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# The Progressive Post

The NEXT  
SOCIAL EUROPE  
GOTHENBURG  
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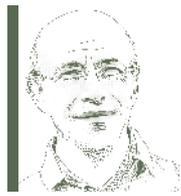
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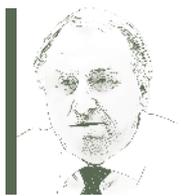
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# 2017: A DECISIVE YEAR FOR SOCIAL EUROPE

by Maria Joao Rodrigues, FEPS President

**2017 is a crucial year for social Europe. After years of economic and social hardship, the gear is finally shifting. It is high time we ensure our progressive goals are heard and make sure social standards are updated.**



**S**ince 2008, the European Union has suffered a major blow and only recently is it gradually getting back on its feet. Many fragilities of the EU integration process have been exposed in recent years, which have led to waves of populism and euroscepticism on our continent. It is now high time we discuss what we want for Europe. Our Europe. We need to firmly engage in the debate that has been launched at EU level: the European Commission has put forward a White Paper on the Future of Europe as well as a reflection paper about the social dimension of the EU.

The European Commission has proposed 5 scenarios for the

Future of Europe. I believe that none of these scenarios are good enough. We should fight for a 6th scenario: Doing much better together on priorities people care about!

The European Commission has also recently put forward a proposal for a European Pillar of Social Rights, following a public consultation as well as the important European Parliament report, that was adopted in January. This is the first time since the crisis began that social issues are being put back on the table and that we are finally discussing how to ensure upward social convergence in the EU. Let's be frank. This is, for the moment, an opening as such a proclamation is not binding but discussing this is

absolutely crucial at this juncture. We must remember that on top of an economic crisis which has put social welfare at stake, we are living in an increasingly globalised and digitalised world. This, on the one hand, provides us with a large number of new possibilities and increases our quality of life. But on the other hand, globalisation and the digital revolution have created new and atypical forms of employment, where social rights and employment conditions are at stake.

We must engage in ensuring that social standards are updated and that the European Union adopts a European Pillar of Social Rights, re-launching upward convergence and rebalancing the path of European integration. The joint

Proclamation by the Council, Parliament and Commission is foreseen for the EU Social Summit in Gothenburg in November. It will be a good signal.



| June 15, 2017 - France's President Emmanuel Macron and Canada's Prime Minister Justin Trudeau.

## TRUDEAU AND MACRON, THE RADICAL CENTRISTS

by Stuart Trew

In their rhetoric, ideology and style, new French president Emmanuel Macron and Canadian prime minister Justin Trudeau share much in common. Their brand of impassioned liberalism is clearly attractive to progressive voters hoping to keep the extreme-right out of power, which presents considerable challenges, but also opportunities, for the left.

**C**an one be passionately centrist in this day and age? French President Emanuel Macron has staked his relatively short political career on it, with considerable success. Though the mood in Paris after legislative election may be more one of relief than jubilation—57% of voters in

the national election stayed home, low even by French standards—the new government's mandate is about as firm as a politician could hope for in any 21st century western democracy.

Across the pond, Canada's Prime Minister Justin Trudeau enjoys similar approval ratings, and as

large a majority in Parliament, allowing him to pursue his own brand of radical centrism with few obstacles. Actually, Trudeau and Macron have a lot in common politically, ideologically and in the rhetoric they use. It was not surprising they gravitated to each other at the G7 in May, forming what Rolling Stone

magazine called a new "international bromance."

Both leaders speak gravely and frequently about the threats to liberal democracy—from inequality, climate change and rising populism—but optimistically about their chances to meet those threats using the traditional tools

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IDEOLOGICALLY  
AND IN THE  
RHETORIC THEY USE.

”

of the capitalist welfare state: free trade, government stimulus and moderate redistribution. Both are also avowed internationalists, feminists and snappy dressers who love to listen—be it to factory workers in Amiens or the world’s largest asset managers at BlackRock. Consultation, for radical centrists, is key.

At the same time, there are important differences in Trudeau’s and Macron’s electoral victories and the political situations that made them possible.

Despite coming out of Hollande’s Socialist cabinet, Macron is essentially an outsider, neither left nor right, but picking from both camps to create the impression of a party that is willing to break out of old ways of thinking. The Liberals, on the other hand, have been Canada’s so called natural governing party for 150 years now. When Canadians want a change they vote Conservative. When Liberals want to win an election they run from the left. Trudeau was special, perhaps, only in how convincingly he embraced the mantra of progressive change in the 2015 election.

Economic realities are also quite different for Macron and Trudeau. The French president takes office as unemployment trends

downward, international investors buoy markets, and job growth is back up to levels not seen in a decade. Macron’s challenge (according to the country’s banking and industrial sectors) is to maintain that momentum, which the president hopes to do, in part by laying off state employees and chipping away at allegedly unproductive labour privileges. This also happens to be what Germany wants him to do in the name of better EU integration.

Trudeau, on the other hand, inherited a sluggish post-crisis economy still yearning for higher commodity prices. Something different had to be done. True to their electoral promises, the Liberals passed one of the most enlightened federal budgets in recent memory. Their plan acknowledged the capacity of deficit spending to create good jobs and sustainable growth. Childcare

support got a boost, as did funding for housing and education for First Nations.

But plus ça change, as they say. Trudeau’s infrastructure spending, worth \$125 billion over 10 years, will be guided by a public-private bank funded largely by private pension funds and other large institutional investors (Macron’s former colleagues) whose primary goal is profit. And despite both leaders’ disappointment with Trump for pulling out of the Paris Agreement, neither batted an eye before agreeing to boost military spending exactly as the U.S. president insisted at this year’s NATO summit.

What does it say about our times, and our challenge on the left, that these two defenders of the status quo can seem so radical? It could mean the stakes are very high indeed; that, as Macron told

the Guardian newspaper recently, “people saw they were at the edge of a precipice and they reacted.”

