and Rodríguez, J.G. (2015) *Long-run determinants of intergenerational job status mobility*, mimeo. It is available upon request.

VALUING THE DIGNITY OF WORK

In today's world defending the dignity of work is a constant uphill struggle.



by Juan Somavía

Prevailing economic thinking sees work as a cost of production, which in a global economy has to be as low as possible in

order to be competitive. It sees workers as consumers who because of their relative low wages need to be given easy access to credit to stimulate consumption and wind up with incredible debts. Nowhere in sight is the societal significance of work as a foundation of personal dignity, as a source of stability and development of families or as a contribution to communities at peace. This is the meaning of 'decent work'. It is an effort at reminding ourselves that we are talking about policies that deal with the life of human beings not just bottom line issues. It is the reason why the International Labour Organization constitution tells us "Labour is not a commodity." And we know that the quality of work defines in so many ways the quality of a society. So we must begin by helping the working poor step out of poverty and informality into quality livelihoods, self-employment or a formal

job. And that's what our policies should be about: keeping people moving into progressively better jobs with living wages, respect for worker rights, non-discrimination and gender equality, facilitating workers organization and collective bargaining, universal social protection, adequate pensions and access to health care. This is what millions of human beings are telling us worldwide: "Give me a fair chance at a decent job and I'll do the rest; I don't want charity or handouts." It will take longer and require different emphasis in developing and developed countries, but all societies face decent work challenges, particularly in the midst of the global crisis that still haunts us.

Why is this so difficult? There are many converging historical and policy explanations, but there is a solid underlying fact: in the values of today's world, capital is more important than labour. The signs

have been all over the place—from the unacceptable growth of inequality to the shrinking share of wages in GDP. We must all reflect on the implications for social peace and political stability, including those benefitting from their present advantage. Pope John Paul II reminded us "All must work so that the economic system in which we live does not upset the fundamental order of the priority of work over capital, of the common good over the private interest." As Gandhi said, "There is enough for everybody's needs, not for everybody's greed."

But things are changing. Many emerging and developing countries have shown great policy autonomy in defining their crisis responses, guided by a keen eye on employment and social protection, as the 2014 Human Development Report advocates. Policies leading to the crisis overvalued the capacity of markets to self-regulate; undervalued the role of the

"THE QUALITY OF WORK DEFINES IN SO MANY WAYS THE QUALITY OF A SOCIETY."



Greece Bailout - Pensioners chant anti austerity slogans during a protest in central Athens, on Wednesday, May 20, 2015.

State, public policy and regulations and devalued respect for the environment, the dignity of work and the social services and welfare functions in society. They led into a pattern of unsustainable, inefficient and unfair growth. We have slowly begun to close this policy cycle, but we don't have a ready-made alternative prepared to take its place. We are moving into a rather lengthy period of uncertainty with no obvious source of global policy leadership: A period more of muddling through than forceful global decision-making. This is an extraordinary political opportunity and intellectual challenge for the United Nations System. Coming together around a creative post-2015 global vision with clear Sustainable Development Goals can be a first step into a new policy cycle looking at what a post-crisis world should look like. And beyond the United Nations, we need to listen. There is great disquiet and insecurity in too many societies. From polls and elections to people in the streets and increasingly vocal social movements a clear message to governmental and business leaders is coming through: "Your policies are not working for a great majority of us."

And that's why the insistence of the 2014 Human Development Report on reclaiming the role of full employment, universal social protection and the road to decent work is so important. It builds on the existing consensus of the largest meeting of Heads of State and Government in the history of the United Nations. In their 2005 Summit they stated that "We strongly support fair globalization and resolve to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies." So, at least on paper, the commitment is there in no uncertain terms.

Let me finish with one example of the changes necessary for which I believe there is widespread consensus. Strong real economy investments, large and small, with their important job-creating capacity must displace financial operations from the driver's seat of the global economy. The expansion of short-term profits in financial markets, with little employment to show for it, has channelled away resources from the longer-

term horizon of sustainable real economy enterprises. The world is awash in liquidity that needs to become productive investments through a regulatory framework ensuring that financial institutions fulfil their original role of channelling savings into the real economy. Also, expanding wage participation in GDP within reasonable inflation rates will increase real demand and serve as a source of sustainable development growth. Moving from committed minimum wage policies to a much fairer distribution of productivity gains and profits should be a point of departure.

Dreams or potential reality? We shall see, but no doubt this is what politics and social struggles will be all about in the years to come.



ABOUT

Juan Somavía was UN Ambassador for Chile from 1990 to 1999, and then took office as ILO's Director-General until 2012. Michelle Bachelet appointed him Counsellor for Labour affairs in 2013. He is currently UN Special Adviser on Interregional Policy Cooperation.

HOW POPULISM RIDES ON THE LACK *of true debate on inequalities*

In Europe, years of economic crisis seem to have opened the way to increased social inequalities and the rise of populist and nationalist forces. In different European countries, the lack of deep political debate and hasty political communication are also behind the dangerous opening of these two simultaneous Pandora's boxes: populism and social tensions.



by Paco Audije



Nigel Farage from UKIP and Beppe Grillo from Five Star Movement after the 2014 European elections.

© SIPA

The economic crisis occurred first and the social and institutional crisis followed.

The political landscape changed in Greece with

Syriza landing in government. In Spain, the final political picture is still uncertain. In other countries such as France, the Front National (FN) proclaimed itself “le premier parti de France” after the last European election. Another aftershock of the same earthquake? According to Rodolphe Pesce, former French MP and a socialist mayor for many years, “unemployment is an important factor driving the FN vote, but the mainstream FN vote is mainly an absolute rejection of European policies. This rebuke worked against Sarkozy and continues to do so against Hollande. To curb this trend, we have to prove that there is a real possibility to exit the crisis.”

The origin of the political populist reactions may also be found in a growing aversion to the historical mainstream political parties, labour and social-democrats, but also conservatives.

They have nothing in common, but some communications from FN or UKIP generate a similar media impact as those by forces like Podemos in Spain, which are on the left side of the spectrum and cannot be regarded as “populist”. Podemos’s programme is clearly anchored by traditional left-wing claims although its leader, Pablo Iglesias, picked up some political concepts such as “the corrupt caste” from Beppe Grillo’s Movimento 5 Stelle in Italy. Podemos’s initial surge in popularity also came from the popular denunciation of what many consider as a corrupt establishment operated by a two-party system.

“The loss of trust in traditional political forces came in lock step with the disman-

ling of social rights. The tolerance towards corruption has diminished during the crisis because of harsher social suffering. People realise the crisis is real, but that it is also an excuse to dismantle the welfare state”, says Maria Pazos, a social researcher at the Spanish Institute for Fiscal Studies. One victim of this is pro-Europe sympathy, which is largely declining, in at least the six biggest EU countries (as the latest Eurobarometer suggests). There is an upsurge in doubt about the democratic nature of EU institutions and voters’ disaffection is growing.

VICTIMIZATION AS A WEAPON

German and Nordic public opinion seems to have shifted towards the belief that they are the only ones to pay for the Mediterranean financial chaos. On the other side, large swathes of the Spanish and Greek public believe they are the victims of an inflexible Europe controlled by Berlin. Southern Europeans decry a kind of authoritarian giant living in Brussels and Berlin who is insensitive “to social costs and social deficits.” Populism colours all aspects of this process, both North and South, with different ideas about who is most a “victim”. Victimisation is a clear ally of populism. Social gaps are widening in many countries. Maria Pazos answers that all inequalities are related. In her view, immigrants and gender aspirations are

hindered not only by the economic crisis, but by predominant conservative ideology: “We cannot make progress toward gender equality if the welfare state is crumbling. Here in Spain, but also in Germany, there is a conservative tendency to ignore individuals and to take decisions based on the “family” paradigm. This is why many women’s groups were forgotten during the crisis. For instance, we can cite the plight of domestic employees, who are mostly women and frequently immigrants: the reduction of pensions has punished them in particular, because they have sporadic contracts and are more likely to only be able to afford irregular contributions to the social system. Immigrants also contribute erratically. As a consequence, both groups are frequently obliged to work in the black economy, which is bad for all of us.”

According to Pazos, these groups become quickly “invisible” to the administration. Populist forces seem to fish largely into the waters of the average Joe who mistrusts these so-called “invisible” groups. In this sense, the new face of our societies has been met with anguish by part of the traditional electorate. They do not understand – or in some cases, they simply do not accept – the way new groups emerge demanding their rights. These unyielding citizens refuse to acknowledge how others rise to the surface through their political activism and media presence. >>>

“THE IMMIGRANTS AND GENDER ASPIRATIONS ARE LOWERED NOT ONLY BY THE ECONOMIC CRISIS, BUT BY A PREDOMINANT CONSERVATIVE IDEOLOGY”.



RE-INDUSTRIALIZATION AND MIGRANTS INTEGRATION SHOULD BE DEBATED AT LONGER TERM



interview of Andrea Rea

Queries: What is your view on social inequalities in Europe, what are the differences between the North and South of the EU?

Andrea Rea: The inequalities have their roots not only in salaries, but also in estate and property. The four Mediterranean countries and those of Eastern Europe, of course, are not the same as the North. The inequalities can be similar, but the way they are treated through education, pensions and healthcare is very different. In Spain, Greece and Italy, industrialisation took place later in time; the same goes for the more recent deindustrialisation process. Of course, we have xenophobic forces in the North and South. When deindustrialisation took place in the North, they had more integrated immigrants. In the South, solidarity is recent and more difficult to build. But in my view some conflicts can be a factor of integration, although we live a competition between different types of victims. The foreigners are victims more than the local population. We are in a logical process of victimisation to gain access to what is produced, which is not enough for all to share. In this context, the paradox may be that political, financial and economical elites are disappearing from this fight for welfare benefits. Those who have the least are competing more between themselves. In other periods, they were traditional allies, not competitors.

Q: Where are the mainstream political parties? What role do they play?

AR: Political careers develop only through the idea of re-election. Nothing is really debated on what to do for the next 20 or 30 years. This permanent short-term view hides the future, so the signs of disintegration seem more visible than integration and the decisions taken have less social impact. The real problem becomes not how to integrate the immigrants, but how to integrate the richest. Google, Starbucks, etc., avoid paying taxes without any major furore among the people, despite the fact that they pay less than the local shopkeeper. Apart from those multinationals, there are also the big individual wealth holders, who grew even richer during the crisis. The bourgeois do not play the civilizational role they use to. Their mind-set is aimed at avoiding sharing any part of their wealth. The notion of common social good is disappearing.

Q: What about the political reactions in the different countries? Are we in the midst of an identity crisis?

AR: Take the case of the UK. Labour and conservatives together do not represent the full range of perspectives and viewpoints in society. They look out of breath. Syriza and Podemos can be considered populist in terms of the way they communicate, but they have typical left-wing programmes. For the extreme right and the nationalists, the most important thing is their national wealth as a whole. This is why when they arrive in government (such as in Austria), they are unsuccessful because they fail to take into account social complexity. This could be the case of the FN's brand of populism in France, the North League in Italy, or the New Finns and their counterparts in Denmark. The Scottish and Catalan nationalists have other aims, which include a real political programme to create a new independent state. We cannot situate them at the same level as the populists. Populism mainly thrives on capturing a part of the former Left popular vote. The problem of short-term communication impoverishes the debate. We have no glimpse of real political programmes. Nowadays the question should be, do we follow in the footsteps of the US and reindustrialise Europe? Should Europe focus on offering services, leaving reindustrialisation to developing countries? Our politicians should face up to all those debates.



ABOUT

Andrea Rea is Dean of the Faculty of Social & Political Sciences at Free University in Brussels, Director of Group for Research on Ethnic relations, Migrations and Equality (GERME) and author of books about international migrations, integration and the far-right in France and Belgium.

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Marine Le Pen's May Day speech in Paris at a rally hosted by France's National Front party.

They see themselves as being in danger of losing their jobs and their way of life. Populist discourse tends to “make sense” for these self-proclaimed “normal people”. They often raise the following question: “how do gays and lesbians, immigrants, religious and ethnic minorities, new social dissenters of all kinds, dare to occupy so much space in the public sphere?” The UKIP in the United Kingdom, the FN in France and the Finns Party in Finland have all leveraged this worldview for political gain. They reinforce the fears of job losses – not difficult in the midst of a crisis – and the possibility of losing their “national identity”.

“We have not succeeded in giving the right answers to ease these anxieties. In my own city of Valence, there are only a few veiled women, but for some people they continue to be a shocking cultural phenomenon. People wonder: ‘What changes are in store for our country?’ These types of questions are flourishing after the terrorist attacks in Paris and security concerns,” says Rodolphe Pesce.

THE MEDIA ISSUE

These concerns flow through networks and social media without any serious debate. The politicians are trapped by their electoral agendas and permanently tempted by the media to say anything about everything.

Rodolphe Pesce, who has more than three decades of political action behind him, analyses the problem: “Politicians use the media to exist. On many occasions, they don’t have much to say but the rise of social networks and all-news television channels, at least in France, obliges them to provide quick-fire answers to tailor-made questions. Then the same reporters will look for someone to express the contrary. They have to capture viewers’ immediate attention. The result is that there is no real exchange of ideas, only widespread scepticism. Many positive decisions become negative. Simultaneously, millions of people speak by themselves in social networks. A lot of false or provocative information is circulating. The populist forces have a large, sometimes easy, space to introduce

their proposals. Many manipulations are taken as an evident truth.”

Pesce believes the FN under Marine Le Pen continues to be dangerous when preaching the euro-exit or when assuming old extremists slogans, but at the same time he regards it as a political mistake to describe them simply as “fascists”. This has no political impact on voters anymore. For Pesce, the FN is in the process of moderating its proposals. The same shift appears to be happening in the Nordic countries. Kaia Storvik, from Norwegian think tank Agenda, says:

“The experience in Norway with the Progress Party [ed. considered right-wing populist] is not only that they have slowly moderated their voice since the party was founded two decades ago, especially since they joined a coalition government with the conservatives. Their supporters have also decreased in number in our country, which has not been punished much by the crisis. This may have been due in part to their neoliberal approach to taxes, which influenced some cuts related to our welfare state. People experienced a partial but certain increase of inequalities with them in the coalition.”

José Ignacio Torreblanca (European Council of Foreign Relations, Madrid) connects the dots between the political systems, corruption and inequalities: “In Spain, as in other countries, voters are linking their difficulties with the predominant two-party system. Add to this their recent experience with the crisis and the rise of inequalities with the news related to financial scandals. Frequent reports about corruption are the strongest spark for the rise of populist ideas”.



THE MAINSTREAM PARTIES HAVE TO ANSWER THEIR VOTERS



interview of Mari K. Niemi

Queries: How do you consider the evolution of the Finns Party (former True Finns) and their nationalist-populist rhetoric?

Mari K. Niemi: In 2011, in one night, they jumped from 5 to 39 parliamentary seats. It means that a huge bunch of new politicians were quite or totally inexperienced as such. After the last elections, they have not become bigger but just more mature because they have now more parliament experience.

Q: Part of their growth was based on their speech about social inequalities and immigrants...

MN: True or not, populist parties base their rise on a feeling of citizens who feel left behind. Sometimes, their old jobs are fading away. They think the social-democratic parties, and others as well, do not speak for them. On one side, populist parties pretend to be near the traditional values against new visible groups such as gay or lesbian, or immigrants, on the other hand they just pretend to speak as the voice of workers and losers of this crisis.

There is also a kind of nostalgia against liberal values, as well in Finland and in UK. It's like saying 'once upon a time men were men and women were women, the workers were proud and they provide for their families'.

These voters feel they do not speak the modern 'languages' – nor the language of the immigrant living next door, maybe neither the language of the global digitalised social media or the new language of their labour market. They attach to some core values like 'family'. They do not necessarily understand or they are not ready to accept the groups that are now more visible in our society. They feel the Earth is moving under their feet.

Immigrants are part of that move. When they lose their jobs, especially people with lower education, they can hardly find new ones, as their old factories or shipyards in Finland shut down. Sometimes, the mainstream parties let the populists initiate the right debates.

Q: But how do you explain this new mistrust against the political parties they use to vote for?

MN: The question now for these citizens is 'who am I?', on one side, and at the same time, 'do I have to accept all those changes

when there are other important things for me, like my job?' People feel more vulnerable because they are not sure to provide for their families and many things change at the same time. The ground seems to move all over under their feet. The result is not only insecurity and hostility.

The populist parties announce nostalgia, a come back to a mono-cultural haven of the past, an ideal world now gone. Of course they cannot go backward, it is not possible, but the Finns party has got some success in mobilising voters who did not vote before. In a certain sense, they found the topics, the language and the tone to speak to them.

In Finland, as in the UK, social-democrats and Labour maybe did not assume the worries of some of their voters, for instance about immigration. They did not accept it as a topic because this did not fit within their ideology and they were not eager to engage about these topics. This has been a great mistake. It does not necessarily mean they have to become anti-immigrants parties.

But you cannot just say to those voters: "Hey, you are wrong!" You have to debate it. The mainstream parties have to answer their voters, because if they do not, somebody else will pretend to hear them.



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ABOUT

Mari K. Niemi is a senior researcher at the University of Tampere (Finland). She is a visiting scholar at the University of Strathclyde (UK) and the author of several works about political leadership and populism, mainly related to Finland and the UK.



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COHESION IS KEY TO FOSTERING GENDER EQUALITY

While the gender pay gap has shrunk in recent years, many European women have benefited little. Indeed, women have been adversely affected by changes in the labour market wrought by neo-liberalism, while their social position means they have often been hardest hit by post-crisis austerity policies.



by Diane Perrons

W

e continue to find a kind of stereotypical gender distribution in the EU labour market in which men are more likely to be in

occupations involving money or machinery.