More optimistically, the popularity of the Macrons and Trudeaus of the world could be a sign that voters are ready for more urgent measures to address the existential challenges of economic inequality and climate change. If the programs of the radical centrists disappoint, or worse, these men reveal themselves as just the charming agents of deeply distrusted elites, then the reaction could be swift.



**> AUTHOR**

**Stuart Trew** is Editor of a the CCPA Monitor, a bimonthly magazine of the Canadian Centre for Policy Alternatives, a public policy research institute.



In the UK general election, Labour secured over 40 % of the popular vote.

## UK ELECTIONS : LABOUR FIGHTS BACK

by Patrick Diamond

Despite predictions of electoral disaster for the Labour Party before the UK election, its leader Jeremy Corbyn managed to secure 40% of the popular vote, its best performance since Tony Blair's victories in 1997 and 2001. The party's campaign featured an effective use of social media, traditional door to door canvassing and very successful open air political rallies. Labour's success showed that it can fight with traditionally left wing policies and that it is possible to politically mobilise younger voters and the so-called 'left behind'.

**T**he result of the 2017 UK general election has astonished Britain's most experienced political observers. At the start of the campaign, most polling experts and political scientists were predicting electoral disaster for Jeremy Corbyn's party: Labour was twenty points behind in the

opinion polls having been heavily defeated in recent local elections. In terms of ratings of political leadership and economic competence, Corbyn trailed Theresa May by a huge margin.

However, on June 8th Labour secured over 40 per cent of the popular vote, its best performance

since Tony Blair's victories in 1997 and 2001. In just two years, the party's share of the vote increased by over 9 per cent, the largest rise Labour has enjoyed since 1945. This is in stark contrast to most social democratic parties in the advanced capitalist countries who are struggling to arrest the decline in their national vote share.

In the meantime, May's cataclysmic performance has plunged the Conservative party into chaos, and potentially imperilled the entire Brexit process. Increasingly, Corbyn is viewed as a prospective Prime Minister by previously sceptical voters. This election has delivered a political earthquake in the UK which appears, at least on

the surface, to challenge a number of orthodoxies that have prevailed in British political life for the last forty years.

### Labour heads to the Left

The first and most obvious orthodoxy to be overturned is the claim that the Labour party cannot succeed electorally by fighting from the left. Labour's programme was not that far removed from traditional social democracy: it promised to tax the better-off in order to fund the National Health Service (NHS) and schools, as well as abolishing university tuition fees; the manifesto pledged to nationalise failing privatised utilities such as the railways and the energy sector. The party's policies were unquestionably further to the left than at any election since 1983. Yet Labour increased its share of the vote among most social groups. The contention of Labour modernisers that Britain is an inherently Conservative country which is resistant to higher taxes and more sceptical than ever of a "bigger state" has apparently been confounded.

### Mobilising younger voters and the 'left behind'

The second orthodoxy apparently disproved by Labour's performance is the view that it is impossible to politically mobilise younger voters and the so-called 'left behind'. Turnout in the election rose to nearly 70 per cent; there was a marked increase in voting among 18 to 34 year olds; and marginalised working class

voters who either abstained from voting or switched to the populist right-wing UK Independence Party in the 2000s returned to Labour in droves. Labour deployed an intriguing blend of 'modern' and 'traditional' campaigning techniques: the party's use of social media was extremely effective, as Labour dominated the online conversation. Yet Corbyn also addressed dozens of open air political rallies drawing crowds of thousands towards the end of the campaign. Labour was far outspent by the Conservatives, but the party used 'word of mouth' communications and traditional door-to-door canvassing to ruthless effect.

### Conservative policy errors

The third orthodoxy brought into question by the election result on June 8th is that the British Conservative party is a ruthless, vote-gathering machine. The Tory campaign was manifestly a political failure: May raised expectations by demanding a large majority for a mandate to carry through the Brexit process. Yet her media and public performances throughout the campaign were judged to be weak. The Conservative manifesto attacked one of the party's most loyal voter groups – the affluent elderly. Their programme pledged to meanstest pensioner benefits while introducing a social care reform that required people with chronic conditions to pay for more of their own care if they were relatively well off. The Tory manifesto failed to spell out any compelling vision

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**LABOUR DEPLOYED AN INTRIGUING BLEND OF 'MODERN' AND 'TRADITIONAL' CAMPAIGNING TECHNIQUES: THE PARTY'S USE OF SOCIAL MEDIA WAS EXTREMELY EFFECTIVE, AS LABOUR DOMINATED THE ONLINE CONVERSATION.**  
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of Britain's role in a post-Brexit world, of how the UK would rise to the economic challenge of competitiveness and sustainability outside the European Union. The electoral consequences of such policy errors proved to be disastrous.

### Labour Party now looking in good shape

As a result, many in Labour believe that the party is on the brink of a victory as great as any since 1945. Certainly, Corbyn now has a plausible prospect of becoming Prime Minister. May is fatally weakened, while the Government's majority depends on the votes of the Northern Irish Democratic Unionist Party (DUP) against the backdrop of an unstable peace process. Another general election appears likely soon which would, in all likelihood, be Labour's to lose.

As such, the British Labour party may be in a position to map out a new path to power with radical implications for other centre-left parties across Europe.



> **AUTHOR**

**Patrick Diamond** is the Co-Chair of the Policy Network and a University Lecturer in Public Policy at Queen Mary, University of London.



| FEBRUARY 19, 2017, Lübeck, Germany - Chancellor candidate Martin Schulz from the SPD in conversation in Gollan Kulturwerft.

## SOCIAL DEMOCRACY: DARING UNCERTAINTY

by Laura Slimani

**To prevent further decline, European social democracy requires a comprehensive and radical structural overhaul, one that encompasses substantive changes and improved voter engagement.**

### The danger of stunting growth

This trend has caused the social democrats to decline for a number of years, despite isolated victories across various quarters. I do not consider that the cycle theory succinctly explains how the same parties with the same ideas can lose

one election and then seemingly win the subsequent election due to the inevitable pendulum swing. Political cycles are dynamic in nature. It is unlikely that social democratic hegemony will ever return to the political left in France, Spain, Greece, the Netherlands, or Germany. We are witnessing a structural weakening of social democracy and the vacuum is being filled by

a variety of political movements. These movements pose serious questions (often appropriately) of social democracy that go beyond a simple 'inventory' exercise.

Firstly, social democracy has been irrevocably damaged by public disappointment; from the failure to adapt social development policies initially implemented during periods of

| PRESIDENTIAL ELECTION, FRANCE  
Vandalised campaign posters of the socialist candidate Benoit Hamon.



strong economic growth to periods of weaker growth to the gradual transition towards a conservative stance on social issues. When placed under pressure from corporate shareholders we have, in certain circumstances, conceded ground on employment provisions and on occasion we have permitted salary stagnation or even salary regression. We have acted to privatise public services that have become costly and ineffective and reduced taxes on the highest wage earners in return for hypothetical economic growth. However, this does not mean that progress has not been made in other respects. But these decisions have discredited us. We require a complete structural reconstruction and not simply a superficial renovation where the outcome has been pre-determined.

## Do not be afraid of radicalism

To re-establish socialism, we must embrace a degree of radicalism. The environmental crisis and increasing inequality across all levels of society coupled with the severe democratic crisis mean that we must implement systemic solutions and not simply a solution aimed to permanently change our past considerations. We cannot simply add a new idea to an already finalised program, we must reflect on what we can do today to ensure that society is fairer, more sustainable and more democratic. It is for this reason

that we must listen to academics on key issues. We must consider how to redistribute wealth whilst limiting production. We must consider how to acquire new rights for the oppressed whilst ensuring a cohesive society. We need to find local solutions to global issues, and European solutions to social welfare issues as well as corporate and fiscal dumping (predatory pricing), which are now matters which fall within state jurisdiction.

## A "daring" political strategy

New ideas and unexpected personalities have emerged during recent election campaigns. The common feature between Benoît Hamon, Jeremy Corbyn, Bernie Sanders and Pedro Sanchez is the contrast which exists between the mobilisation of the people that successfully advanced each of their respective campaigns and the resistant attitude of the political elite within their parties. The power of elected representatives gradually took precedence over political ideas within our political programmes. However, the elite within each organisation seek only to preserve the status quo because it favours their position; this applies equally to elected representatives as it does to party leaders. Any candidate or political idea, even where they receive strong support from the public often faces institutional resistance that should not be underestimated. The Corbynist example serves

as an encouraging and practical illustration of such a populist movement. After being virtually destroyed by the Labour Party's Blairist establishment, no one thought a year ago that Corbyn could become Prime Minister but today it is not only possible but it is carried by an unparalleled level of public enthusiasm. To achieve this goal, the Corbynists implemented an ingenious strategy intended to conquer the hearts and minds of the public; they empowered a powerful collective imagination with promises of large-scale investment in the internet and openly engaged with the public in an intelligent manner. Jeremy Corbyn successfully identified his opponent thanks to his campaign slogan "For the many, not the few."

If the electoral system within the United Kingdom is better suited to change, this is only true insofar as it has enabled the Labour Party to re-structure themselves. The same cannot happen within other countries - discredited parties will have to start afresh or concede and form a broad left-wing coalition in order to succeed.

In order for such a political re-shaping to take place we must devote all our strength to it. It is time for us to put our political strategy at the service of our ideals and not allow the reverse to happen. We must dare to propose new concepts that are so new that they are unpopular today. We must dare to identify our opponent: the financial elite

who get rich whilst others are reduced to poverty, the same group which has no intention of taking action to reduce global warming because they will not suffer the consequences. Dare to pursue generational, social, ethnic revival, not for superficial reasons but to enable us to share power. Dare to put everything on the table, including our partisan affiliation so that we can put the collective need before the disputes over the means.

This transformation could happen with ease. But it could also take a long time and be hampered by setbacks. Nevertheless, we must persevere. The earth was not made in one day and the left even less so. So, we must remain prepared.



### > AUTHOR

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| LONDON, UK - JUNE 09, 2017: Theresa May on the front page of the Evening Standard the day after the general elections, which resulted in a hung parliament.

## ELECTION REACTION: THE STAGING POST TO POWER?

by Andrew Harrop

A Labour prime minister did not enter 10 Downing Street following the recent general election. But the June election must still be chalked up as a huge success for the Labour party and a personal triumph for Jeremy Corbyn. To go from 30 per cent of the vote to 40 per cent in the space of two years is a very big achievement, especially when Labour had been doing so badly in the pre-campaign polls.

It is true that Labour gained only 30 seats, leaving the party still 64 seats short of a majority of one. But crucially, the party can now realistically win the next time the country votes, as there are enough competitive marginals for a majority: the talk of an inevitable 15 or 20 years of Tory hegemony is over.

How the mountain Labour has to climb to win a majority of one is less than half the size it was before this election? Labour now only needs a swing of 4 percentage points in the seat that would hand it a majority; before it required 9 percentage points to take the equivalent 'winning line' constituency.

Just as importantly, the geographic and demographic variety of the seats where the party made progress shows that Labour does not have to choose between being the party of metropolitan liberalism or working-class grit: it can and must be both. Moving forward further will be easier now that Labour is advancing in every nation and

region, in constituencies with very different social mixes. Labour will not need to second-guess whether its voters were once Remainers or Leavers, but can instead play its hand on Brexit as a patriotic champion of the national interest.

Of course, with the Conservatives' error-strewn campaign and the implosion of Theresa May's political honeymoon, Labour was always going to compare favourably. But the party's own campaign also made a big difference and here Jeremy Corbyn deserves great credit. First, his personal sincerity, conviction and authenticity shone through. In contrast to most of his time as leader, Corbyn looked at ease under the glare of media scrutiny and genuinely happy to be doing the job. Being comfortable in your own skin matters, as May has discovered. Second, his decision to present a 'red meat' manifesto, without the caution, calculation or stealth of the Brown and Miliband eras paid dividends. Labour had a significant, clear and easily communicated offer, which was popular even with people who didn't care for Corbyn himself.