Women are more likely to be involved in what are called the five Cs: caring, cleaning, cashiering, catering and clerking. This reflects very deep-seated and enduring cultural norms. There are no concrete walls or armed guards barring women's access in the labour market in the Western world. However, cultural boundaries seem to reinforce and uphold existing practices, so people tend to choose jobs that are congruent with their gender. This becomes normalised through repeated practices and performances, while the level of pay associated with such jobs also becomes normalised.

On top of these factors, neo-liberalism has led to a number of changes in the labour market,

which have been to the disadvantage of women. Deregulation has brought about an increase in all kinds of flexibility and this has particularly affected those in low-paid jobs; given that women are disproportionately over-represented in these kinds of jobs, they have suffered disproportionately.

GENDER GAP WIDEST AT TOP

The gender pay gap may be declining but it is still very prevalent and will take a long time to dissolve if current trends and practices persist. So-called Equal Pay Day fell on February 28 last year, meaning that, given the average pay gap, women work from January until the end of February virtually for no pay. One of the reasons for the shrinking of the pay gap has been the deterioration in low-paid men's incomes. The position of many women has not actually improved; that of men has simply worsened. Men at the lower end of the scale have seen barely any increase in their earnings in the last 20 years

Key Points

- Gender distribution on the European labour market reflects deep-seated and enduring cultural norms.
- The gender pay gap has slowly been declining but this is not all good news as it reflects the decline of male incomes at the lower end.
- Only by placing cohesion on an equal footing with the economy can the EU foster gender equality.

“ONE OF THE REASONS FOR THE SHRINKING OF THE PAY GAP HAS BEEN **THE DETERIORATION IN LOW-PAID MEN’S INCOMES.**”

or so. Men at the very top, by contrast, have seen their incomes expand hugely – and the gender pay gap is far wider at the top of the pay distribution than it is lower down. This is not to say that women who have gained qualifications and are in more senior positions are not better off than they would have been 20 years ago. However, some women are no better off, so it is very uneven.

If you look at the European economic recovery plan in the context of the recession, and the subsequent austerity policies that countries introduced, very little attention has been paid to gender issues. Women have tended to suffer more than men as a consequence of austerity, simply because of their social positioning. They are more likely than men to be employed in the public sector, which has experienced cuts in Greece and elsewhere. In addition, women are more likely to be direct users of public services and also end up having to perform work that is no longer done by the State, such as when in the United Kingdom Sure Start nurseries had their budgets sharply cut. Indeed, in the UK it has been estimated that something like 70 or 80 percent of the effects of austerity have been experienced by women.

SOCIAL POLICIES COME SECOND

The EU looks at economic and social policies quite separately, which I believe is a problem. Equal opportunities policies operate on three levels. On one hand, you have legislation; equal pay has been enshrined in EU treaties ever since it came into being, so there is a legislative commitment to equal pay for work of equal value.

Secondly in the mid-1990s gender mainstreaming was introduced under which, in theory, all policies and programmes should be looked at in terms of their gender impact. In addition to that the EU has specific actions to devote policies to particular issues of very high-level inequality. So the legislation is in place to redress these norms and to try to create equality and a different world. The problem is that implementation, the third level, is very uneven. Social policies in general, including gender policies, are subordinate to economic policies. In the 2000s, when the economy was growing, equal opportunity policies were very much linked to the employment strategy, whereas now they are much more marginalised in mainstream economic thinking. The Stability and Growth Pact dominates European policy-making and that tends to have negative outcomes for women. That arm of the EU is very much within the neo-liberal agenda, whereas strategies for gender equality in a sense counter that and operate in a different direction. If the EU objectives for economic and social cohesion are to be secured then it is critical to stop various economic policies, such as the Stability and Growth Pact – which reflects a particular set of

“NEO-LIBERALISM HAS LED TO CHANGES IN THE LABOUR MARKET WHICH HAVE BEEN **TO THE DISADVANTAGE OF WOMEN.**”



economic ideas – turning into laws. Countries have to abide by EU economic strategies, which are very much shaped by a neo-liberal agenda. States have greater freedom with respect to social policies but until economic policies take account of social outcomes and priorities, social policies can at most be palliatives, or 'sticking plasters' as they are unable to address the root cause of the problems they are expected to resolve.

CRISIS, A MISSED OPPORTUNITY

The economic crisis was potentially a point for change. However, that did not happen. In fact, there has been a retrenchment to old ways of thinking that are not to the advantage of women. One positive is that among young women there is a sense that they deserve more. Their activism is often linked to the domestic violence agenda and the sexual stereotyping that goes on in the media. These young women have energy and I would like to see them combine it with some understanding and discussion of the economic policies that in my view are equally as detrimental

to women's futures. Gender experts in the EU produce regular economic analyses and there is no shortage of knowledge or ideas for policies. But it is a question of the willingness to implement them and at the moment that is sadly lacking. If the European Union is aiming to bring about some kind of social and economic cohesion then it is critical that it pays attention to gender equality. However, equal opportunities policies wax and wane according to the state of the economy; when the economy is seen to be in crisis then gender issues tend to be sidelined. The EU tends to think about gender in very much an instrumental way. However, the intrinsic case for the justice of gender equality needs to be made and at the moment that does not seem to be on the agenda. Unless the EU recognises that the purpose of the economy is to provide for society, rather than society working away to propel the economy, I think there will always be a problem. Cohesion needs to be given equal weight to the economy – when that happens there will be a much greater chance of gender equality.



ABOUT

Diane Perrons is professor of Economic Geography and Gender Studies at the London School of Economic, where she is also director of its Gender Institute. Her research and teaching focus on the gender dimensions of economic equality.

IT IS POSSIBLE TO ELIMINATE TAX HAVENS

if the political will exists to do so

Camille Landais is severely critical of the growing influence of tax havens and is particularly disapproving of the lack of any real response in France and in Europe as a whole, even though, as he explains, eliminating such loopholes is both vital and possible.



Interview by Jacques Docquier



Luxembourg is a controversial tax haven in Europe.

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“THE CAMPAIGN TO TACKLE TAX HAVENS LARGELY DEPENDS ON US, CITIZENS, RESEARCHERS, JOURNALISTS: WE MUST ALL RALLY TO MAKE THINGS CHANGE.”

Queries: What part do tax havens play in the European and global economy?

Camille Landais: As things stand, tax havens are flourishing. In his book *The Hidden Wealth of Nations*, Gabriel Zucman estimates that a record-breaking total of around 8% of the global financial wealth of households is held in tax havens. Never before has so much wealth been held in these places, which ensure complete financial opacity as to the identity of asset owners.

Tax havens are nothing new. Yet never have they thrived to such an extent. In the EU, the percentage of assets held in such places is even higher, bordering on 12%, which represents €350 billion for France alone, half of which is thought to be in Switzerland, although things have changed in terms of location over the past year or two. And the figures keep growing. The same phenomenon can be seen in all developed countries, even if they all have their own tax havens.

Q: Has Europe delivered an appropriate response to the problem?

CL: The United States recently implemented a series of drastic-yet-effective measures, proving that it was possible to make Switzerland back down on the issue of bank secrecy. France and Germany, which are much more exposed to the problem of tax evasion, could have done the same had they demonstrated equal determination. Europe lags behind in tackling tax evasion for a number of reasons.

Q: How do you explain Europe's passivity?

CL: First, because it has yet to speak in unison on the matter, as it has failed to do on many other issues. Yet its shortcomings are to an even greater extent due to the fact that Europe still has not managed to define exactly what constitutes and leads to this financial opacity. The problem is compounded by the fact that the current Commission president, Jean-Claude Juncker, has built an entire career on the notion that a tiny European country like Luxembourg is quite warranted in dealing in tax optimisation and evasion, which makes you wonder whether he is really in a position to put forward laws to remedy or end the system. He rejects the idea that Luxembourg is a tax haven, even though there is no longer any doubt over the matter.

Q: How would you define a tax haven?

CL: Europe has to admit that any country that has laws that mask its tax system in a manner that facilitates tax dodging is a tax haven. To a certain extent, the UK also falls into this category, given the special status it grants to residents living in the country, which allows them to avoid paying taxes on income not generated on British soil through the system of foreign income for 'non-domiciled' residents. The goal is not to reduce taxes as such but to attract capital and talent to the country. Many countries that attempt to attract companies and individuals through more favourable

tax systems could be deemed tax havens but it is the opacity of their legislation that makes all the difference.

Q: To what extent do tax havens exacerbate economic inequalities?

CL: To benefit from the opportunities they offer, you need to have some assets to tuck away. It tends to be those with the most assets who use such systems. Once hidden, either entirely or in part, then the income generated by these assets will circumvent the tax system and offer a higher yield than taxed assets. These differences in yield further exacerbate initial inequalities.

Q: Are the richest companies the ones that benefit the most?

CL: Multinationals take advantage of the complexity of international rules on taxing profits, which leave massive loopholes that are subsequently exploited to dodge taxes through tax havens. Even major French state-owned corporations sometimes take advantages of these opportunities, despite the fact that the government, as a shareholder, should emphatically condemn such practices.

Q: How could we tackle the problem more effectively? Is it possible to eliminate tax havens?

CL: Combatting these tax havens, which deprive governments of substantial sums while exacerbating inequalities between citizens, is both a legitimate and necessary

course of action. Often, the search for tax havens goes hand in hand with the search for tax optimisation, which itself benefits from the existence of tax havens in the same way that those tax havens use tax optimisation to make the entire system as opaque as possible. In the end, when countries facilitate tax optimisation through specific rules, they also encourage an increase in complicated, cross-border financial arrangements, which makes the task of monitoring bodies all the more difficult.

Q: Though, is it possible to eliminate tax havens?

CL: Yet it is possible to eliminate tax havens. That can be done by establishing ownership records, akin to land registries that show which building belongs to which person, except that the system is applied to all types of property. Then, if a person holds shares in a company in the Cayman Islands, the firm will be required to reveal all information about its owners—the ultimate weapon against tax havens being the creation of this transparent information. And it can be done: the information is there; it is simply not centralised, which makes any sort of control or inspection extremely difficult.

Q: Isn't it a matter of political will?

CL: Europe and all countries affected by the problem can successfully tackle the issue if they have the political will to do so. However, it is not a matter of claiming the

problem has been dealt with, as President Sarkozy did on a number of occasions. We need to ensure we have the means to take action by paving the way for retaliatory measures if nothing changes, which could be in the shape of customs duties imposed on recalcitrant countries. Yet Europe continues to be handicapped by the unanimity rule in such respects, which ends up being anti-democratic.

Q: Do you feel there has been sufficient effort to tackle tax havens, especially in France?

CL: It is crucial that public opinion grasp the scale of the problem. The campaign to tackle tax havens largely depends on us, citizens, researchers, journalists: we must all rally to make things change. It is a matter of politics and social responsibility that should loom larger in our minds. In France, I find it outrageous that François Hollande should visit Switzerland and claim that the tax problem with the country has been solved when it absolutely has not. I am sorry to see the French president so elusive on the issue after long covering for a budget minister who had a Swiss bank account yet claimed he didn't like the wealthy—which is ridiculous—instead of doing his utmost to prevent certain people from exploiting the system.



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ABOUT

Camille Landais is a French economist specialising in unemployment benefits, taxation and economic inequalities. Along with Thomas Piketty and Emmanuel Saez, he is co-author of the book *"Toward a fiscal revolution. An income tax for the 21st century"*.



Joseph Stiglitz, the 2001 Nobel Memorial Prize in Economic Sciences laureate.

INEQUALITY, WEALTH, AND CAPITAL

*Inequality has become one of the major debating points among economists—not a surprise given the large increase in inequality over the past 35 years. What are the reasons that the rich are getting richer and what impact does this have on the rest of society?
What can we do about the growing inequality?*



by Joseph Stiglitz

“WORKERS’ BARGAINING POWER HAS BEEN FURTHER WEAKENED BY THE ASYMMETRIC RULES GOVERNING GLOBALIZATION: CAPITAL AND GOODS MOVE FREELY BUT **LABOUR DOES NOT.**”

The enormous increase in inequality in many advanced countries over the past third of a century has been extensively documented,

including most recently by Thomas Piketty in his justly celebrated book, *Capital in the Twenty-First Century*. He

focuses on the growth of income and wealth at the top. Others (including me, in *The Price of Inequality*, and more recently, in *The Great Divide*) have noted the many other dimensions of inequality—including the increase in poverty in the bottom and the evisceration of the middle. And there are many other aspects of inequality, for instance, in health, access to justice, and exposure to environmental hazards.

There is a growing understanding that inequalities in income and wealth cannot simply be explained by the standard economists’ competitive equilibrium model. As I wrote in a recent Roosevelt Institute report (co-authored by Nell Abernathy, Adam Hersh, Susan Holmberg, and Mike Konczal) *Rewriting the Rules*, “Inequality is not inevitable: it is a choice we make with the rules we create to structure our economy...” These choices have resulted in economies marked by greater divisions and poorer performance. There is more rent-seeking and less productive investment. Firms behave in a short-sighted way. While trickle down economics argued that everyone gains from the productive efforts of those at the top

for which they are justly rewarded, this alternative theory suggests that what has been going on is worse than a zero sum game: their gains have come at the expense of the rest—and of overall economic performance. This is a somewhat different view of inequality than that which is at the centre of Piketty’s recent book. He argues that the main driver of inequality is the tendency of returns on capital to exceed the rate of economic growth.

THE DIFFERENCE BETWEEN WEALTH AND CAPITAL

Most readers of Piketty’s book get the impression that the accumulation of wealth through savings is almost entirely responsible for the rise in inequality and that there is, therefore, a link between growth of the economy—the accumulation of capital—on the one hand and inequality and wealth on the other. Piketty tends to use wealth and capital interchangeably. But wealth and capital are two distinct concepts; the former reflects control over resources, the latter is a key input into production processes. Much of the increase in wealth that can be observed from the 1990s onwards does not correspond to a rise in productive capital. More and more money was lent to investors who mainly did not use it to create new businesses or make productive investments in existing businesses, but to speculate in already existing assets, thereby pushing up asset prices.

More generally, a large fraction of the

increase in wealth is an increase in the value of land, or the capitalized value of other rents, not in the amount of capital goods. Such increases in “wealth” do not in general lead to an increase in productivity of the economy nor increases in wages. Indeed, they may have just the opposite effect.

By “land”, I am referring primarily to the value of urban land, rather than agricultural land. Broadly, rents associated with natural resources are also included. For example, suppose that valuable real estate is owned mostly by the rich. If this real estate becomes more valuable, the wealth of the country increases, but wealth also becomes more unequally distributed. Moreover, more unequal wealth distribution spills into a more unequal income distribution because income includes higher imputed rent for the real estate owners whose housing has gone up in price and who have not sold it. But simply because the price of land in the Riviera or Southampton has gone up does not mean that the French or US economies have become more “productive.”

The capitalisation of the increase in other kinds of rents also increases the wealth/income ratio. Such rents include monopoly rents of firms or the “exploitation” rents of the banks. If, for example, the financial sector convinces Congress that it is a good idea to bailout too-big-to-fail banks and repeal the Glass-Steagall Act which then makes it easier for banks to become too big, then the implicit rents that are associated with the bailout get capitalised in the banks, and



People listen to an Occupy Wall Street anniversary concert in Foley Square in New York.

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show up as an increase in wealth in the stockmarket. But there are negative effects—the implicit liability to the government and the public, and the higher taxes that may have to be levied to fund the bail-out. But these changes in the wealth of taxpayers do not show up on the national balance sheet; all that is recorded is the increase in the value of bank stocks. Thus, this change in banking regulation has a negative effect on the economy, and yet it appears as if the wealth of the economy has increased.

In recent years, monetary and financial authorities allowed—through deregulation and lax standards—banks to lend more, but much of that money did not go for creating new businesses or increasing the stock of capital goods. The effect of the expansion of credit has actually been an increase in the value of land and other fixed assets.

Thus, the real capital stock has not increased as much as wealth; in some cases, the two variables (especially when measured relative to income) have moved in different directions.

This has repercussions on income inequality: if more of the savings of the economy lead to an increase in the value of land rather than the stock of capital goods, then worker productivity and wages stagnate and might even go down. Equally important, however, is how changes in financial regulations and monetary policy can lead to more wealth inequality. For instance, an increased flow of credit combined with a change in regulation that allows more lending against collateral will lead to an increase in asset prices that can be used for collateral, such as land; those who hold wealth become wealthier. Those who have little or no wealth do not benefit (or benefit very little) from that kind

of credit expansion. Similarly, quantitative easing led to high stock prices — benefiting the owners of equity, disproportionately the very rich — but the low interest rate on government bonds hurt the elderly who had invested (they thought) prudently in government bonds.

Indeed, with life cycle savers holding their assets in different forms than capitalists who pass on wealth from one generation to another, the old distinction between “capitalists” and “workers,” or even creditors and debtors, may be less relevant in analysing the impact on inequality of different policies than that between “holders of equity-assets” and “holders of debt instruments.”

WHAT CAN BE DONE?

How can we prevent inequality from getting worse? What can we do to reduce inequality? The question can be divided into three

parts: What can we do to reduce inequality of before-tax and transfers income? What can we do to improve the after-tax and transfers income distribution? What can we do to increase equality of opportunity?