The big question now is what it will take for Labour to win from here? The 13 million voters who backed Labour included people voting because of Corbyn and people voting despite Corbyn, as well as instinctive Labour tribalists who would never go anywhere else. That coalition could prove unstable if the prospect of a Labour government looms larger. Although Labour's 'floor' is clearly higher than many feared, the party's 2017 vote is not necessarily a dependable base from which to reach out further.

The answer for Labour must be to combine head and heart. Corbyn has shown that campaigning

with conviction and making big promises works. But to win power, voters need to believe that the party can govern. Labour must show it is a credible shadow administration not just a protest movement, while still retaining the boldness and authenticity that has defined this election. The task is to campaign with Corbyn's poetry, but also show that the Labour team is ready, at a moment's notice, to govern in prose.

Corbyn's leadership of the party is secure but, collectively, the Labour team must look competent, confident and prepared for power. To pull this off, the rival factions must bury the hatchet. Corbyn's critics should admit that they overplayed their concerns about his capability and electoral appeal – and they should offer to serve on the frontbench. Meanwhile Corbyn, in his moment of triumph, should recognise that the party will only move forward again if he supplements his own homespun charm with the different attractions of colleagues who look like ministers in waiting. With Keir Starmer we've seen already that this double-act can work.

There is an alternative to a Shadow Cabinet of All The Talents but it would be a disaster for the party's chances of winning power. Instead of building on the newfound unity of the election campaign, Corbyn's backers could use their leader's strengthened position to fight a re-match of the last two years and execute a slow-motion purge of all those who underestimated Labour's leader. But if there

is a return to Labour's civil wars, then 2017 will prove a high-water mark and the party's new coalition of voters will splinter fast. On the other hand, if Jeremy Corbyn assembles a Shadow Cabinet capable of out-gunning Theresa May's embattled frontbench – to prove that Labour has both head and heart – then this election could be a staging post to government, far sooner than we think.

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THE TALK  
OF AN  
INEVITABLE  
15 OR 20  
YEARS  
OF  
TORY  
HEGEMONY  
IS OVER  
”



> **AUTHOR**

**Andrew Harrop** has been general secretary of the Fabian Society since Autumn 2011 and in that time has led the society's research on economic and social policy as well as the future of the Labour party. He has been a Labour party activist since 18 and was a parliamentary candidate in the 2005 general election.



| Newspapers showing Labour leader Jeremy Corbyn in front of the Houses of Parliament the day after the 8 June general elections.

## BRITAIN: TURBULENT TORIES AT THE HELM

by John Callaghan

The UK government entered the Brexit negotiations on 19th June lacking a Parliamentary majority, thanks to a snap general election which was held less than two weeks earlier. Theresa May, the Conservative Prime Minister, called the election to exploit the huge opinion poll lead which she and her party had held over Jeremy Corbyn and Labour for most of the time since September 2015, when Corbyn first became leader of the Opposition. All of the prominent political pundits of the press and broadcast media expected a landslide Conservative victory.

Since the general election no totally convincing narrative has emerged to explain exactly what happened. All are agreed that May ran a singularly inept campaign which highlighted her personal shortcomings. By

contrast Corbyn was relaxed and fluent, especially in the company of voters on the street, but also in the televised debates which May refused to join. Labour's manifesto focused on social and economic issues rather than Brexit and these spoke to widespread discontent

with degraded public services, stagnant or falling incomes and growing inequality. The Conservative manifesto also talked about 'burning injustices', lack of workplace rights, the need for decent pay and even a modern industrial strategy. None of this featured prominently in

May's campaign. The manifesto is evidence, however, that the Government was perfectly aware of the salience of such issues.

Calling unscheduled general elections may raise apprehensions about what comes next.

What anticipated problems require such distasteful medicine that the Government needs a bigger majority than the one it already has to retain its parliamentary ascendancy and face down dissent? The outcomes of the Brexit negotiations and the economic uncertainties of the immediate future are full of potential in these regards. The ongoing public expenditure cuts, the rising rate of inflation, the shortage of houses and affordable rented properties and the public-sector wage freeze – all these certain problems point to future political turbulence. In health, education, policing, prisons and local government the perception is that services have already been cut to the bone. The ideological project to cut the state sector and reduce or eliminate regulatory structures constraining ‘free markets’, which the Conservative Party embraced in the 1970s, is occasionally revealed to have much further to go. No acceptable deal with the EU, it was threatened by May and her Chancellor Philip Hammond in January 2017, and the UK would go much further in the direction of cheap labour, low wages, fewer workers’ rights and lower business taxes. But this was only to echo aspirations which leading figures within the Conservative Party are known to nurture and occasionally give vent to. Andrea Leadsom, for example, a leadership contender in 2016, was quite clear when speaking to

the House of Commons in 2012 that small businesses should endure no employment regulations whatsoever. For the Conservative Brexiteers the great prize of leaving the EU is to be free of all such regulations which are held to constrain market forces and dilute the UK’s comparative economic advantage.

The Labour Party has had enduring problems since 2010, stemming from the fact that, under Tony Blair, it travelled in the same direction as the Conservatives in many areas of policy over the previous 13 years in government. Blair embraced flexible labour markets, presided over growing inequality with equanimity, distanced Labour from the trade unions and celebrated the dynamism of markets, especially the finance markets. He also alienated many Labour voters because of his enthusiasm for the invasion of Iraq and his failure to acknowledge, let alone stem, the tide of immigration. When the global financial crisis unfolded, Labour was unable to effectively challenge the Conservative narrative that a large share of the blame was attached to Blair and his Chancellor Gordon Brown. Defeat in the general elections of 2010 and 2015 saw most of the leading Blairites walk away from UK politics. The remainder could not identify an alternative vision to that of the Conservative-Liberal Democrat coalition in 2010-15.