There is some evidence that the power of the 1 per cent to exploit the rest seems to be increasing. This is partly the result of changes in technology and globalization; but the rules governing the economy and the policies adopted by governments (often under the influence of the elites) have played equal or more important roles. Markets do not exist in a vacuum, and we have shaped markets in ways that often do not promote efficiency but do increase inequality.

The ratio of wages to productivity is going down and the ratio of CEO pay to worker pay has gone up. The bargaining power of workers declined as unions got weaker. Workers' bargaining power has been further weakened by the asymmetric rules governing globalization: capital and goods move freely but labour does not. Corporate governance laws provide relatively little check on abuses of corporate power by CEOs. In some critical sectors of the "new economy" monopoly power increased because of network externalities.

There are numerous policies that could help reduce before tax and transfer inequality: higher minimum wages, stronger unions, better education, and better anti-trust and corporate governance laws and stronger enforcement of the laws we already have. Progressive tax and expenditure policies can help undo the effects of the increase in market income inequality. Unfortunately, in some countries, such as the United States, rather than "leaning against the wind," just as market incomes became more unequal, the tax system became less progressive. Indeed, at the very top the tax system is regressive: as Warren Buffett

"GOOD PUBLIC EDUCATION SYSTEMS IS A STRONG CENTRIPETAL FORCE, BRINGING SOCIETY TOGETHER AND REDUCING INEQUALITY."

famously pointed out, he was paying a lower tax rate (on his reported income) than his secretary. He was right to suggest that this was wrong. And, unfortunately, his experience is typical of the very rich.

When thinking about policies that are intended to reduce inequality of wealth, it is important to bear in mind what economists call "incidence" of taxes and expenditure. There are often indirect effects of such policies, and sometimes these can undo the direct effects. For instance, if most of the savings is being done by capitalists, and the return on capital is taxed, then investment could decline. That could mean, over the long run, that the rate of interest would go up and wages might decrease, undermining the intent of the tax to reduce inequality. If, however, the government invested some of the tax revenue itself, these adverse effects might not occur: the rate of return on capital might not rise and wages might not fall. We can think of the degree of inequality in the economy as resulting from a balance of centrifugal and centripetal forces—of forces that lead to a more equal distribution and forces that lead to a more unequal distribution. Preventing an increase in centrifugal forces and strengthening centripetal ones provides a framework for policy prescriptions. For instance, good public education systems—with strong pre-school programs and good access to university education, regardless of the income of one's parents—

is a strong centripetal force, bringing society together and reducing inequality. In many countries, however, the education system is one of the important mechanisms for the intergenerational transmission of advantages. For instance, in the United States more is spent publicly on the education of the children of the rich than on that of the poor, the result of a largely locally funded and managed elementary and secondary school system. Similarly, a strong system of inheritance taxation is important for the prevention of the creation of an inherited plutocracy.

Such policies have the further advantage that they not only lead to equilibrium with lower inequality, but they increase equality of opportunity—strengthening what should be a fundamental value in a progressive society.

ABOUT

Joseph Stiglitz is University Professor at Columbia University in New York and the winner of the 2001 Nobel Prize for Economics. He was chairman of the U.S. Council of Economic Advisors under President Clinton, and then joined the World Bank as chief economist and senior vice president. He's cooperating with FEPS since 2007 through the Initiative for Policy Dialogue (IPD).

INEQUALITY AS AN OBSTACLE to health and happiness

Worries about how we are seen and judged by others are such powerful sources of stress that they damage health and wellbeing. The more hierarchically a society is, the greater the status anxiety and the more stressful social contact becomes. Hundreds of studies show the powerful impact of social relationships on health.



by Richard Wilkinson

Inequality is bad for people's health. Everybody's health. Intuitively, many of us know very well how inequality, inferiority, or being judged negatively, can feel. There are deep evolutionary roots to our sensitivity to social status. In animals you can see how important social rank is for access

to scarce resources and reproductive opportunities - that's why humans have evolved a sensitivity to social hierarchy.

That doesn't mean we always have to live in hierarchies. Our prehistoric hunter-gatherer ancestors were predominantly egalitarian. Only since the beginning of agriculture have humans lived in hierarchical societies. Yet in any species there is the potential for terrible conflict because members of the same species have the same needs. We can fight for everything: food, clothes, jobs, housing, sexual partners or – among animals – for nesting sites or territories as well. But as humans, we also have the opposite potential: to be each other's greatest source of cooperation, learning, love and assistance. This means that other people can be the best or the worst: the best source of help and security or the worst threat. It is because the nature of social relationships has always been so crucial to human wellbeing that friendship

and good relations are – as research now shows – highly protective of health while bad relationships are stressful and damaging. Inequality and hierarchical ranking systems are damaging to health and wellbeing because they reflect social systems in which, in place of reciprocity, people fend for themselves, regardless of the needs of others.

QUALITY OF SOCIAL RELATIONS CORRELATES TO QUALITY OF HEALTH

This is not about absolute living standards. It's about where you come in the social hierarchy and the scale of the socioeconomic distances between us. The effects of dominance and subordination are evident in everyday life. As we showed in our book, *The Spirit Level*, inequality increases what psychologists call the "social evaluative threat". Violence becomes more common in more unequal societies because it is so often triggered by our sensitivity to being put down and disrespected. Community life weakens in more unequal societies because we all become more worried about self-worth and fear being judged negatively.

But good social relations, friendship and involvement in community life, are crucial to both health and happiness. A meta-analysis

that combined results from 150 studies of friendship and health concluded that whether or not you have friends is at least as important to your survival during a follow-up period as whether or not you smoke. Whether social relations are relaxing and friendly or anxious and threatening affects levels of chronic stress making us more vulnerable to a whole range of illnesses and diseases. Chronic stress leads to something like more rapid ageing. The benefits of good social relationships show up not only in big observational studies but also in experiments. In one study volunteers were given nasal drops with cold viruses in. Volunteers with fewer friends were much more likely to catch a cold from that same measured exposure to infection than people with more friends. In another example, little puncture wounds were made on participants' arms: those who had a bad relationship with their partner healed more slowly.

But it's not just the direct biological effects of chronic stress. It's also that if you are stressed you eat comfort foods which are often bad for you; you're more likely to smoke, you're more likely to drink or use drugs to deal with the anxiety. A lot of drugs, including alcohol, are used to ease social contact. Because in more hierarchical societies, some people are very important and other people seem to be worth almost nothing, everybody is much more worried about how they are seen and judged. Social evaluation anxieties – lack of confidence, low self esteem, worries about what other people think of you – become more important. As a consequence, community life weakens because social contact becomes more stressful.

Key Points

- Almost any measure of social involvement, friendship, community life, is protective of one's health.
- In a hierarchical society everybody is much more worried about how they are seen and judged.
- The left has to form a new long-term perspective of the kind of societies we want.



A lot of drugs particularly alcohol, are used to ease social contact.

PEOPLE IN UNEQUAL SOCIETIES HAVE LOWER LIFE EXPECTANCIES

With these effects of social relationships in mind, we, and many other researchers, have compared the levels of different health and social problems in more and less equal countries.

Inequality is measured by the scale of income differences between rich and poor in each country. The picture that emerges is that a wide range of outcomes are worse in more unequal societies – particularly outcomes which tend to be more common at the bottom of the social ladder. So more unequal societies tend to have lower average life expectancy, more violence, more teenage births, lower levels of child wellbeing, weaker community life, more drug problems, bigger prison populations and more mental illness. Rates of all these different problems tend to be higher in more unequal countries, like the USA, and lower in more equal countries, like Japan or the Scandinavian countries. The relationships are finely graded across the developed countries, so in Western Europe more unequal countries like Britain and Portugal do worse than others.

"VIOLENCE BECOMES MORE COMMON IN MORE UNEQUAL SOCIETIES BECAUSE IT IS SO OFTEN TRIGGERED BY OUR SENSITIVITY."

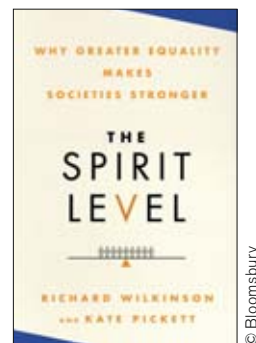
SELF-ENHANCEMENT AS A RESPONSE TO SOCIAL EVALUATION ANXIETY

It is not surprising that in more unequal societies, where some people seem so important and others almost worthless, that the social evaluative threat increases. As a result, status anxiety and the tendency to use external wealth as a measure of personal worth increase. One response to this is to feel overcome by low self-esteem, feelings of worthlessness, social anxiety and depression. But another response is almost the opposite: we can go in for narcissistic forms of self-aggrandisement. A recent study by an international team of psychologists measured what they called "self-enhancement" in more and less equal societies. Participants were asked to compare themselves with the average in their country on a number of different characteristics. With positive characteristics, like attractiveness and generosity, people in more unequal countries rated themselves more highly compared to the average for their country. Both responses reflect the way inequality increases the social evaluative threat. Developed societies have not always been as unequal as they are today. There was a peak of inequality in the 1920s but from sometime in the 1930s it started a long decline until it flattened out in the 1970s. But then, starting with Reagan and Thatcher, you get the modern rise in inequality from 1980 onwards. Income differences widened first in the English speaking countries and then spread to other cultures.

THE INFLUENCE OF SOCIAL DEMOCRACY

There is a strong correlation between the strengthening and then the weakening of the labour and social democratic movement (and probably of the fear of communism) and changes in inequality. Time series and international cross sectional data show that as trade unions get stronger, inequality came down, but when trade unions start to weaken, inequality went up. You see that in one country after another. But it is not just what trade unions do for their members which counts; their strength is also an indication of the strength of the countervailing ideological voice in a country. It is the strength of that countervailing voice in society which seems to have been the most important driver of trends in inequality over the 20th century. As that countervailing

voice weakened, neoliberal economics took over. What else can be done to decrease inequalities? We must deal with tax havens and tax avoidance. But more fundamentally, we must democratise the economy. We need to legislate for a growing proportion of employee representatives on company boards and provide incentives to the employee owned and cooperative sector. The left has to develop a new long-term perspective of the kind of societies we want and how we combine that with moving towards sustainability. The socialist cause inspired people in the past because they believed that it was possible to build a different world which would raise the real quality of life for all of us. We have to build a new picture of that kind, a picture which combines economic democracy, sustainability and greater equality.



Richard Wilkinson studied economic history at LSE before training in epidemiology. He wrote 'The Spirit Level about inequality and health' with Kate Pickett, a best seller now available in 23 languages.

HEALTH INEQUALITIES AS A CHALLENGE TO SOCIO-ECONOMIC SUSTAINABILITY

Europe is getting older. According to the European Commission, almost one third of EU citizens will be aged 65+ by 2060. Effective healthcare provision will thus become even more crucial to society's wellbeing. However, as highlighted by WHO Europe Health 2020 initiative, inequalities in access to quality healthcare between different social groups and between countries in Europe have been deepening.



by Hanna Szymborska and Janusz Szymborski

In this context, European societies face a historically unparalleled challenge to their socio-economic sustainability.

The primary reason is that ageing societies generate a massive long-run burden for the economy. Falling share of the working age population cannot satisfy economic needs of the growing portion of pensioners. Without any action taken, European governments will be either forced to claim a larger proportion of workers' income to finance the increasing amount of transfers for the elderly or they will have to neglect the economic wellbeing of the latter. It is thus apparent that the already substantial inequalities in healthcare access in Europe will be further exacerbated. In the long run, health inequalities cannot be tackled solely by the standard means of improving the quality and accessibility of healthcare services. This is because such ex post measures are unsustainable as the working population decreases, putting a strain on the future size of government revenue. Moreover, increasing public spending goes against the austerity agenda rampant in many European countries. However, delegation of healthcare provision to the private sector is not a viable alternative. Placing healthcare under the market rules recreates the classic economic problem of public good provision. The laws of supply and demand in the market for healthcare are bound to exacerbate the exclusion from access to those who cannot afford the service at the prevailing market prices. Economic theory suggests that in this situation the government should intervene to ensure more widespread access to healthcare. But, as explained above, this is not feasible in the current socio-demographic setup in Europe.

One of the oft-underestimated solutions to the problem of health

inequalities lies in prevention. Specifically, involving the growing numbers of the elderly in society is crucial. This goes beyond mere employment generation, which can be limited by the physical capacities of the elderly. More importantly, health promotion among the elderly deprived of quality healthcare combines improvement in wellbeing and healthcare access for individuals and in aggregate. Such active ageing policies offer great potential to tackle health inequalities and ensure socio-economic sustainability. Not only can the elderly enhance their mental wellbeing, but they can also actively exchange their health knowledge and practice the acquired health skills in the community. This generates positive spillovers beyond the initial investment in the policy. As indicated by the recent UN's and European Commission's Active Ageing Index 2014 Analytical Report, this strategy has been successful in a number of cases Europe-wide, e.g. via the creation of the universities of the third age.

The measure highlighted here requires long-term policy commitment. Active ageing promotion among those who cannot afford quality healthcare should be given a priority in European public health policy agenda.

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WHAT HORIZONTAL INEQUALITIES ARE *and why they matter*

*Horizontal inequality (HI) is inequality among groups, in contrast to the more common understanding of inequality as inequality among individuals (or vertical inequality, VI). While inequality in general is gaining increasing attention among academics, journalists and policy-makers, especially following the publication of Thomas Piketty's *Capital in the Twenty First Century*, the focus remains on vertical inequality. Still this is so important, both as a source of injustice and of political mobilization and even of political threat.*



by Frances Stewart

P

people can be grouped in many ways and most people are members of multiple groups, or have multiple identities. The

first question that needs to be decided in defining horizontal inequalities is that of the group categorization to be adopted. If they are meaningful, it is because the groups in question are meaningful to their members and to others. Hence the appropriate categorization varies with the society in question and the particular issue being addressed. Age, gender, race, ethnicity, religion, and location all form the basis of significant identity distinctions, and inequalities among groups classified along any of these lines can be an important source of injustice, inefficiency, and political mobilization. For example, race was and remains an overriding source of injustice in South Africa and in the United States, as elsewhere. Ethnicity forms a major influence over politics and governance in many African countries, sometimes constituting a critical dimension of violent conflicts, with the Rwandan genocide being a graphic and extreme example. In contemporary Europe, and indeed much of the world, religion is becoming an increasingly important source of difference (especially between Muslims and others), while historically the Catholic/Protestant distinction formed a major source of political fissure (and still does in Northern Ireland, for example). Age and gender are a different type of categorization, cross-cutting those mentioned above. Horizontal inequalities along these lines can be a huge source of injustice. Where there are sharp and simultaneous group HIs in terms of a number of categories – e.g. ethnicity, gender and age – it is possible to identify

“THERE CAN BE NO JUSTICE IN PEOPLE BEING TREATED DIFFERENTLY ACCORDING TO THEIR RACE, ETHNICITY, RELIGION OR GENDER.”

intersecting inequalities (Kimberle 1989) (Kabeer 2010) suffered by people, who are in the poorest category in each group and therefore particularly deprived. Examples are indigenous women in Bolivia and older Roma women in Europe (Barrón Ayllón 2005, Milcher 2010).

‘MORALLY IRRELEVANT PRE-DETERMINED CIRCUMSTANCES’

In general, horizontal inequalities are a source of injustice. There can be no justice in people being treated differently according to their race, ethnicity, religion or gender. For the most part, people are born into certain groups, and despite some flexibility (e.g. they may change their religion or even their gender), this membership typically is not within their control. Consequently, inequality between large groups is not due to individual choices or efforts, which might justify such inequality, but due to what Barros, Ferreira and others have called ‘morally irrelevant pre-determined circumstances’ (Paes de Barros, Ferreira et al. 2009). Injustice arising from HIs is not only (or most importantly) a matter of income, but includes inequalities in an array of economic elements, such as land, financial assets, employment, skills, position in the management hierarchy and so on; inequalities in social access – access to health and education services, and social capital form another dimension; political inequali-

ties are equally significant, encompassing power at many levels, from president or prime minister and cabinet composition, to bureaucratic and military hierarchies; finally, inequalities in cultural recognition can be a powerful source of unhappiness and grievance – here it is a matter of the recognition and respect for a group’s culture, religion, language, and customs.

There are many causal connections among these inequalities, such that doing less well in one aspect leads to worse performance in others and this feeds back in a cumulative cycle of advantage or disadvantage. For example, lack of income is associated with lower educational achievement, which

Key Points

→ Horizontal inequalities concerns categorized groups.

→ They can be a huge source of injustice and violence.

→ They lead to the deprivation of numerous communities in Europe.



PEGIDA Meeting in Germany.

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in turn leads to worse employment and incomes in the next generation, while a group with low education and incomes will have weaker social capital than a richer group; political and cultural inequalities both reinforce and are reinforced by these factors. Equally, better off groups tend to be advantaged from many perspectives – income, education, health, social connections, political power and influence – all of which serve to reinforce one another and to enhance the overall advantages of the group. These reinforcing elements make it particularly difficult to counter many horizontal inequalities.