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On June 8th 2017 Corbyn increased Labour’s share of the vote to 40 per cent, the highest vote share for an Opposition since 1970. The 9.6 per cent increase in vote share was Labour’s largest increase in a general election since 1945. Even so, the election also witnessed the largest Conservative Party share of the vote since 1983. It remains in Government, though weakened, and reigned in for the moment.



**> AUTHOR**

**John Callaghan** is Professor of Politics and Contemporary History at the University of Salford. *Socialism in Britain since 1884* (Oxford, 1990) and *The Retreat of Social Democracy* (Manchester, 2000) are among the major works that he has written.

When Ed Miliband resigned the Labour leadership in 2015, Corbyn emerged as the only contender capable of generating support among the membership, which surged in response to his campaign and now stands at more than 500,000.



| Grenfell Tower tragedy shows effects of austerity, Corbyn tells May.

## CORBYN'S LABOUR MUST AVOID THE FATE OF HOLLANDE'S PARTI SOCIALISTE

by Richard Angell

Following the recent close UK election that delivered a minority Conservative government, there is now every chance that Jeremy Corbyn could be the UK's next prime minister after fresh elections. Whilst Labour's manifesto was good, the leading thinktank on public finance issues, the Institute for Fiscal Studies, found serious discrepancies in the projected revenue and tax figures. Richard Angell explains how he thinks Labour can avoid the fate of France's Parti Socialiste.

**J**eremy Corbyn is now the frontrunner to be the next elected prime minister of the United Kingdom. It is clear that the Tories will ditch Theresa May before

Britain next goes to the polls but the sooner it comes the more likely it is that the former backbench rebel turned Glastonbury music festival hit will be walking through the doors of No 10.

Millennials – and their successors in Generation Y – were roused into action by the result of the referendum on the United Kingdom's membership of the European Union and chose to punish May

and her cabinet of Brexiteers. The latter are about to frogmarch the UK out of the single market and take with it young people's work and travel rights. Corbyn was the conduit for their anger.



© Ms Jane Campbell / Shutterstock

## Corbyn outstripped expectations of him

By becoming so, he outstripped the expectations of his critics, myself included, and has entrenched himself as the new establishment force in the UK's Labour Party. The leader now has total control of his top team. In June he sacked three shadow ministers – and accepted the resignation of one more – for voting to keep Britain in the single market. He has £5m in short money at his disposal annually, the ability to appoint members of the House of Lords and currently the BBC is falling over itself to put Corbyn-friendly commentators into mainstream programmes like the Andrew Marr show and Question Time. The 2017 manifesto, as Stephen Bush of the New Statesman has written, will be the basis of the next winning Labour manifesto in the way much of the 1983 manifesto's contents – dubbed 'the longest suicide note in history' – appeared in Tony Blair's 1997 successor.

The question has now changed from 'can Corbyn win?' – it is not hard to imagine a set of circumstances where the government falls and Corbyn is the one to visit the Queen – to 'what happens if he does?'

## Labour's manifesto – a big success story

Labour's manifesto was the big hit of the campaign. It had vision; it had policies that were easy to explain; and, with clear appeal to very different parts of the electorate and – despite its

contradictions – very much felt like it added up to more than the sum of its parts. There was much in it that I, and every progressive in Britain, would like to see achieved under a future Labour government.

It was not, however, taken seriously, by its authors nor audience, as a genuine programme of government. It had

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associated costing, but that is not the same as it being costed. The leading thinktank on public finance issues, the Institute for Fiscal Studies, found serious

discrepancies in the projected revenue figures – raising over £11bn less by their calculations than John McDonnell's predictions in the first year alone – and found costs to be higher than Labour's 'back of a cigarette packet' sums.

During the election, Labour did not emulate the populism of Donald Trump in 2016, but that of Francois Hollande in 2012. Hollande's coalition of students, the ultra left, those in favour of high levels of taxation and the fact that the anti-establishment right voted tactically propelled the Parti Socialiste to the Élysée Palace. Labour's coalition in 2017 was remarkably similar.

## Don't make undeliverable promises

Hollande's promised tax rises imposed on the rich, though extremely popular at the time, turned out to be catastrophic for the French economy. Like Nick Clegg in 2010 on tuition fees, the Socialist candidate made these promises knowing that they were undeliverable. And, in turn, the voters punished both men heavily when their promises were exposed as such and they were forced to change tack.

## What should Labour do next?

So what then does Labour do with an exciting, if not realistic, manifesto?

First, it should accept the lowest estimated returns on its proposed

tax measures as calculated by the Institute for Fiscal Studies (IFS). This would go some way to shutting down a potent line of attack. Once this is done, it should cut its cloth accordingly.

Second, McDonnell should pledge that any revenue raised above the IFS's predictions should be earmarked for deficit reduction.

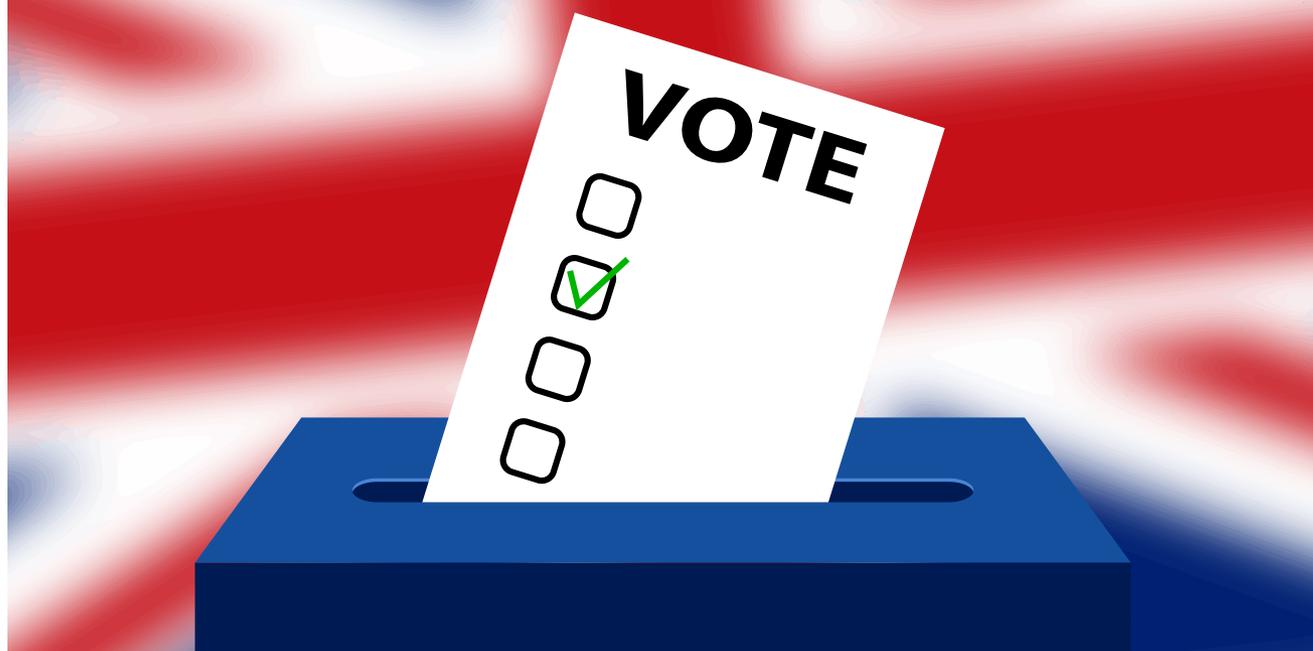
Third, it must choose a path on Brexit. 2017 was a masterclass in riding both horses. It will not work next time. In this hung parliament, Corbyn possesses the power to keep Britain in the single market and customs union.

The next Labour manifesto cannot leave the party a hostage to fortune. Winning a pyrrhic victory akin to Hollande's in 2012 by offering the public a programme it knows to be undeliverable must be avoided at all costs.



### > AUTHOR

**Richard Angell** is the director of Progress. He is the founder of Labour's three seats challenge (#Lab3seats)



| The Labour Party surpassed expectations in the UK general election in June.

## WHAT CAN PROGRESSIVES LEARN FROM THE UK GENERAL ELECTION?

by Deborah Mattinson

The UK election result on June 8th confounded politicians, commentators, local activists and pollsters alike. Although expectations of a Conservative landslide had subsided as their campaign ran into difficulties, very few anticipated anything less than a comfortable Tory win. In the end, while the Conservative to Labour swing was only 2% and Labour fell short by 56 seats, the Conservatives were denied their overall majority and Theresa May was humiliated. What can we learn from the campaign and its outcome?

### Mistaken assumption about who would vote

Firstly, the expected result was based on an erroneous assumption about who votes – or, more

specifically, an assumption that ‘didn’t vote in the last election’ means ‘won’t vote’ in the next one. This has been historically reliable but this time led to pollsters underweighting younger voters and people who did not

vote in 2015, arguably overcompensating for mistakes made in that election. Local activists from both parties, too, tended to focus on people who had previously voted and reported tales of Tory gains and Labour losses from the

frontline. We now know that, with the right incentive, people who don’t usually vote can be motivated to do so to devastating impact.

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‘SMALL C’  
CONSERVATIVE VIEWS.

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### The importance of campaigns and manifestos

The second learning challenges another conventional wisdom: that campaigns and manifestos don’t make much difference. On this occasion, perhaps because the start point was voters having unusually low knowledge of the candidates, the campaign really did change minds. The manifestos, too, were noticed. Labour’s benefitted from a double public relations hit due to being leaked a few days before publication, while the Tories’ foxhunting pledge, announced on its own, a week before anything else, also cut through. Scrapping tuition fees – a direct appeal to those younger voters stood out in Labour’s manifesto, while the ‘dementia tax’ – and its U-turn – were the best remembered promises from the Conservatives, and may well have given otherwise loyal older voters pause for thought.

### The role of the economy in the election

Thirdly, long-standing presumptions about the importance of the economy (It’s the economy, stupid!) were also questioned. Work done by BritainThinks, an international consultancy, for Labour’s post 2015 inquest revealed how lack of trust on economic management had been a major obstacle to choosing Labour. In 2017 it was the dog that didn’t bark. Having tumbled down the ranking in polls on drivers of vote choice, the economy was rarely

discussed by either party. Labour knew it to be a weakness and were unlikely to force the debate, while the Conservatives, trying to edge Philip Hammond out, preferred to exclude the Chancellor from the campaign by simply not referencing his topic. That said, voters certainly voted in their own self interest, and, in doing so, reinforced the divisions by age, educational attainment, working status and attitudes that were first highlighted by the EU referendum.

### Leadership matters

Fourthly, a campaigning truth held good: that leadership matters above all else. It was the conceit behind calling the election in the first place, the rationale for the Conservatives’ “strong and stable” positioning and, ultimately, the reason for Theresa May’s humiliation. But leadership in a campaign context is a relative thing. As May’s popularity plummeted, so Corbyn’s rose. Although initially he was seen as “weak or as “a geography teacher” (not a compliment), Corbyn grew in stature. As we first noticed in the 2015 Labour leadership contest he has a knack of making his opponents seem lacking in passion: stilted and wooden. Referring to May, one voter in a focus group observed: “She talks as if she’s swallowed her party’s manifesto”. By the end, the consensus amongst voters and commentators alike was that Corbyn’s campaign had triumphed, while May could hardly put a foot right.

The fifth and final lesson is the hardest for progressives and especially for Labour in the UK with

our ‘first past the post’ electoral system. Despite the campaign ‘triumph’, Labour did not win. It did well, really well, amongst young, urban, educated people with progressive views, but much less well amongst older, less well educated people living in small towns and villages with ‘small c’ conservative views. The 2017 campaign and its outcome tells us how hard it is to win without forging a coalition between these groups: a coalition that can unite our divided country.



#### > AUTHOR

**Deborah Mattinson** was pollster to Gordon Brown when he was Chancellor of the Exchequer and when he was Prime Minister. A leading commentator on public opinion, she frequently writes and broadcasts about the mood of the nation. She is a co-founder of a strategy consultancy called Britain Thinks.