A SOURCE OF VIOLENCE

Aside from the sheer injustice of group inequalities, HIs have been shown to be

associated with a higher risk of violent conflict, in contrast to VIs where no such association has been identified (Stewart 2008, Cederman, Weidmann et al. 2011). When a group faces severe deprivation relative to other groups in social and economic dimensions, there is a strong motive to support political leaders representing the group. If such socio-economic inequalities are accompanied by political exclusion, then group leaders may emerge to confront those in power with violence. Many cases can be cited from around the world, including Nepal, Indonesia, India, Guatemala, South Africa and others. Contemporary events in Nigeria and the Middle East can be largely attributed to horizontal inequalities in socio-economic and/or political dimensions. Econometric and case

study evidence firmly establishes that severe HIs raise the risk of violent conflict. The recent history of Ivory Coast provides an example. The North of the country has long suffered severe economic and social deprivation, but under Félix Houphouët-Boigny, Northern politicians were given political positions and attempts were made to develop the north economically. After his death, however, the prominent Northern leader – Alassane Ouattara – was debarred from standing for the presidency and many northern citizens were disenfranchised. A violent rebellion ensued, with the leaders pointing to socio-economic and cultural discrimination in the Charte du Nord, to gain support (Langer 2005). The 'troubles' in Northern Ireland are a European illustration not only of how sharp

“IF SOCIO-ECONOMIC INEQUALITIES ARE ACCOMPANIED BY POLITICAL EXCLUSION, THEN **GROUP LEADERS** **MAY EMERGE TO CONFRONT THOSE** **IN POWER WITH VIOLENCE.”**

horizontal inequalities can lead to social instability, but also of how conflict may end as a result of policies to reduce them. Persistent inequalities between Protestants and Catholics occurred across all dimensions – economic, social, political and cultural – first in Ireland as a whole dating back to the 17th century, and then in Northern Ireland after Ireland gained independence. In the absence of any political redress, violent protests erupted in Northern Ireland in the late 1960s, brought to an end with the Good Friday Agreement in 1998. Underlying the peace was a large reduction in HIs, which occurred as a result of well-enforced anti-discrimination policy, supported by the EU and the British, including the government's refusal to allocate contracts to firms where discrimination was evident. Education and housing policy also reduced the gaps between the communities markedly. At the same time, the peace agreement ensured political inclusion.

HORIZONTAL INEQUALITIES IN EUROPE

Apart from Northern Ireland, horizontal inequalities are clearly widely relevant in Europe today. Their injustice is apparent from the treatment of Roma, for example, who are discriminated against in almost every dimension, not only economic and

political but to the extent of having many of their children certified as being mentally handicapped and sent to special schools in disproportionate numbers (UNDP 2003, Milcher 2010). While the Roma people are too impoverished and too dispersed to mount a serious violent attack on the state, the situation of Muslims in Europe, and elsewhere, represents a threat that is already being realised in many parts of the world; as a group Muslims are marginalised in many respects, from the relative weakness of their economic position to the poor cultural respect they receive. For example, Muslims in France, Germany, the Netherlands and United Kingdom are concentrated in the worst neighbourhoods, suffer discrimination in employment and have worse education and incomes than their non-Muslim contemporaries. A Muslim girl of nine told the United Kingdom's Equality Commission: “I'm getting bullied at school. People in the neighbourhood are calling my family ‘terrorists’ and say, ‘Go back to your own country.’ I'm worried they'll start saying these things at school. Muslim boys are getting beaten up at school.”

Moreover, the strong links among Muslims across countries mean that deprivations in one place may mobilise people in other countries, as we are seeing in the recruitment for ISIS. As one British Muslim said:

“It is all one and the same: the struggle in Afghanistan and Iraq and even Britain, it's all connected.” (Abbas 2007). Overcoming such HIs in every country where they are prevalent is an essential aspect of improving Muslim relationships with the non-Muslim world (Stewart 2009).

The current divisions in Ukraine are, also, in part due to horizontal inequalities between people of Russian origin (around 17% of the total) and those of Ukrainian origin who form a substantial majority. Since 1989, socio-economic HIs have broadly favoured the Ukrainian origin population and regions (UNDP 2003), but for quite a time there was political inclusion with Yanukovich, partly of Russian origin, being Prime Minister and later President. In a similar way to Ivory Coast, political exclusion of Russian speakers, with the ousting of Yanukovich, was the trigger for the take-over of Crimea and violence in Russian-speaking Eastern Ukraine, with the apparent support of Russia. The Ukrainian situation illustrates two important points: first, it is not always the deprived who initiate political action – in this case it was the more privileged Ukrainian group – leading to a reaction from the deprived group; and secondly, the situation is invariably more complex than a simple equation of large horizontal inequalities and violence allows. Yet it is the underlying HIs



Stand-off between rioters and police in Croydon.

© Raymond Yau

which give strong potential for violence, though particular events, including geopolitics may provide the trigger.

There are other significant HIs in Europe: for example, black populations in United Kingdom suffer from a set of discriminatory circumstances, including, like in the United States, in their treatment by the police – the Equality and Human Rights Commission reported that blacks were 28 times more likely to be stopped and searched by the police between 2008 and 2011 (Guardian 12 June 2012). This situation was partly responsible for the London riots of 2011. Moreover, gender inequalities, though improving, are still pervasive.

Given the injustice of horizontal inequalities and the risk they pose for social stability, policy to counter them is of the highest priority, and anti-discrimination law are a first step. But by itself it is insufficient, because generations of inequality means that members of poorer groups are often unable to compete with people from more

“THE STRONG LINKS AMONG MUSLIMS ACROSS COUNTRIES MEAN THAT **DEPRIVATIONS IN ONE PLACE MAY MOBILISE PEOPLE IN OTHER COUNTRIES.**”

privileged groups. Comprehensive action is also needed to improve the education, health and housing of the more deprived groups. More difficult, but of at least equal importance, is the need to ensure equality of respect for people of different cultures, and to ensure that they are well represented politically. European countries need to monitor significant horizontal inequalities carefully and consistently across all dimensions, and take the appropriate action in order to secure just and stable societies.



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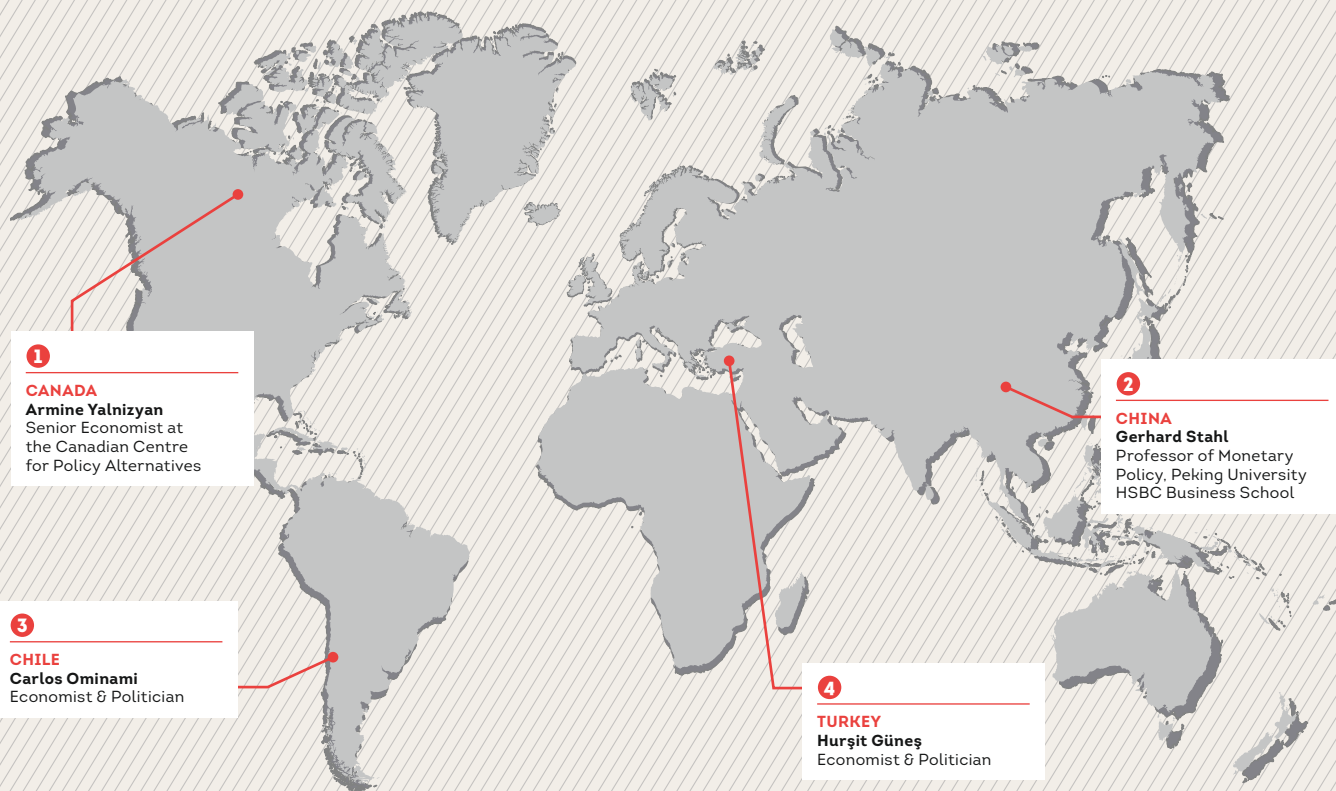
ABOUT

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INEQUALITIES

best practices from beyond Europe

Queries asked four international experts to share their views on what undermines equality and on the best policies enforced to fight inequalities in their respective countries.





INEQUALITY: A CHALLENGE FOR CAPITALISM AND DEMOCRACY



by Armine Yalnizyan

Inequality is the greatest social and economic challenge faced by advanced industrial nations today.

Left unchecked, inequality slows economic growth and makes business cycles more volatile. The ensuing human collateral damage is costly to both citizens and states. Left unchecked, inequality erodes democratic institutions, as the growing concentration of corporate and personal income leads to greater influence over lawmaking by powerful moneyed interests. A key driver of inequality is the pursuit of 'trickle down' economics, whereby tax cuts for corporations and high-income earners supposedly generate more investment and job creation. Thirty years of data reveal a failed theory and social experiment.

HOW TO REDUCE INEQUALITY

There are three ways to tackle inequality. The first uses the job market itself to minimize income disparities through high minimum and/or living wages, robust trade union density, full employment of human resources, cultural constraints on excessive CEO compensation and limited use of migrant workers. The second redistributes income by governments, with progressive taxation that sets higher rates on higher incomes while providing transfers and supports to lower-income, unemployed, dis-

abled and elderly citizens. Finally, inequality can be reduced by promoting meritocracy and mobility through investments in health-care and education, affordable housing and transit.

HOW NOT TO REDUCE INEQUALITY

Markets don't just happen. Governments shape them by writing the rules of the game. The rules are gradually being rewritten to favour ownership and those with power. Trade agreements, such as the Trans-Pacific Partnership and the Canada-Europe Comprehensive Economic and Trade Agreement are poised to deepen the reach of existing trade deals, further liberalizing capital while constraining labour and sovereign decision-making.

Europe's long-standing pursuit of greater equality has emphasized generous child-care provisions and educational spending, not tax cuts and credits. But since the 2008 crisis, Europe's focus on equality has been undermined. As youth unemployment soars, governments have focused on balancing their books via spending cuts. The cure has proven worse than the disease. Austerity's government cutbacks drag already weak private-sector growth towards recession and strain political consensus. In Europe, as in Canada, inter-generational solidarity is at risk. Recent policy reforms favour those with wealth (older people) over those starting out (the young).

We know how to reduce inequality, but five emerging trends undermine progress. The first: tax cuts that treat income from capital more preferentially than income from work. The second: systematic undermining of unions and collective bargaining, which has historically offered a negotiated path for sharing prosperity. The third: devotion to balanced budgets and austerity, a perverse focus in an era of historically low interest rates which could spur state investment in infrastructure, boosting current growth and future potential. Fourth: accelerating use and abuse of migrant workers, as industrialized nations face the twin challenges of slow growth and aging populations. Finally: trade agreements that further shift bargaining power towards corporations, ultimately eroding the prosperity of most citizens. Sold as ways to put more money in our pockets, these false economies pit us as consumers against ourselves as workers and citizens, and make inequality worse.

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HOW IS CHINA REACTING TOWARDS GROWING INEQUALITIES?



by Gerhard Stahl



China's economic success story started after escaping from a collective, equalitarian and closed society

under Mao Zedong's leadership. The opening-up – policy that started in 1978 under the leadership of Deng Xiaoping – led to a breathtaking economic growth of more than 10 % during the next three decades. In parallel inequality in personal income and wealth and in the living conditions between rural and urban population increased sharply. More than 300 million Chinese came from the countryside into the cities making China a modern urban society where the majority of the population lives now in cities. China did not only become the second biggest economy in the world – and number one measured in purchasing power – it is also home to more than 200 billionaires. The step-by-step opening of China's economy and society also increased regional disparities. During the first years of China's opening up policy, the growing inequalities in the society and in the country were widely accepted as the unavoidable price to pay for economic progress. But the Chinese model of an export-led economic development, based on cheap labor with migrant workers living in poor conditions, is changing. The share of export in Chinese GDP declines, wages are rising and internal demand is increasing. In

the new Chinese discussions the export-led economic model, with high current account surpluses, with high household savings and weak social security is questioned, also the redistributive consequences are more and more in the focus.

ADDRESSING THE ROOTS OF INEQUALITY

Xi Jinping acknowledged this in one of his early speeches as President, when he stated that Chinese are more concerned about a fair distribution of the cake than increasing the size of the cake. With a far-reaching campaign against corruption, he is not only consolidating his power, but he is also answering the dissatisfaction and anger of a lot of Chinese citizens against a class of newly rich people. The new leadership is not only taking these highly visible and widely communicated anti-corruption measures; it is also addressing some of the roots of inequality in the Chinese society.

The last plenum of the National People's Congress agreed to change the household registration system (Hukou). This will allow more people to benefit from social services like health care, education and housing in cities to which they moved to work. With this measure, the more generous and better public services provided in the urban centers, compared to the countryside, are extended to more and more families. The pension system is extended, providing a better coverage

also for the rural population. The Silk Road initiative will finance big infrastructure projects at the benefit of some more backward Chinese regions and neighboring countries. This will rebalance the economic development and help to reduce regional differences. Furthermore the government and the Central bank take measures to help local authorities, confronted with high public debts.

China discovers the benefit of a European Model of social market economy with a redistributive social welfare system and with an ambitious regional policy in a moment when a lot of Europeans forget their own agreed priorities. The EU treaty, approved by all member states, obliges national governments and European Institutions to lead a policy that contributes to economic, social and territorial cohesion. Chinese new policy priorities for publicly-financed actions at the benefit of the poorer part of the country and society seems to be in contrast with the European Union's policy orientation, where the dominance of austerity measures hits peripheral southern regions, reduces social welfare and leads to an increase in regional disparity.

Gerhard Stahl, until recently the Secretary General of the EU's Committee of the Regions, is a visiting professor at the College of Europe, Bruges and Peking University HSBC Business School.



LATIN AMERICAN GOOD PRACTICES TO REDUCE INEQUALITY



by Carlos Ominami

In Latin America, in the last few years, policies have been implemented which have been successful in bringing many people out of poverty.

Programmes such as “Bolsa de familia” (Family Bag) in Brazil, or “Chile solidario” (Solidarity in Chile) were very efficient to this end.

It has been estimated that, between 2000 and 2010, approximately 50 million Latin Americans were brought out of poverty. The main mechanisms to achieve this result were the so-called “programmes of conditional transfers”, and certainly economic growth. What happened in Latin America demonstrates that economic growth con-

ficient for income inequality of 0.5, is still the most unequal continent on Earth.

MAIN FACTORS TO CHALLENGE INEQUALITIES

Consequently, there is not a sufficient empirical basis to determine the best practices to challenge the inequalities. Partial evidence indicates, however, that a very important role at this level is played by:

- 1) progressive income tax reforms, based mainly on the raise of direct taxation;
- 2) the establishment of an adequate minimum wage;
- 3) the encouragement of wide collective bargaining, which would allow workers to obtain a fair proportion of benefits of growth;

importance of progressive income tax reforms and on policies aiming to improve the employability of young people.

Policies intended to ensure a minimum wage would be of great importance for the majority of Latin American countries. The same can be said for the regulation of labour relations, especially for norms that severely sanction anti-union practices, very common in our countries. A fundamental difference between Latin America and the majority of the European Union countries is that, in our countries, there are large groups of workers who, notwithstanding the fact that they do have a job, continue to be poor because of their very low wages.

On the contrary, bad practices that can worsen the situation even more are all those that make labour conditions particularly precarious. Unilaterally-imposed labour flexibility is a good example of bad practice. At a different level, it is worth mentioning the proliferation of tax benefits, which end up eroding the states' capacity to finance social policies adequately.

“THE ADVANCES ACHIEVED IN THE FIGHT AGAINST POVERTY HAVE NOT BEEN ACCOMPANIED BY IMPORTANT ADVANCES IN THE FIGHT AGAINST INEQUALITY.”

tinues to be, throughout job creation, a fundamental component of social policy. However, the advances achieved in the fight against poverty have not been accompanied by important advances in the fight against inequality. Latin America, with a Gini Coef-

- 4) good mechanisms for training the work force, which would improve workers' qualifications and their negotiation potential. These tools are not very useful as an example for the European Union, as they exist already. I would insist, however, on the

Carlos Ominami is a Chilean economist and politician. He is a former Chilean Minister of the Economy, Development and Reconstruction, as well as a former senator.



INEQUALITY AND THE NEED FOR INVESTMENT



by Hurşit Güneş



As a recent OECD report has underlined, there is immense inequality in Turkey, whether in terms of income

distribution, ethnicity, age or gender.

Tackling this issue ceased to be a major objective from the early 1980s onwards, with the result that Turkey now has the second-worst income distribution among OECD countries, despite a slight improvement in recent years. The lowest 20% of the population have 6% of the total income, while the top 20% have 47%. According to the 2014 Credit Suisse Global Wealth report, the richest 10% now have 78% of Turkey's wealth – a sharp rise on their 67% share in 2000.

In terms of ethnicity, one in four of the Roma community is illiterate and 62% of its children do not attend primary school, while 46% of Kurds do not have primary education. By contrast, attainment levels are far higher for ethnic Turks – with 95% completing primary school and 10% later obtaining a university degree. Inequality is also reflected by age, with one third of senior citizens living without social security support and 6% of children aged under 14 in full-time work. Needless to say, gender is also a major issue. Half of all girls in Turkey don't attend secondary school and two thirds of women do not work.

To deal with inequality, we need policies in three areas: unemployment, health and education, and social transfers. Of these, the most pressing need is to tackle an unemployment rate that is officially 11%, though the true figure is closer to 18%. We need growth – and specifically employment-friendly growth, i.e. not based on imports of foreign capital that trigger a rise in consumption and the current account deficit, but do little to create employment. We need growth based on public investment in infrastructure – which has been reduced dramatically since the 1980s for ideological reasons. Secondly, we need to invest in equality of opportunity in education, where we can learn a great deal from Europe, and also in healthcare. The key point here is that investing in these areas leads to economic growth and therefore to higher public revenues.

A NEED FOR SOCIAL TRANSFERS

Finally, we need better schemes for social transfers, in two ways. The first is the scale of transfers, which receive a higher share of GDP elsewhere and have been influential in reducing inequality. In Turkey, welfare spending is 1.3% of GDP and it would not be an unbearable burden on public finances to increase this to 3%. The second point is that social transfers to the poorest in Turkish society are largely discretionary, and not social or civic rights. It

is common for coal, food parcels or bread to be given to people in need – but this is organized by the ruling political party, whose officials decide who receives these benefits. This discretionary element needs to cease and the benefits need to be given as a citizen's right – and in a monetary form, so that the individual can decide how to use that benefit.

Finally, there is a newer element to inequality in Turkey today – the arrival of some 2 million Syrian refugees. Those of working age clearly need to work, as Turkey cannot afford to support them through welfare. However, many are working for rates at up to half the minimum wage. This, in turn, forces Turkish workers to lower their pay rates – and inevitably creates hostility. The challenge is therefore for government to provide a living, minimum wage that is properly enforced. As in the other areas, there is clearly a great deal of work to be done.

Hurşit Güneş has been an MP of the Republican People's Party since 2011. He taught economics at Marmara University and the University of Manchester.

INEQUALITIES IN THE EU

How the new European Parliament votes

The votes related to inequalities in the EU are often disputed. Yet, looking at the voting records of the MEPs on questions regarding various kinds of inequities can help understand the solutions proposed by several political forces in the European Parliament.



by Elisa Irlandese



ne of the first votes that took place in the European Parliament after the May 2014 European elections was on a non-legislative resolution on Youth Employment. The text asked for stronger

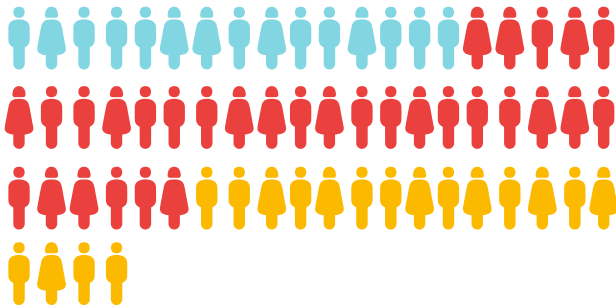
measures to fight youth unemployment,


which is currently one of the major issues in the Union. Several votes on amendments were particularly focusing on the imbalances brought by the measures put in place by the EU institutions and the Member States to fight the effects of the economic crisis. One of these votes underlined the classic divide between Left and Right.

YOUTH AND UNEMPLOYMENT

An example is the vote on an amendment of the resolution criticising the Commission's approach to fight unemployment, which called for increasing the flexibility of the labour markets and reducing the costs of labour because it engendered an increase in precarious forms of employment and reduced levels of social protection. The MEPs who drafted the amendment believed that

1 YOUTH EMPLOYMENT, PARAGRAPH 30, AMENDMENT 12*



FOR	AGAINST	ABSTENTIONS
152	313	182
 27%	 84%	 96%
 97%	 97%	 100%
		 85%

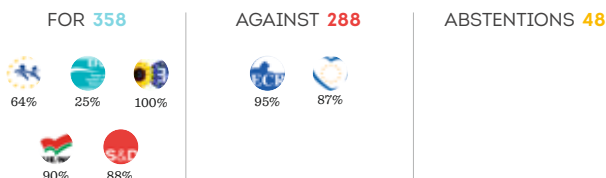
* Results for NI: for 35 / against 9 / abstentions 5
Date of the vote 17 July 2014

these developments were negatively affecting young people. The amendment was rejected due to the opposition of a centre-right majority made of the EPP, ECR and ALDE groups, while the socialists abstained. On the other side, the Greens and the far-left, as well as the Italian delegation of the 5 Star Movement that seats in the EFDD group, voted in favour of the amendment.

ACCESS TO SOCIAL SERVICES

Another interesting and controversial vote took place in March 2015. This time, the vote was on the yearly report on progress

2 PROGRESS ON EQUALITY BETWEEN WOMEN AND MEN IN THE EU IN 2013, PARAGRAPH 9**



** Results for NI: for 11 / against 27 / abstentions 5
Date of the vote 10 March 2015

made on equality between women and men in the EU. The final vote on the text was pushed through by a centre-left coalition plus ALDE, while the Christian-Democrats were split.

The vote on a paragraph calling on the Commission and the Member States "to allow for changes in the family unit when drawing up their taxation and compensation policies, in particular by providing support to one-parent families and older people in the form of tax credits or health care assistance" was very disputed. This paragraph asking for equality in the access to social services was adopted by 348 votes against 288. Once again, the split between the EU political forces was ideological. Indeed, the Socialists, the Greens and the Far-Left together with the Liberals voted in favour while the centre-right parties voted against.

GENDER EQUALITY

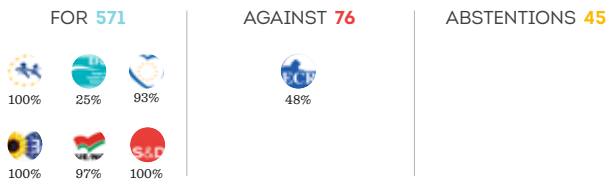
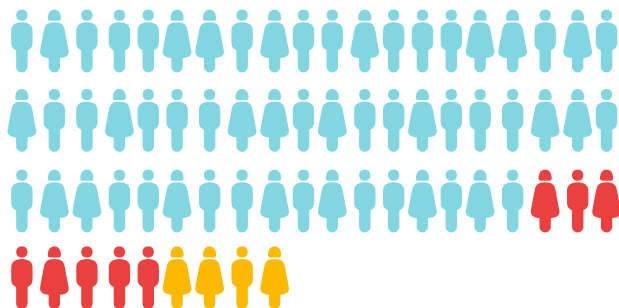
There are some other questions regarding inequalities in the EU that are more consensual. This is the case of a vote on another amendment of the non-legislation report "on progress on equality between women and men in the European Union in 2013". The vote was part of the text asking the Commission and the Member States to implement proactive policies in order to promote good jobs for women. It also aimed at setting employment targets so that women can have the same opportunities as men to access and stay in the labour market.

An overwhelming majority of Members of the EU Parliament adopted the paragraph, with only the Members of the ECR voting against it. These MEPs were of the view that special measures to promote women employment, such as obligatory quotas, are detrimental, as these include the implicit assumption that women are less competitive on the job market.



The positioning of the party logo shows the official line of each party.
The percentage shows the cohesion within each party.

3 PROGRESS ON EQUALITY BETWEEN WOMEN AND MEN IN THE EU IN 2013, PARAGRAPH 9**



***Results for NI: for 14/against 29/abstentions 1
Date of the vote 10 March 2015

SAME-SEX UNION

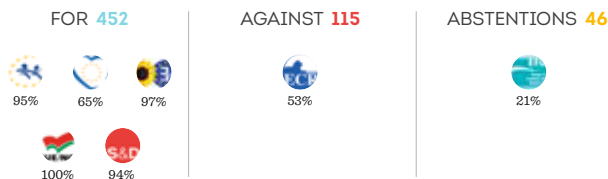
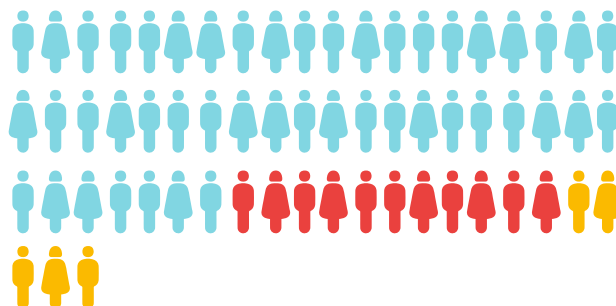
Another more consensual issue regards the recognition of same-sex marriage or same-sex civil union. For instance, the MEPs voted in March 2015 on "the annual report on Human Rights and Democracy in the World 2013 and the European Union's policy on the matter". A paragraph of the text encouraged the recognition by the EU of same-sex marriage and civil union as a political, social, human, and civil rights issue.

All the EU political groups approved this part of the text with the exception of the MEPs of the ECR group, the Non-attached MEPs and the EFDD group. In the Eurosceptic group, the Members were split, with the Italian delegation voting in favour and the British one abstaining. In addition, a small minority of the MEPs from the EPP group, mainly from the Polish, Italian and French delegations, decided to vote against the provision.

In these first months of the 8th EU Parliament, it is already possible to highlight some recurring trends about inequalities. When we look at votes regarding economic inequities related to employment issues or access to social services, a clear divide between

the forces at the centre-left and at the centre-right appears and the votes are tight with the liberal group ALDE often playing the king maker. Moreover, the centre-left coalition, usually composed of the S&D, the Greens, the GUE/NGL, is backed by the MEPs of the Italian 5 Stars Movement of the EFDD group when voting on similar issues. But the majority has been large so far on votes on inequalities related to gender or leaving conditions. However, these votes are in general on non-legislative texts. Therefore, in many occasions, the European Parliament can only play a consultative and advisory role when voting on these important matters.

4 ANNUAL REPORT ON HUMAN RIGHTS AND DEMOCRACY IN THE WORLD 2013 AND THE EU POLICY ON THE MATTER, PARAGRAPH 162****



****Results for NI: for 1/against 41/abstentions 1
Date of the vote 12 March 2015

Elisa Irlandese is Policy and Events Assistant at VoteWatch Europe.

SAFETY NETS AND SOCIAL LADDERS

Overcoming inequality in education

Despite the underlying promise of equality in educational systems across Europe, not all students have the same access to education and training.



by Cédric Rio

W

hen it comes to education in Europe, the evidence is clear: not all children have equal access to opportunity. The socioeconomic status of families has a direct impact on access to all levels of education and the degree

to which children are free to choose their career and lifestyle. Across Europe, the children of parents with lower levels of education and less qualified jobs are least likely to progress to higher education and highly skilled professions.

We have to be careful when identifying the causes of these inequalities. For example, immigration status and ethnic origin are often reported as barriers to education, however lower levels of qualifications among the children of immigrants are often the result of social status rather than religion or ethnicity, given immigrants are often in lower socioeconomic groups. Common perceptions can be misleading. When students with French-born parents were compared to students with immigrant parents matched for socio-economic status, the children of immigrants had higher educational achievement.

A Eurostat report¹ shows that, while social mobility is possible and overall education levels increase with each generation, family

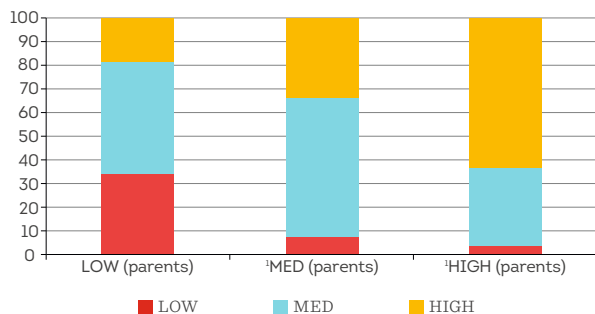
origins have a persistent effect on educational attainment of future generations. The study shows that more than a third of students whose parents have a low level of education, will also only achieve a low level of education. In comparison, less than 4% of students whose parents have a high level of education only reach the same low benchmarks.

Key Points

- Socioeconomic differences cause the greatest inequalities in access to education and training.
- The effect of socioeconomic status on educational attainment is lowest in northern European countries.
- Preventative measures and 'second chances' are needed to overcome intergenerational social reproduction.

1

HIGHEST LEVEL OF EDUCATION OF THE PARENTS BY THEIR DESCENDANTS' LEVEL OF EDUCATION, SHARES, EU-28, AGE GROUP 25-59, 2011 - SOURCE: EUROSTAT



¹ Statistics in focus 27/2013; Authors: Sigita GRUNDIZA, Cristina LOPEZ VILAPLANA, ISSN:2314-9647 Catalogue number:KS-SF-13-027-EN-N.

SOCIAL FACTORS: MOST IMPORTANT CAUSES OF INEQUALITY

Social factors can impact on a student's education at the family level as well as at the school or system levels. Low household income is a primary barrier to accessing higher education, but it is not fees that lead to economic burden, given that enrolment is relatively cheap across Europe. The economic pressure comes when financial support from the family is not readily available, forcing students to enter the workforce quickly to pay their way. Often, the prospect of spending many years studying without any income – while at the same time covering the cost of books, study materials and day-to-day living – is just not possible.

The second reason students from more disadvantaged backgrounds might not engage in higher and more prestigious study programmes,

is self-censoring. It may be that students from disadvantaged families do not have the cultural and social capital to undertake and complete higher studies. We see that even when students from disadvantaged backgrounds have the intellectual capacity to follow a more academic path and pursue higher qualified jobs, they simply do not believe they can.

A third factor is that lower socioeconomic status families often place less value on academic studies and this reduced perception of education can be passed on to children. This can manifest in the very first years of primary school and widen the gap between high- and low-achieving students as the years pass. It can have a long-lasting impact and result in a strong, resistant model of social reproduction. In France, this effect is particularly important given that the traditional school system places a lot of value in classical cultural activities such as visits to museums, theatre, and the fine arts, at the expense of more popular leisure activities such as sports or popular culture. In addition, parents with lower levels of education generally know less about the local and national institutions of higher education, and may be less able to offer career counselling and advice to their children.

REPEATED PATTERNS ACROSS EUROPEAN COUNTRIES

While intergenerational transfer can be observed across all European countries, the impact of socioeconomic status on education varies. In the Eurostat study, the continuation of a low level of education ranges from around 10% to over 70%, with the highest rates in Malta (73.5%) and Portugal (68.4%), and the smallest in Lithuania (10.2%), the Czech Republic (10.8%) and Sweden (11.3%). The PISA 2012 study (Programme for International Student Assessment) shows that socioeconomic status has a large impact on mathematics scores in countries such as France, Bulgaria and Slovak Republic, with socio-economically advantaged students scoring over 50 points higher than less-advantaged students – the equivalent of approximately one year of schooling. In contrast, socioeconomic status has less impact in northern European countries such as Finland, Norway and Iceland.

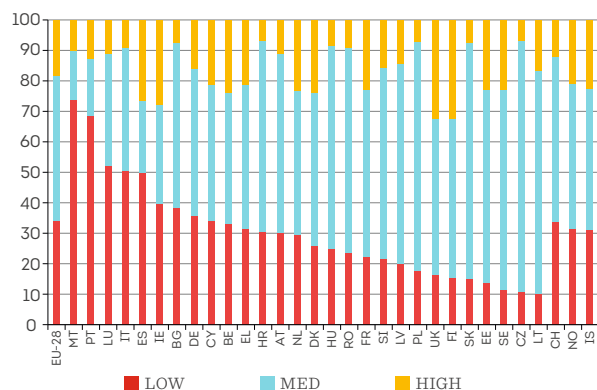
While these results show strong patterns of intergenerational transfer of social disadvantage, they also show that reproduction is not systematic - education and training can level the playing field for all students irrespective of social origins and boost the chances of social mobility. Proportions of students are small however, with only 6% of students in the PISA 2012 study considered “resilient”, beating the socioeconomic odds against them to exceed educational expectations.



Children are not all equal when it comes to education.

2

LOW EDUCATED PARENTS BY THEIR DESCENDANTS' LEVEL OF EDUCATION, AGE GROUP 25-59, 2011 - SOURCE: EUROSTAT



SCHOOL SYSTEMS ALONE CANNOT ERASE INEQUALITIES

Placing all of our expectations in national education systems to overcome social problems and reverse social inequalities among students would be unrealistic. Preventative and compensatory actions are necessary at the family and community levels.

Firstly, 'readjustment' actions are needed at the family level to reduce the consequences of social inequalities and offer the same opportunities for education. I believe that the best way to fight inequalities is to prevent them. Social reproduction patterns can be broken through better access for children from disadvantaged backgrounds to culture through libraries, museums, theatre and the arts. This can be encouraged at the local administration level with advantageous pricing systems – already in place in many regions – to compensate for the lack of opportunities offered by families and limit the continuation of disadvantage.

However in many low-income families where parents work shift or weekend hours, or in immigrant families where the parents do not speak the local language, this access to cultural institutions may not be valued or encouraged. Even if administrative efforts are made to promote access, no amount of administrative facilitation or encouragement will ever guarantee that parents adopt these behaviours if they don't take the underlying cultural values on board.