Leading Party in Government in July 2017



© PES

- PES-led governments
- ALDE-led government
- GUE-led government
- EPP or ECR-led government
- Ongoing coalition conversations
- Independent government

# THE EUROPEAN LEFT IS AT RISK

by Marc Lazar

The Labour party, despite an overall gain of 32 seats, lost the general election in Britain for the third time since 2010. In France, the Socialist Party (PS) has been plunged into a devastating crisis. The Socialist presidential candidate Benoît Hamon secured only 6% of the votes during the first round of the presidential election whilst the results from the general election on 11 and 18 June were catastrophic.

**T**he reasons which form the foundation of this crisis are well known having taken root nearly forty years ago. Historically social-democratic parties tend to encounter a significant number of challenges: including globalisation, Europeanisation, societal changes, changes within democracy or the weakening of other mainstream ideologies. What was once their strength - namely the use of Keynesian welfare-based policies within the national framework, a solid organisation, a coherent doctrine, close relationships with trade unions - no longer work in their favour. Contrastingly, the parties which form part of the reformist left have experienced

a voter downturn; loss of members, erosion of their voter base amongst the mainstream groups alongside weakening middle class support and the disintegration of their cultural hegemony. Whilst this did not prevent them from winning the election, the general trend is indicative of widespread destabilisation.

In the 1990s, Tony Blair and Gerhard Schröder wanted to end this political stalemate by advocating a "Third Way" between liberalism and social democracy. This position takes into account the transformation of capitalism and is based on the assertion that globalisation itself creates inequalities but also provides opportunities to individuals. Furthermore, it attempts to

reconcile with liberalism at least in part, and advocates equality of opportunities for all through education and training for the most

disadvantaged. The position also reconsiders the role of the State, particularly in relation to policies which seek to address the rising middle classes whilst protecting the working classes. Those who support the "Third Way" consider that the left-right political divide favours conflict between the progressives and the conservatives. Almost all the Social Democratic parties have implemented such concepts and adapted them to the circumstances which exist within their respective countries.

"Third Way" supporters have suffered since 2003 following Tony Blair's involvement in the Iraq war and have struggled to progress given the 2008 financial crisis. Around the world austerity measures have created unemployment

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## THE DIVIDE WHICH EXISTS BETWEEN THE LEFT AND THE RIGHT HAS NOT DISAPPEARED

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and, even where unemployment has subsequently declined, social inequality has widened further. Europe has disappointed in the past and continues to do so. Our societies are shaken by fears such as immigration and migrants. Widespread mistrust of institutions, politicians and political parties is commonplace, with fewer and fewer exceptions, whilst the populists continue to make advances.

A divide has developed between the reformist left and the radical left. Yet, whatever their chosen strategy, these parties have remained unable to secure power. Benoît Hamon campaigned on a very left-wing program and consequently his voter-base shifted to vote for Emmanuel Macron or Jean-Luc Mélenchon. Contrastingly, Jeremy Corbyn campaigned on a conventional left-wing program which saw him make significant progress when compared to 2015 whilst imposing his presence as the true leader of the party - however, this was not enough to secure victory

over Theresa May. Pedro Sanchez successfully re-assumed control of the PSOE (Spanish Socialist Workers' Party) by shifting his focus left and advocating for an alliance with Podemos ("We Can" Spanish left-wing political party) which may ultimately benefit the latter rather than the former. Whilst, the German SPD (Social Democratic Party) and the Italian PD (Democratic Party) continue to explore balancing social-liberal policies with social and ecological measures (more so in Germany), but with limited success. Whilst in Spain, Greece, France, the Netherlands and Belgium, a process of radicalisation is transforming reformist parties on the left.

For the time being however, Social-Democracy has not found a solution. This is particularly important given the present paradigm shift. The divide which exists between the left and the right has not disappeared as some might argue, particularly on societal issues. However, it is reasonable to argue that

such political divide no longer structures society with the same vigour as recent history would suggest and voting behaviour is much more fluid. The political spectrum is intertwined with other areas of division within society; conflict between pro-Europe and those who oppose Europe, between those who support open

to reconnect with the public who have been shaken by recent events, that is, if the voters are willing to accept such changes. If they are unsuccessful, however, the social democratic left as we know it could disappear just as the communist parties disappeared from history. This would have anthropological implications for the history of Europe.

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## A DIVIDE HAS DEVELOPED BETWEEN THE REFORMIST LEFT AND THE RADICAL LEFT.

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society and those who believe in a closed society. It is vital that those on the left take this opportunity to review their policies, to rethink their proposals, to thoroughly rejuvenate themselves, to transform the way in which they operate and to take steps



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## SPECIAL COVERAGE



| The past and the present of the European socialist (PES) family. Discussion during a PES preparation meeting ahead of an EU council, on 29th April 2017 between the current Portuguese Prime Minister Antonio Costa and now former French President, François Hollande

## TO REINVENT OR DISAPPEAR

by Pascal Dewilt

Never before since the introduction of universal suffrage has social democracy been so weak during peacetime. Today, the socialist parties face a collapse in public opinion as well as continuing trend which places them on the fringes of power. If the socialist family fails to return to their socialist *fundamentals* then they seem destined to disappear at the beginning of the 21st century.

The history of each political party within Europe features various political and electoral highs and lows. The highs follow the lows, and vice versa. Yet, if you consider the contemporary electoral and political indicators for each of the socialist parties, some would argue that there are "troubled times" ahead for the socialists before they can rise again.

I do not agree with this analysis however particularly when you consider that the electoral and political performances of social democrats around Europe have never before fallen so low during peacetime. Several parties have failed to achieve any significant results and are nearly insignificant: 6.3% in Greece; 6.6% in Ireland; 5.7% in Iceland; 5.7% in the Netherlands; 7.6% in Poland; 7.4% in France. I fear though that these results represent merely the tip of the iceberg. Over the last few years a number of social democratic parties have achieved their worst results since the Second World War (Austria, Dutch-speaking Belgium, Cyprus, Spain, Finland, Luxembourg, Sweden, and Switzerland). So what does this mean? This situation is nothing more than a manifestation of the serious identity crisis which has threatened to destabilise the electorate who typically support socialist

movements. In truth, there is a stark question which must be answered: who will support the socialist cause now and why?