Efforts are also required to improve the schooling systems and offer a welcoming and nurturing environment for all students. Particularly in a country like France, where the fear of failure is

exceptionally strong and students' anxiety levels high, school needs to become less of a chore and more of an enriching environment for learning at each student's rhythm. Again, northern European countries can be cited in this regard, where even if a student comes from a family where success at school is not highly valued, they can confidently participate in learning activities without excessive fear of failure.

HOW TO MAKE UP FOR INEQUALITIES

If these 'levelling-out' measures fail, there are still opportunities to make up for inequalities in access to education by providing safety nets. Students who do not initially follow higher studies for any of the reasons discussed above need second chances to upskill and retrain in continuing education. This is currently promoted by the European Commission's Agenda for Adult Learning, highlighting the need to increase participation in adult learning across 32 countries.

Major funds are available for each region to develop training, although this has not yet been fully adopted and implemented across all states. In some countries like France, educational paths are chosen very early and this choice has a major impact on future professional pathways and socioeconomic status.

These 'second chances' reduce the importance of primary and secondary school education and can also have a positive impact for the long-term unemployed or unemployed graduates. The knowledge that safety nets exist can also alleviate student anxiety given that there will be further opportunities for retraining, later in their studies or even after entering the workforce.

Finally, more information about access to further training and higher education is needed so that all students can be better informed about appropriate education choices, and professional opportunities offered post-study.

Cédric Rio is coordinator of *Inequality Watch* (www.inequalitywatch.eu), the first independent European network of associations and research centres observing the state and evolution of inequalities across Europe.

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THE CHALLENGES OF UNITED NATIONS REFORM

and European Union's role



Kevin Rudd speaking at Oxford Union, Oxford, Britain.

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“The Charter of the United Nations is a solid structure upon which we can build a better world. If we had had this Charter a few years ago—and above all, the will to use it—millions now dead would be alive. If we should falter in the future in our will to use it, millions now living will surely die. This Charter will be expanded and improved as time goes on. No one claims that it is now a final or a perfect instrument. It has not been poured into any fixed mould. Changing world conditions will require readjustments—but they will be the readjustments of peace and not of war.”



by Kevin Rudd

These elegant remarks by President Harry S. Truman, while addressing the closing session of the United Nations Conference in San

Francisco on June 26, 1945, underscore the fact that the future reform of “this parliament of man” was foreshadowed during the “act of creation” itself. To suggest that the UN has remained static since 1945 would be absurd. The institution has been in a continuing process of evolution, including: the expansion of the Security Council; the establishment of a range of UN specialized agencies including the IAEA; and most recently the establishment of the International Criminal Court, the Peace Building Commission, the Human Rights Council and UN Women. The world has changed greatly in the last 70 years since the Charter was

crafted. Emerging global challenges require continuing readjustments to the way the Charter is applied to contemporary issues of security and development.

As Chair of the Independent Commission on Multilateralism (ICM), an independent audit of the UN and wider multilateral system by former and serving statesmen, ambassadors, and other eminent persons, I see our Commission as one small part of this continuing process of reform. This is not designed to produce the 21st century equivalent of Thomas More’s utopia. It is a more practical exercise than that. The ICM seeks to provide the international community with a range of options on how the UN best remains “fit for purpose” against the new challenges confronting the system in this age of global terrorism, cyber security, global financial crises, global pandemics and climate change. The UN is not a monolith. When we talk of

the “United Nations,” we realize that there are in fact three “UNs”: the UN Secretariat and its international civil staff; the UN of the member states that undertakes intergovernmental processes and ultimate decision-making, because the UN is the creation of its member states; and the UN community of stakeholders, including civil society, NGOs, and the private sector.

ON THE WAY TO THE REFORM

In so far as change in the “first” UN is concerned, the primary responsibility lies with the Secretary General, as its chief administrative officer. To his credit, he has indeed attempted a series of initiatives, including proposals on “Change Management” submitted in early 2012 to increase the Secretariat’s efficiency.

Another ongoing process relevant in the context of systemic UN reform pertains to



Kevin Rudd speaks to the crowd during the Australian Labor Party's campaign launch in Brisbane, Australia.

the revitalization of the UN General Assembly in which an ad hoc working group has been established "to identify further ways to enhance the role, authority, effectiveness and efficiency of the Assembly," including, most recently, the process for selection of the next Secretary General.

As for the functional aspects of the UN's operations, the Secretary General has called for a review of the mandate for peace operations through a recently constituted High-Level Independent Panel on Peace Operations, headed by José Ramos-Horta (who is also the co-chair of the ICM). Another key aspect of functional progress is signaled by the upcoming and ambitious global agenda that would reset the future course of development for the coming decades through the adoption of the Sustainable Development Goals (SDGs), the Post-2015 Development Agenda and of course the 2015 Conference of the Parties in Paris on

climate change.

While these steps reflect gradual progress in overall UN reform, a long-standing and complex subject that has been deadlocked for the last three decades is the core question of the reform of the Security Council. When the United Nations was created in 1945, it comprised 51 member states. Today its membership has increased nearly four-fold to 193. While the Security Council membership was increased from 11 to 15

in the non-permanent category in 1965, it continues to make critical decisions on behalf of the other 193 members. Twenty years of protracted discussions on the question of equitable representation in Council membership, which came in the form of the Open-Ended Working Group set up in the 1990s and the subsequent seven years of work from the Intergovernmental Negotiations on the same, demonstrate that an overwhelming desire exists for expansion in both the permanent and non-permanent categories of membership. The truth is that its current composition does not constitute an accurate reflection of current global security policy reality.

THE SECURITY COUNCIL ISSUE

Another key factor in the ongoing debate of Security Council reform has been focused on the use of the veto power. There has recently been significant movement on the part of various member states toward a veto restraint agreement. Several member states have supported the call for not using the veto in cases of mass atrocities such as genocide, ethnic cleansing, crimes against humanity, and war crimes. However, a fundamental dispute remains around the model of reform that can find the widest acceptance among member states, both on the members of the Council, its final composition, and the use of the veto power. One of the responsibilities of

**"EMERGING GLOBAL CHALLENGES
REQUIRE CONTINUING READJUSTMENTS
TO THE WAY THE CHARTER IS APPLIED
TO CONTEMPORARY ISSUES OF
SECURITY AND DEVELOPMENT."**

“EUROPE REPRESENTS AN IMPORTANT FORCE FOR POTENTIAL REFORM FOR THE UN MULTILATERAL SYSTEM.”

the ICM will be to consult widely across the UN membership to bring forward a consolidated menu of options for possible Security Council reform – not only to provide support for the overall reform agenda, but also to focus the debate among member states on the core alternatives for change.

Given the present composition of the Security Council, in which three of the permanent five are from Europe and another two non-permanent seats are also occupied by EU members, it is evident that the EU's case for greater representation in an increased Security Council has the weakest empirical support base. This is especially so since both Latin America and the entire continent of Africa remain completely unrepresented in the permanent category.

PROMINENT PLAYERS TO CONSIDER

While the UN represents the bedrock of the multilateral system, other prominent players have emerged over the last half century that continue to make recommendations on how the multilateral system can be made more fit for purpose, namely regional organizations. They too are part of the multilateral order. Institutions such as the EU, the African Union, the various sub-regional organizations across Africa, ASEAN, the Arab League and the OAS are all active in one form or other of regional multilateral missions. In an ideal world, these should complement the work of the UN. In the real world, the lines of responsibility are often blurred. The overall approach of the ICM is that the principle of subsidiarity should apply, whereby solutions to problems

should be delivered by the institution closest to the level where that problem is manifest: from national governments, to regional organizations and only to the UN where these two lower levels of recourse have been exhausted. The ICM also believes that the international community should analyze whether more formal protocols should be developed between regional and global institutions to ensure optimal levels of coordination and integrated delivery.

EUROPE'S ROLE

Recently, the EU has been afforded a more visible place in Security Council deliberations. EU member states convene twice-weekly meetings to coordinate European action in the Security Council. A recent similarity of views has emerged in the EU's request for improvement in the Council's working methods, which is being pursued through the creation of the “Accountability, Coherence, and Transparency” group of 22 member states, led by Switzerland. There is a long history of EU recommendations aimed at harmonizing the efforts of various UN bodies, an effort to make them more effective and efficient. Indeed, EU-UN cooperation has been on the rise generally, which is a welcome trend.

On emerging development cooperation narratives, EU member states also insist on greater accountability given the scale of their contribution to development projects routed through the UN development mechanisms. Increased fiscal prudence and effective budgetary control are two of the key facets

of their approach to help finance the Post-2015 Development Agenda.

Europe therefore represents an important force for potential reform for the UN multilateral system. Its experience across the peace, security, development, humanitarian and climate change agendas of the UN multilateral system is significant. So too is Europe's recognition of the need for a UN multilateral system that is fit for purpose for the future. As such, Europe must be at the forefront of forging agendas for consensus in the overall reform agenda, given the disparate voices for reform across the international community. If we fail to effectively reform for the future, the truth is the UN system will die a death by a thousand cuts, and over time simply evolve into just one of many voices in an increasingly contested and incoherent multilateral order.



© Department of Foreign Affairs and Trade of Australia

ABOUT

Kevin Rudd is the former Prime Minister of Australia and Chair of the Independent Commission on Multilateralism.

EUROPE'S CONTROVERSIAL REFUGEE POLICY

In the wake of repeated refugee disasters on the Mediterranean, the EU's restrictive asylum and immigration policy is under fire, underlined by the European media regardless their political stripes.

However, the latest European Summit on Mediterranean immigration has led to several courageous decisions influenced by the public opinion, which wonders how long Europe will continue to ignore the tragedies off its coasts.



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06.02.2015

EU needs a new asylum agreement

The Dublin Regulation according to which all asylum seekers must apply for asylum in the first EU country they enter has failed, Swedish MEP Cecilia Wikström admitted on Thursday. Europe must finally take joint action on the refugee problem, the liberal daily Dagens Nyheter argues: "More than half of all asylum seekers in Europe wind up in two other countries: Germany and Sweden. But these two can't do it all on their own. The situation in the EU is similar

to the one we're currently discussing in Sweden: all too few communities – and countries – are demonstrating solidarity. Others continue to act as if it all had nothing to do with them. Even if the Dublin Agreement is now obsolete, the EU still needs a common asylum policy. And for that to work, more countries must shoulder their responsibility."



26.04.2015



CROATIANS SHOULD UNDERSTAND REFUGEES' SUFFERING

After the most recent refugee disasters in the Mediterranean the liberal daily Jutarnji List voices annoyance at the reaction of the Croatian public: "We here in Croatia were also desperate when the war hit us. We got angry at people who switched to another channel as soon as the news started 'getting on their nerves' about these incomprehensible wars in the former Yugoslavia. Now we are behaving exactly like those whom we criticised for doing precisely the same thing back then. We don't want asylum seekers, we don't want to take our share of the burden, we don't want to be part of such projects. So far a thousand people from Syria have applied for asylum in Croatia and most of them have been rejected. The poor people on the capsized boats probably wouldn't have been any better off if they had made it all the way here."

17.05.2015

Rejected refugees need food and a bed

A fierce conflict has broken out in the Dutch coalition over services for asylum seekers whose applications have been refused. The Social Democratic party PvdA wants to continue providing them with food, shelter and basic hygienic requirements, while the right-wing liberal VVD does not. The conflict is endangering the stability of the coalition, the left-liberal daily De Volkskrant warns: "If every difference of opinion gives way to such a fierce internal struggle there will soon be not much of a coalition left at all. At the

same time the question posed by illegal immigrants cries out for a pragmatic solution. The PvdA is right to say that a civilised country does not let people sleep on the street. The VVD is right to say that an asylum system cannot work without bindingly obliging rejected applicants to return home. But the VVD also knows that the reality does not always correspond to its agenda. There will always be those who occupy the no man's land between asylum and deportation, because they can't or refuse to return home."



20.04.2015

Time for an entirely new asylum policy

The EU urgently needs a change of course in its immigration policy, the conservative daily Le Figaro believes: "François Hollande, who is 'celebrating' his three years in office in the Elysée Palace, on Sunday promised 'several additional boats'. The EU Commission in Brussels is preparing an 'aggressive strategy' for May, aimed above all at strengthening the EU border protection agency Frontex. But all that is insufficient. In the absence of any state partner

in Tripoli, the Europeans need a UN mandate for playing the police off the Libyan coast – where they stand the best chances of deterring illegal immigrants, arresting traffickers and preventing refugee tragedies. Once these priorities are accomplished, it will be time to review the regulations for asylum and the free movement of people in the EU, in order to come up with a humane and political answer to the question of migration."



30.04.2015



AT LAST FRANK WORDS IN THE MIGRATION CRISIS

EU Commission President Jean-Claude Juncker has criticised the EU leaders for not doing enough to solve the refugee crisis. The left-liberal daily Der Standard praises Juncker's clear words: "In practical terms, all the tripling of the funding for the border security programme Triton will accomplish is a return to Italy's national Mare Nostrum programme. It saved thousands of lives, but was stopped at Germany's insistence. Juncker's call for a quota system for asylum seekers is also right. The Union must

follow this path if it wants to avoid destroying its own reputation as a humane society. The heads of state and government plan to distribute 5,000 refugees 'fairly' in an EU-wide pilot project. That cannot be the answer. The EU has a population of 507 million. That would mean one refugee per 100,000 inhabitants. Austria would have to take in 80 'EU refugees', and Vienna, with a population of 1.8 million, 18: just enough people to fill a small bus. Have we got a screw loose somewhere?"

14.05.2015

Greece is human traffickers' best customer



After initially saying that it would send asylum seekers on to other EU states, the Greek government announced on Tuesday that it plans to offer asylum seekers from Syria immediate asylum. The government is getting its refugee policy all wrong, the left-liberal daily To Ethnos comments: "The government's approach to handling the flood of migrants and the contradictory messages it is sending to its European partners – and also the traffickers – are creating a very difficult situation. It is leaving thousands of desperate people without protection and vulnerable to all kinds of exploitation. Initially our message was: if the pressure on us increases in the debt negotiations, we'll send refugees on to the rest of Europe. The government is turning our country into the traffickers' best 'customer'."

15.05.2015



Quota alone won't work

The quotas proposed by the European Commission won't end the refugee catastrophe on the Mediterranean, the liberal-conservative Neue Zürcher Zeitung warns: "Because a quota system doesn't offer migrants an alternative to crossing the sea in smuggler's boats. Only a huge refugee contingent could provide different incentives here. Then there's the practical considerations: to prevent a Syrian who has settled in the Czech Republic from trying his luck on the unofficial job market in Germany will require considerable control efforts and a bureaucratic sanctions regime. And since every EU state has its own asylum procedures, issues of equal treatment will also arise: Do you send an Iraqi asylum seeker to an EU state where the number of Iraqis who are granted asylum is particularly high? Or to a country where his chances of obtaining asylum are lower? If the quotas are to work, the standards for asylum procedures and for providing accommodation and care for asylum seekers must also be harmonised."

16.05.2015

**SÜDDEUTSCHE
ZEITUNG**
Germany

EU REACTING INHUMANELY TO REFUGEES' PLIGHT

Italian coastguards rescued 144 of an estimated 500 refugees from the sea on Monday after their boat capsized off the coast of Libya. The EU must finally set up its own search and rescue operation, demands the left-liberal daily Süddeutsche Zeitung: "It's embarrassing that the EU hasn't given the few ships that form its Frontex operation Triton a humanitarian mandate. The Italian coast guard service is constantly rescuing people put at the mercy of the sea from the dilapidated boats the traffickers put them on, and even the border guards often participate in the rescue operations. But that's not enough for the hundreds of thousands of refugees experts now expect. The violence in Syria, the crises in Africa and the chaos in Libya won't change any time soon. But a search and rescue fleet like the one Italy set up with its Mare Nostrum operation could be quickly deployed. The asylum procedures will decide whether those who are rescued are allowed to stay in Europe. But if they are allowed to drown, it's inhumanity that is making the decision."



© Carmelo Imbesi/AP/SIPA

20.05.2015

ANTI-SMUGGLER MISSION ENDANGERS REFUGEES

The EU resolved on Monday to take military action against the smugglers, among other things by destroying boats off the Libyan coast. But that could claim the lives of even more refugees, the liberal-conservative daily The Malta Independent warns: "How are military aircraft, and more importantly drones, going to distinguish between an empty smugglers' boat and one that has

people locked in the hold? What will the EU's mission statement be? Will boats be targeted in harbours? Or will they be targeted also when out at sea? If the latter is the case, then the risk of another human catastrophe will be great. This idea needs to be thoroughly thought through. Otherwise, we will end up killing the very people whose lives we are meant to be saving."

**THE MALTA
INDEPENDENT**
Malta



Jean-Jacques Dordain at the Space for the Future exhibition inauguration.

THE EUROPEAN SPACE AGENCY

a Europe that dares

by Fernando Doblas



R

osetta is Europe's Apollo programme.

The Rosetta mission was launched in 2004 with the goal of exploring a comet several kilometres wide across orbiting the sun. During the last ESA Council at Ministerial

Level in Luxembourg, in December 2014, most ministers mentioned Rosetta. They shared the feeling that this mission actually changed something. It gave society hope, pride and inspiration.

The European Space Agency (ESA) covers the whole spectrum of space activities, from scientific research to Earth observa-

tion, telecommunications, navigation, launchers, human spaceflight and exploration. In terms of technological innovation, complexity and audacity, Rosetta symbolises a Europe that dares.

COSTS AND BENEFITS

For projects like Rosetta, people are

impressed by the challenge but they also ask themselves what the costs are – and they are tempted to say that it is complete madness to pour so much money into space.

Rosetta's total mission cost was about €1.4 billion. At first sight, that looks like a lot but remember that, spread over the whole duration of the programme (30 years), Rosetta costed us 10 cents each per year. In exchange, we got technology, capabilities, innovation, inspiration and scientific knowledge representing several times that value. For instance, €1 invested in a telecommunications satellite brings €20 back to the economy in services, applications and terminals. This is the message I want to convey to taxpayers: the amount of money every European contributes on average to space research roughly equals the cost of one cinema ticket per year. Americans spend ten times as much. Even though investment here is lower, European industries are leading in telecommunications, we have half of the world's commercial market in launch services, our scientific programme is in the first rank, Europe leads in Earth observation, and the leading three communication satellite operators in the world are European. On top of that, and in spite of our lower budget, we have the audacity to land on a comet...

Space research is not a public expense, but a true investment in the future. Every euro invested in this sector is devoted to high value-added activities. When we were developing the technologies to make Rosetta possible, the industries working with us could use their findings to improve their technology, for instance, to develop a communications satellite capable of competing in the commercial market. The technology developed by a company to make an ESA project possible can be considered as research and development that helps the company to be

“SPACE RESEARCH IS NOT AN EXPENSE, BUT A TRUE INVESTMENT IN THE FUTURE.”

more competitive. It is a virtuous cycle: our projects are developed by Europe's industries, which, in doing so, improve their technology and competitiveness.

ESA is a prime example of a successful Europe. It guarantees that the financial investments of each country will be returned to their industry in the form of high-tech contracts. Thanks to these “industrial returns”, the industries of each member country can develop technologically, learn to work together, and gain competitiveness. ESA is thus a tool for cooperation and progress. Our vision of success is to set high goals and to go through long-term efforts to achieve them. Our motto for the Ministerial Council in 2012 was “Pushing the frontiers of knowledge.” It takes us back to the Apollo programme, where the entire society benefited from the technological progress and the competitiveness it generated.

CREATING SYNERGIES

We are building a Europe of concrete projects, a Europe that brings different energies together. Space exploration allows this. At our Ministerial Council in Naples in 2012, the United Kingdom decided to raise its contributions to the ESA by 25%. Why? Because they considered that a society that invests in knowledge is a society of progress.

ESA is based on cooperation. The agency does not start a project if it is unable to

convince several Member States of its value and importance. We are not trying to impose a top-down approach to achieve our goals. In Europe, we value success through cooperation and a human approach. The ultimate benchmarks for a project always have to be the social benefits.

It is only when we act together that we will be able to tell a strong and credible story. If politicians see that a project attracts a lot of public attention, they automatically understand that something important is happening. This is even truer when a project triggers emotions of hope, dream and pride. I would like to encourage politicians to think about the future and to look beyond the usual navel-gazing. Space is about our origins and our human identity and future. It concerns us all.



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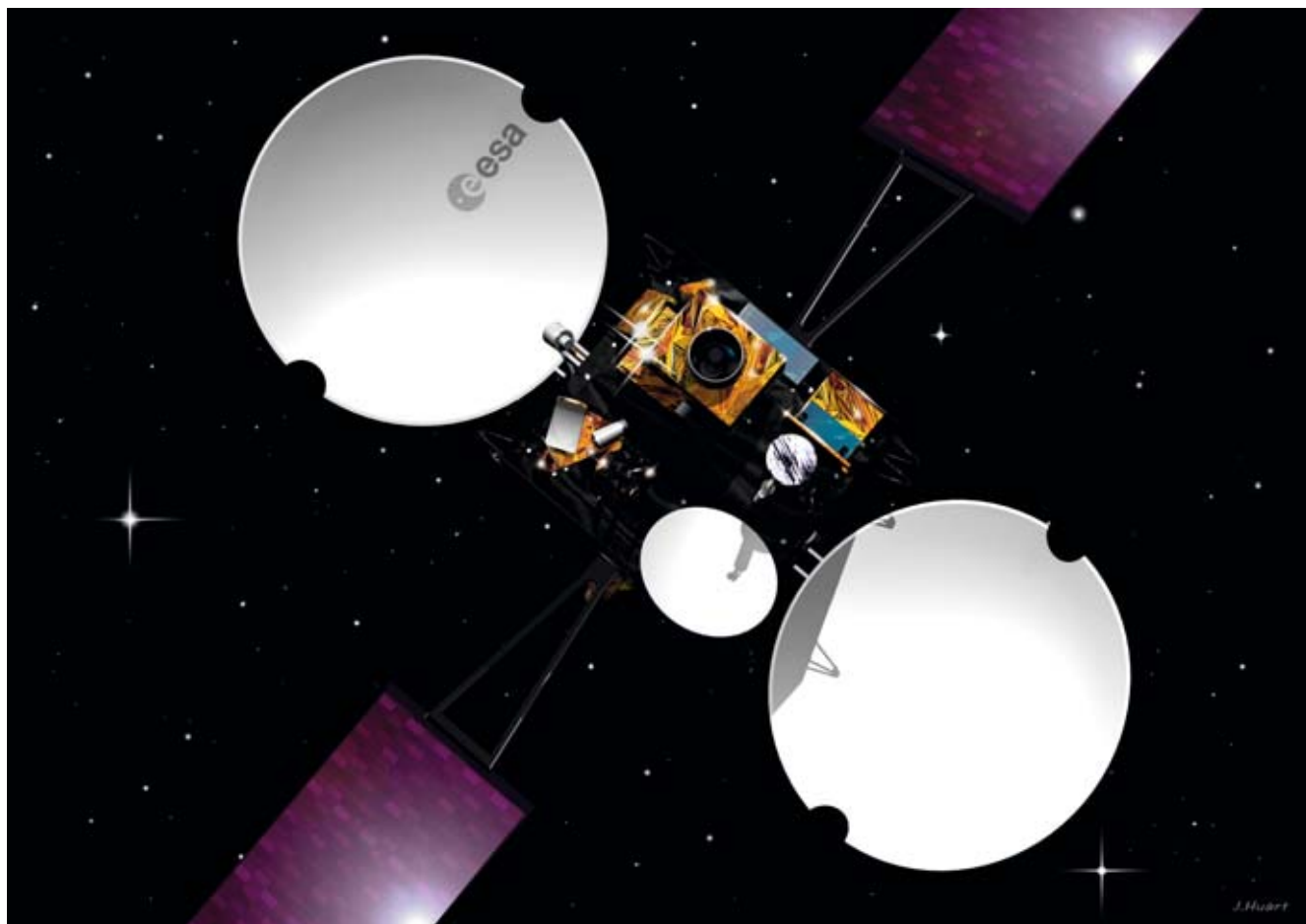
ABOUT

Fernando Doblas is Head of the European Space Agency's communication department.

ARTEMIS SATELLITE ARTIST'S VIEW

© ESA-J. Huart

Carrying three payloads plus a number of experiments, Artemis (Advanced Relay and Technology Mission Satellite) has been developed to test and operate new telecommunications techniques. The L-band mobile payload will allow two-way voice and data communications via satellite, between fixed Earth stations and land mobiles - trucks, trains or cars - anywhere in Europe and North Africa. Artemis was launched the 12 July 2001 from Europe's spaceport in Kourou from an Ariane 5 launcher.



**VEGA VV04 IXV LIFTOFF**

© ESA-S. Corvaja, 2015

Vega VV04 carrying ESA's experimental spaceplane, IXV, lifted off from Europe's Spaceport in Kourou, French Guiana, on 11 February 2015. IXV will be released at 320 km and will then coast to 420 km before beginning a long glide back through the atmosphere. In the process, IXV will gather data on reentry conditions to help guide the design of future spaceplanes.



INTERNATIONAL SPACE STATION WITH ATV-5A

© ESA/NASA

View from the International Space Station with Europe's Automated Transfer Vehicle *Georges Lemaître*. ESA astronaut Alexander Gerst took this image during his six-month Blue Dot mission. He tweeted the image with the text: "Home sweet home. This ISS view is taken from the Russian airlock. You can even see ATV-5's wings!" The fifth and last Automated Transfer Vehicle docked with the International Space Station on 12 August 2014. It delivered 6.6 tonnes of supplies, including food, water, fuel, clothes and experiment hardware.

ROSETTA AT COMET - LANDSCAPE

© ESA/ATG medialab, Comet image: ESA/Rosetta/Navcam

Rosetta mission poster showing the deployment of the Philae lander to comet 67P/Churyumov–Gerasimenko. In November 1993, the International Rosetta Mission was approved as a Cornerstone Mission in ESA's Horizons 2000 Science Programme. Since then, scientists and engineers from all over Europe and the United States have been combining their talents to build an orbiter and a lander for this unique expedition to unravel the secrets of a mysterious 'mini' ice world – a comet.



SPACELAB MEMORANDUM SIGNED WITH NASA

© NASA

Signature of the Spacelab Memorandum of Understanding between European Space Research Organisation (ESRO) and NASA in Washington DC, USA, on 24 September 1973. The Memo was signed by Alexander Hocker for ESRO and James Fletcher for NASA. Also present were Charles Hanin, Chairman of European Space Conference, Professor M. Levy, Chairman of ESRO Council, and Roy Gibson, Director of Administration for ESRO.





ARIANESPACE BECOMES FIRST COMMERCIAL SPACE TRANSPORT COMPANY

© ESA/CNES/ARIANESPACE-S. Corvaja

Arianespace was founded in 1980 as the world's first commercial space transportation company. Its shareholders include the French space agency CNES, Astrium (now Airbus Defence and Space) and all European space companies, representing 10 European countries. It provides launch services on Ariane, Soyuz and Vega rockets.

MEMORANDUM SIGNED WITH NASA ON SPACE STATION FREEDOM

© NASA

NASA Deputy Administrator Dale Myers and ESA Director General Reimar Lüst sign the Memorandum of Understanding on Cooperation for Space Station Freedom on 29 September 1988 (NASA).





EUROPEAN ASTRONAUT CORPS CREATED

© ESA-J.L. Atteley

In 1998, ESA Member States participating in the International Space Station (ISS) programme decided to unite their respective astronaut teams with the existing ESA core team to form a single European Astronaut Corps. This integration process was completed in 2002.

FIVE PROPOSALS FOR COP21

following the Progressives for Climate International Conference



© Fondation Jean-Jaurès

We must commit ourselves to making a fair and sustainable transition to a decarbonised society. With this in

mind, and with a view to helping to make COP21, which will be held in Paris at the end of 2015, a new starting point for the fight against climate change, the Jean-Jaurès Foundation and the Foundation for European Progressive Studies (FEPS) took the initiative back in September 2014 of conducting an informal policy dialogue with their partners in key countries in the climate negotiation process. Within this framework, on 10 April 2015, we brought together a wide ranging panel of key figures and experts in Paris to assess the situation after COP20

in Lima and to discuss constructive proposals for COP21. The purpose of the following paragraphs, based on this dialogue that has been going on for several months, is to introduce some proposals that seem to us to be compatible with the negotiation schedule as it is currently specified, and which are likely to contribute significantly to the results of COP21 and its aftermath.

1 ENCOURAGE A CONTINUED RAISE IN AMBITION BEFORE AND AFTER COP21

The context of the preparation for COP21 is in many respects different to that which preceded the Copenhagen conference in 2009, and we have experienced it our exchanges: there is a growing awareness on the part of policy makers, private compa-

nies, NGOs and citizens, of the need for action on climate change.

However, the formal negotiation process does not fully reflect this trend. It seems highly regrettable that COP20 in Lima has chosen the very late date of 1 October 2015 as the deadline for submission of national contributions. If an earlier date, such as 30 June, had been selected, the UNFCCC Secretariat would have been able to proceed immediately with adding the pledges contained in the national contributions.

To allow such a process to take place in the preparation of future COPs, the Paris agreement should provide for a systematic and transparent review of mitigation ambition by the UNFCCC Secretariat. Such review should be iterative and lead to several rounds of contributions, until reaching the global

objective of staying below two degrees. Our view is that this kind of «bidding up» process should become the norm in the framework of national contributions submissions for future COPs. The UNFCCC would make this review public, enabling the civil society to exercise pressure on Parties. With regards to COP21, some other means of raising ambition could be considered and used in the coming months. Developed countries could pledge to reduce further GHG emissions by implementing international mitigation actions outside their borders. These mitigation actions could be quantified and added to each country's national contribution (for example 1 billion tons of CO₂ per year by 2030 in developing countries). For developing countries, the national contributions could still be supplemented by a significant additional section: emissions reductions that are conditional on the provision of funding. For example, such an addition could be to offer to exchange in Brazil a «zero deforestation goal», and in Niger the pledge to plant more trees, both for additional climate financing.

2 SET A PRICE FOR GHG EMISSIONS

A price should be set for GHG emissions; otherwise, incentives to decarbonise economies run the risk of remaining theoretical. Deciding whether market mechanisms or taxation is best is a question of national sovereignty. Yet setting a price on GHG can be an efficient means of reducing emissions. One hybrid solution would be to combine a cap-and-trade mechanism and taxation, with a price that increases over time according to publicly stated criteria. This is very similar to what already exists in Sweden, for example, and is currently being discussed in some provinces of Canada. Notwithstanding the chosen instrument, setting a price on GHG is a political decision and the Paris agreement should encourage steps in that direc-

tion. The Paris agreement should then encourage all countries (or at the regional level for the EU) to draw up a schedule for setting a price for carbon and encourage major emitting countries to introduce experimental sub-national regulations, with the eventual aim of merging them at a national level and such initiatives across borders (similar to the cap-and-trade system common to Québec and California, and other regions).

3 MAKE STRONG FINANCIAL COMMITMENTS WITH REGARD TO ADAPTATION AND MITIGATION

It is important to be very clear at the outset with regard to financial issues. We are pleased to note that after a difficult start, contributions to the Green Climate Fund have got underway, with a capitalisation of 10 billion dollars. As progressives, we have no intention of forgetting the commitment made in Copenhagen to mobilise funding of 100 billion dollars per year by 2020, from public and private sources. The Paris agreement should express a strong willingness of continued support to the Green Climate Fund. A far from negligible consequence of setting a price for GHG as proposed above is that it allows necessary resources to be provided more easily for the funding of projects deemed essential by the poorest countries or those most under threat: at the current level of global emissions, a universal tax of only 3.5 dollars per ton of carbon would be sufficient to mobilise 100 billion per year. Every country must make a commitment to allocating the required share of any carbon revenues to the Green Climate Fund so that contributions are guaranteed. Funding is equally important for mitigation and adaptation. The latter is obviously essential for developing countries, most of whom emit very little in the way of greenhouse gases, but are at risk of being severely affected by the consequences of climate change.

4 SEND A LONG-TERM SIGNAL BY ANNOUNCING NATIONAL DECARBONISATION TRAJECTORIES COMPATIBLE WITH THE OBJECTIVE OF CONTAINING GLOBAL WARMING BELOW 2°C

A clear signal must be sent out, in particular to the private sector, on the credibility of the decision to achieve a decarbonised society. There is an option, which is supported by the United Nations: the idea is that each country, as part of its national contribution, submits an indicative trajectory towards decarbonisation for its economy to achieve a level of «net zero emissions» and be completely fossil fuel free by 2070 at the latest. Several countries are already working on scenarios that are similar to this requirement. This approach would allow each country to gain an awareness of further collective efforts needed. It would also reinforce confidence on the returns to low carbon investments. Moreover, this long-term trajectory of decarbonisation could go along with a roadmap to phase out fossil fuel subsidies and start national disinvestment in fossil fuels.

5 ENTRY INTO FORCE OF THE AGREEMENT ONCE RATIFIED BY COUNTRIES REPRESENTING 80% OF GLOBAL EMISSIONS

The text of the Paris agreement has to be adopted unanimously by all Parties to the Convention, but the ratification by national legislatures may prove difficult. In order to avoid a significant loss in efficiency, a well-considered rule for entry into force should be set. This could be when ratification has been done by countries representing at least 80% of global emissions. It offers the advantage of being attainable with a higher, but still reasonable number of countries, in the event of default by one or other of the major emitting countries.



© DR



Táncsics Mihály Barabás

With FEPS and the Friedrich Ebert Stiftung as its main cooperation partners, the Mihály Táncsics Foundation is an organisation of the Hungarian Socialist Party (MSZP) established in 2003, which focuses on educational, scholarly, and cultural activities.



The foundation received its name from a famous Hungarian politician of the 19th century, Mihály Táncsics.

His main purpose was to end the feudal system and start great social changes in Hungary. He was incarcerated in 1846 for his political convictions, and then freed in 1848, becoming a symbol of the bourgeois revolution and the Hungarian War of Independence.

The Foundation pursues its mission by its own institution and organisation, partly by calling upon or cooperating with other institutions as a project organiser and supporter of project financing. It supports the work of the Hungarian Socialist Party (MSZP) by developing the social democratic way of thinking and spreading the social democratic ideology. The Foundation gives heed to important values such as equal opportunity, solidarity, the ethnic identity and minority protection, and pays attention to the development of these communities' enforcement of interests. The Táncsics Foundation highlights the importance and respect of democracy, humanity, secularisation, human rights, and rule of law. Its aim is to widen the opportunities of informing civilians about important social and political changes that have great effects on society, and to explain the theoretical approach of social democracy.

It wills to urge political culture to work to a higher standard and strengthen the democratic practice and theory.

Táncsics Foundation regularly organises trainings and conferences in topics such as public life, current politics and policy, and runs a website (www.kapcsolat.hu) for the community of readers and bloggers interested in left-wing politics. In the last years it supported hundreds of civil organisations and researchers by grants and scholarships for their researches, studies, and cultural programs. The Foundation also supported the publication of newspapers, reviews and books, and the establishment of cultural and academic awards and grants. In 2004, it established the "Táncsics Oeuvre Award" which is given yearly to contemporary artists (fine and industrial arts) and actors who proved their important role in our cultural life. The Foundation's new mission is to implement a large-scale project – the establishment of the Horn Centre. It will be a social stage for the youth, with day rooms and events open to the public, as well programmes for exchange students. The centre's will is to enshrine Gyula Horn's inheritance, and emphasize and introduce his intellectuality and works to the general public.

THINK TANKS' PUBLICATIONS

SHARING IN THE SUCCESS OF THE DIGITAL ECONOMY: A PROGRESSIVE APPROACH TO RADICAL INNOVATION

Robert D. Atkinson, Michael McTernan and Alastair Reed

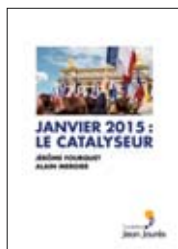


The digitally enabled economy is unleashing a new wave of change, something we are only just beginning to feel and understand. The economic evidence shows that this innovation – the development and adoption of new products, services, processes and business models – is vital to support rising living standards. But making the political case for the progressive power of innovation, and the digital economy, can be more challenging. The forces of 'creative destruction' threaten incumbent firms, jobs, and the way people work and live, creating strong incentives to oppose change. Confronting these hard realities is one of the defining challenges for progressive politics in the 21st century. This collection of essays aims to explore how progressives can embrace the power and promise of innovation through ICT and the digital economy, while developing new institutions to enable societies to cope with the new challenges and risks that they herald.

[+] www.policy-network.net/publications/4876/
[Sharing-in-the-Success-of-the-Digital-Economy](#)

JANUARY 2015: THE CATALYST

Jérôme Fouquet, Alain Mergier



What is the impact of the January 2015 attacks on the French working classes? Have they changed their attraction to the Le Pen's Front national? A thorough investigation gives politically worrying results: we are at a historic moment of crystallization of the populist ideology embodied by the FN.

[+] www.jean-jaures.org/Publications/Essais/
[Janvier-2015-le-catalyseur](#)

REFLECTIONS ON THE PRESENT: '89 AND THE END OF THE ITALIAN COMMUNIST PARTY.

WRITINGS FROM 1989 TO 1993

Pietro Ingrao, edited by M.L. Boccia and A. Olivetti



This is the fourth volume of the writings of Pietro Ingrao published by CRS. Ingrao was former president of CRS, former speaker of the Chamber of deputies and an eminent leader of the European left. The publication is part of the celebrations for Ingrao's 100th birthday. Besides this, the CRS edited another volume published by the Camera dei deputati on Ingrao's presidency which was presented at the Camera dei deputati with the participation of the President of the Republic Mattarella, former president Napolitano and other institutional figures. The present volume contains Ingrao's reflections on the events of '89, with the subsequent fall of the Soviet Union and the formal end of the Italian Communist Party. Ingrao recognizes the need for a drastic change in the Italian left, although the Italian Communist Party had already been for several years quite different from other European communist parties and fully independent from Soviet communism. Nevertheless, he advocates a change that should have better preserved the strength of the party and its identity among followers. He did not become a member of the new party, the PDS (Democratic party of the left, a forerunner of the current PD), but remained nevertheless a well-respected and listened-to leader of the Italian left.

[+] www.ediesseonline.it/catalogo/
[carte-pietro-ingrao/coniugare-al-presente](#)

THE CENTENARY OF THE GENOCIDE OF OTTOMAN ARMENIANS. DEBT OF HUMANITY AND HISTORY DUTY

Vincent Duclert



On 23 and 24 April 2015, the French President François Hollande is visiting the Republic of Armenia on the occasion of the commemorations of the centenary of the Armenian Genocide. The historian Vincent Duclert returns to the massacres of 1915 and traces the memory issues of these events throughout the past century.

[+] <http://www.jean-jaures.org/Publications/Notes/Le-centenaire-du-genocide-des-Armeniens-ottomans>

BRITAIN'S COSMOPOLITAN FUTURE: HOW THE COUNTRY IS CHANGING AND WHY ITS POLITICIANS MUST RESPOND

Jeremy Cliffe



In the wake of Britain's general election, its political parties are taking stock and looking to their futures. As they do so, they need to consider the megatrends convulsing and transforming the country at large. Britain's ethnic minority population is booming; its cities are sucking in ever-more people, jobs and investment; its university-educated population is growing

fast; its links with the outside world are becoming closer and more numerous. This paper describes these and other trends that together point to a "cosmopolitan" future for the country. It discusses their impact on lifestyles, attitudes and party politics; drawing a series of conclusions about how politicians should adapt to them. It argues that, for all the challenges that they present, and the turbulence that the upcoming period of transition will entail, Britain's cosmopolitan future is a bright one.

[+] <http://www.policy-network.net/publications/4905/Britains-cosmopolitan-future>

THE KEY PRINCIPLES FOR A REVISED EUROPEAN NEIGHBOURHOOD POLICY

Mabel Grossi, Bihter Moschini,
Giovanna Tanzarella and Gerarda Ventura



This briefing builds on the long-standing engagement of SOLIDAR, ANND and the Euromed Platform to voice the concerns of the people in the region towards the EU. Through a process of consultation with hundreds of civil society organisations across the European Southern Neighbourhood, they have identified 10 "must haves" on which the revised ENP should focus to reach deep democracy, peace and stability in the region.

[+] www.solidar.org/IMG/pdf/73_solidar_briefing_enp.pdf

VALTIONYHTIÖISTÄ YRITTÄJÄHENKISEEN VALTIOON

Antti Alaja



Alaja's report analyses the changing role of the state in supporting economic development. During the cold war developmental state policies were used in various East Asian and Western European countries to support industrialization and the catch up process. In recent years a debate has emerged about the "hidden" role of the state in an innovation-led economy. Scholars such as Mariana Mazzucato have pointed out that patient government funding has been a prerequisite for breakthrough innovations in the US system.

[+] <http://sorsafoundation.fi/valtionyhtiosta-yrittajahenkiseen-valtioon-2/>

« EUROMAIDAN » - ONE YEAR ON : BALANCE SHEET ON AN EPOCHAL UKRAINIAN YEAR

Stephan Meuser



2014 was a “black year” for Ukraine and the European peace order: Principles that were previously considered to be “givens” like the inviolability of borders and the obligation to solve conflicts peacefully were put in question. A new European peace order can only become stable when it encompasses each and every country – including Russia and

Ukraine. This presupposes universal acceptance of its fundamental principles by all actors. With a view to this long-term aim, all parties to the conflict need to begin searching for common interests. These could be found in the guise of free movement of goods and persons between the EU, European Economic Union and the countries in the “Eastern Partnership”.

[+] <http://library.fes.de/pdf-files/id-moe/11206.pdf>

A NEW GLOBAL DEAL - STRENGTHENING PARTNERSHIP FOR A BETTER SOCIETY

Magnus Nilsson



The Anna Lindh seminar of 2014 continues to focus on the issue of a New Global Deal. This concept has been launched by Prime Minister Stefan Löfven, Party leader of the Swedish Social Democratic Party, and developed to describe the ideals of a globalization driven by pragmatism and a strong social bond of confidence between social partners such as employers and employees.

Dealing with precarious working conditions, rising unemployment, discrimination, corruption and other social problems demands a fair balance between capital and labour. This year's Anna Lindh seminar focuses on these issues and aims to develop concrete ways to increase cooperation between capital and labour.

[+] www.palmecenter.se/wp-content/uploads/2015/02/Final-Anna-Lindh-Seminar-Report.pdf

SOCIAL REPORT 2014. INEQUALITY AND SOCIAL EXCLUSION IN CATALONIA

Various authors



Given the success of our Social Report 2013. Unemployment, poverty and inequalities in Catalonia, Rafael Campalans Foundation wanted to give continuity to the project, putting together new professionals from different areas to make a detailed diagnosis of the current situation of increasing social exclusion in Catalonia, and trying to contribute to the debate on how to achieve the recovery and strengthening of a quality welfare model.

[+] <http://www.fcampalans.cat/uploads/publicacions/pdf/tripainformes8ufinal.pdf>

ITALIANIEUROPEI

Various authors



In this issue of Italianieuropei analyses will focus on: the actual capability of the so-called Jobs Act, i.e. the measures concerning the labour market introduced by the Renzi government, to favour not just the creation of new employment but of better employment, if no investments are made to promote growth and innovation; Italy's tax burden, which is not very different from the European average, but is nevertheless perceived, against the

background of not always adequate public services, as excessive; the negotiations between Brussels and Athens, that will impact not only on the future of Greece but of the whole European project.

[+] www.italianieuropei.it

BUYING TIME

The Delayed Crisis of Democratic Capitalism

by Wolfgang Streeck



W

olfgang Streeck's book is essential reading for at least two reasons.

First, the German sociologist sets forth an analysis of the financial crisis that puts the problem in the context of the changing relations between the political and

economic spheres. Through this approach, the author argues that there has been a progressive transformation in post-war national democracies, which he describes as having shifted from "tax state" to "debt state", only to find themselves considerably weakened as part of a globalised network, in the shape of the "consolidation state".

Second, in suggesting that the European Union itself is akin to a "consolidation state", more favourable to capitalist elites than to voters, and in positing the difficulty in reconciling capitalist interests with the conventional interests of labour seen earlier in the transformation process, Mr Streeck questions the plausibility of the traditional version of progressive Europeanism advocated by Jürgen Habermas and Jacques Delors.

The author sees the contemporary crisis as being rooted in the financial (in)capacity of democracies to reduce material inequalities between citizens.

According to Mr Streeck, the cracks in the historic compromise made in 1945 between representatives of workers and holders of capital first appeared in the 1970s. New ideologies undermined the fiscal system on which states depended for their power to act. At the same time, the capitalist elites went on an "investment strike" that saw them redirect their resources away from production and into the financial sphere. However, the social shock resulting from this neoliberal offensive was, for a time, offset by a public borrowing capacity that has now run its course.

Wolfgang Streeck's book paints a grim picture of the current effectiveness of creditor-friendly international financial regulations and the plight of national democracies that are reduced to holding elections void of any real meaning. Yet it is also a clarion call to rediscover the contradictions in the political economy of capitalism.



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Review by Christophe Sente

Buying Time: The Delayed Crisis of Democratic Capitalism // Wolfgang Streeck
(Verso, 2014)

CULTURAL INSECURITY

by Laurent Bouvet



Laurent Bouvet is not the only French intellectual to have analysed the popularity of the Front National. However, he was one of the few socialists to very quickly grasp the extent to which the Front National posed a serious threat to the left and not just, as François Mitterrand had expected, to the unity of the right.

His latest book looks beyond the borders of France in offering a theoretical explanation for the phenomenon of an increasingly strong populist right whose platform typically draws on a defence of the national welfare state while delegitimising European construction, immigration and the practice of Islam.

Although his sympathies lie in rekindling “republican unity”, Laurent Bouvet leaves it to social democracy to draw a line of defence against populist attempts to exploit fear of globalisation.

His aim is to inoculate the Left against the disease of economic determinism. In contrast to Marxist predictions, the victims of capitalism are indeed capable of voting for the right. The social contract is not exclusively based on egalitarian concerns but is, as Hobbes stated, rooted in the search for self-preservation. Mr Bouvet’s contribution is original in that it draws on the cultural studies made popular by British academics to demonstrate how this search for security can undermine identity through exposure to a shifting social environment.

Laurent Bouvet joins Anthony Giddens in defining globalisation as a revolution in communication between people and cultures. However, the author’s view of the repercussions of this process is more pessimistic than that of the British sociologist, who, in the 1990s, anticipated the defeat of the Conservatives.

Review by Christophe Sente

L’insécurité culturelle // Laurent Bouvet (Paris, Fayard, 2015)

GOVERNING SOCIAL RISKS IN POST-CRISIS EUROPE

by Colin Crouch



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Colin Crouch is well known for his views on the transition of contemporary politics toward a post democratic society. Yet he is also one of the most insightful observers of transformations in industrial relations and social dialogue.

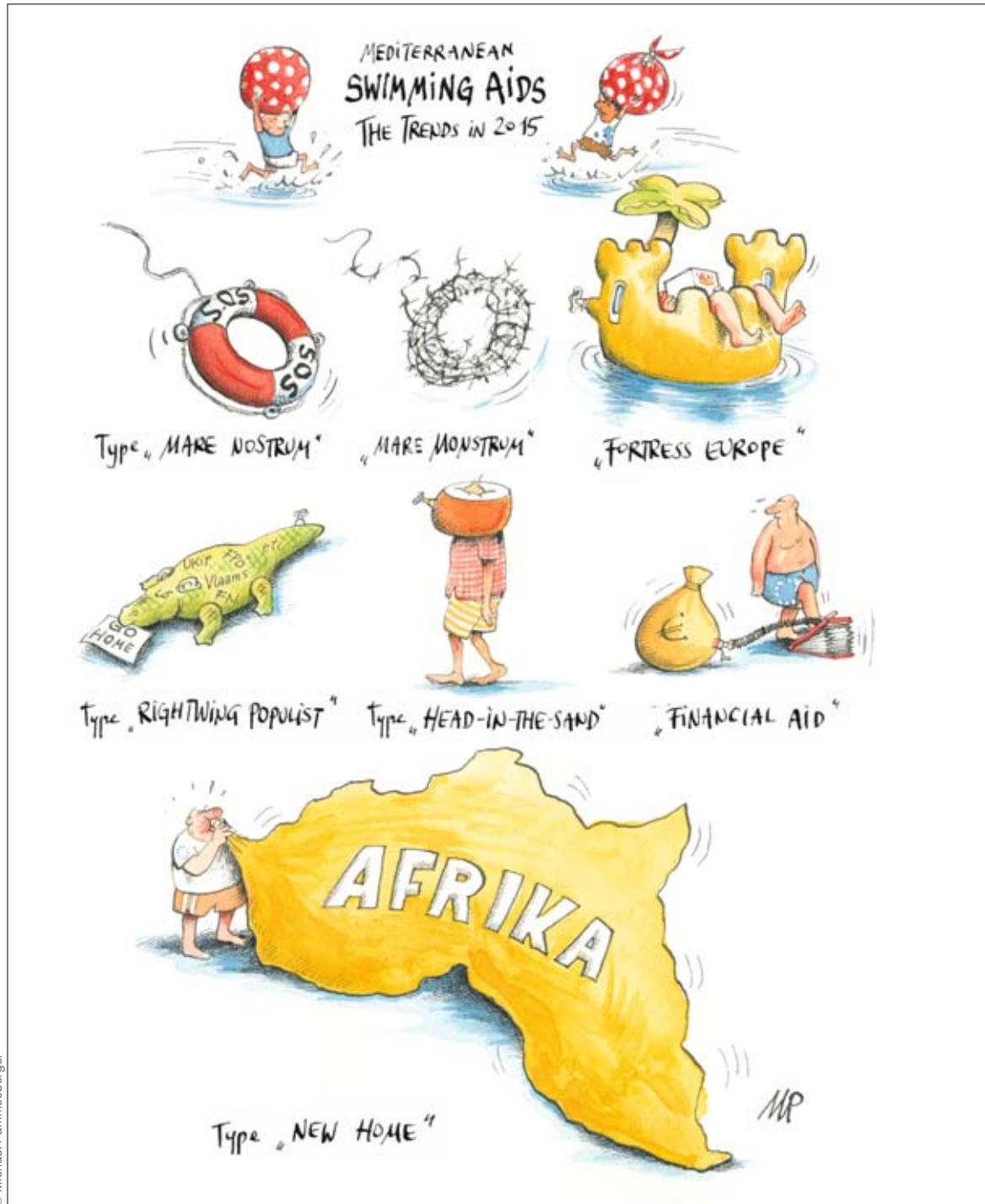
Since the 1980s, he has echoed Philip Schmitter in advocating an understanding of democracy that extends beyond constitutional law to incorporate the neo corporatist nature of European societies into any analysis of the issue. Mr Crouch believes we no longer live solely under liberal parliamentary systems complemented by the mechanisms of the welfare state, but in an environment in which a fundamental aspect of the social pact is directly negotiated by employee representatives and employers.

This neo-corporatist school sees a study of the specific method of organising professional negotiations—centralised or local, sector-based or otherwise, bipartite or involving the government—as vital to any proper understanding of the dynamics of national politics. Mr Crouch's latest book is a new milestone in this approach, in which the author scrutinises the puzzling problem of how Europe's dominant neoliberal trend tackles the contradiction between the push towards job insecurity and the bid to bolster household consumption.

Colin Crouch refrains from offering an unequivocal answer: his response is rooted in a comparative analysis of national policy choices. Somewhat paradoxically, the conclusions of this analysis are more optimistic than the gloomy picture of a post-democratic society he has painted elsewhere. Could this mean the left is not simply focused on winning elections but is instead striving to develop a model of corporate governance commensurate with its historical ambitions as well as European and global market constraints?

Review by Christophe Sente

Governing social risks in post-crisis Europe // Colin Crouch (Elgar Publishing, Cheltenham, 2015)



© Michael Pammesberger

Michael Pammesberger is an Austrian editorial cartoonist who works for the daily newspaper *Kurier* and the weekly magazine *News*. His cartoons were published in several books, the next one coming out in the autumn 2015. Under his signature «M.P.» he won the Austrian award “Cartoonist of the Year” in 2007.

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