For nearly 75 years, the social democrats have been considered

But the economic, geopolitical, and ideological changes we have witnessed over the last 30 years cannot be understated and the socialists have suffered. The social or welfare state continues to suffer savage cuts in many mem-

parties has been severely affected and, at the same time, continues to undergo permanent changes in terms of the international division of labour.

When viewed from this perspective it is understandable why many social democratic parties moved initially to defend the rights they had campaigned to secure before conceding ground and allowing provisions which saw the economy liberated once more and the de-structuring of social and welfare rights. In general terms, the socialist parties were unable to provide any alternative measures to prevent such action. Even towards the end of the 1990s, when the balance of power at a European level was more favourable to them, the budget was all too meagre. As a result, it is hardly surprising that we now face the present situation.

In general terms, there remains an alternative for socialist parties and their supporters. They can transform into a grouping of liberalist parties on economic issues and shift towards the left on societal issues to create a form of libertarian liberalism.

to be a major political force - one which seeks to defend the rights and claims of the working classes, first and foremost the rights of the workers. Indeed, no-one questions their contribution to society; their left-wing interpretation of Keynesian economics helped to forge the modern welfare state and introduce public regulation.

ber states. Public regulation of the economy is now in decline once more or is being misappropriated for anti-Keynesian purposes, as evidenced by the introduction of fiscal "golden rules" for countries within the European Union. As recent events have demonstrated, the social foundation which underpins many social democratic

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**AN ALTERNATIVE EXISTS FOR SOCIALIST PARTIES AND THEIR SUPPORTERS. THEY CAN TRANSFORM INTO A GROUPING OF LIBERALIST PARTIES ON ECONOMIC ISSUES AND SHIFT TOWARDS THE LEFT ON SOCIETAL ISSUES TO CREATE A FORM OF LIBERTARIAN LIBERALISM.**

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liberal parties, green parties or centrist parties which form part of the New Republic in France. It is even more difficult to understand how such social democratic parties would sustain any substantial support from the electorate.

only a limited number whilst other inequalities continue to increase? How can we re-evaluate existing policies and public policy where the virtues of public regulation have been so undermined?

extra-institutional level, most notably through trade union action. Today it is common for political action to be supranational in nature. Nevertheless, the difficulties cannot be ignored. In order to survive the social-democratic family must nevertheless address these difficulties head-on. If the social democratic parties make no attempt to implement renewed socialist fundamentals then it is difficult to envisage how they can claim any added value when compared to other parties within national and European political systems. The important sections of their voter base – prospective – will continue in their political reorientation. First and foremost, some may abstain, some may vote for the radical right-wing or the radical left-wing, or opt for a libertarian or centrist party.

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**THE OTHER ALTERNATIVE WOULD BE  
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The other alternative would be to reconsider their underlying socialist fundamentals to better reflect the realities they face in the 21st century. How can we defend the working and middle classes in a society which includes such unbridled capitalism? How can we introduce and implement social reforms that promote equality for

These are complicated issues. The issues are complicated further because the most effective policy framework for social policy was the democratic nation-state framework. The framework allowed the state to intervene at an institutional level - within parliament in the discharge of their responsibilities – and on an



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| Populism vs Democracy.

## ECONOMICS IS THE PROBLEM AND GROWTH IS THE SOLUTION

by Ruy Teixeira

Why is the left having so much trouble in the current era? In the end, it all comes down to economics. European countries, particularly those in the Eurozone, have suffered more economically than the United States because they have administered more austerity to their economies. As a result, growth has been painfully slow in most countries with continued high unemployment in many.

Naturally, this situation has led to a great deal of resentment and economic discontent in these countries. But have these sentiments benefitted the left?

By and large, no. In fact, these sentiments have bred fear and pessimism about change and suspicion of, not support for, government and government action. This has undercut the left, a situation that has been

exacerbated by European social democrats' tendency to embrace grand coalitions between left and right simply to be in government. In so doing, they have tended to accept the current (unworkable) European fiscal framework, with

attendant austerity measures and continued economic stagnation.

However, the fact is that the current course is not working because it cannot work. There is no particularly good economic

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## VOTERS TEND TO PUNISH PARTIES THAT ARE PERCEIVED AS HURTING THEM

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reason to think that continued austerity, even if softened by the presence of social democrats in government, and even if leavened with some much needed reforms of the welfare state, will produce robust economic growth.

Nor is there any particularly good political reason to think that social democratic parties will benefit from their “responsible” administration of budget austerity, even if (or perhaps especially if) they are partnered with the right in doing so. Voters tend to punish parties that are perceived as hurting them and this tendency may be accentuated by the perceived contradiction between social democrats’ current policies and historic commitments. Voters also tend to reward outsiders and populists in such situations and they have done so.

It is true that some of these electoral benefits have gone to parties to the left of the social democrats, the so-called left populist parties like Podemos (Spain), Syriza (Greece), Socialist Party (Netherlands), Five Star Movement (Italy) and Socialist People’s Party (Denmark), so it’s not the case that all segments of the left have suffered from this dynamic. However the chief beneficiaries of rising distaste for the economically depressed status quo, especially in northern Europe, have been right populist parties like the National Front (France), UKIP (Britain), Freedom Party (Austria), True Finns (Finland) and Party for Freedom (Netherlands) as is predictable, given the prolonged economic difficulties.

As has been the hemorrhaging of support for European social democrats. Overall, average support for these parties has fallen by about a third to lows not seen in 70 years and party after party has fallen to historic lows in their respective national elections. Obviously, this has weakened the left overall, even if other segments of the left have achieved some gains. And the situation has not been helped by the general reluctance of social democratic parties to maximise left influence by uniting all left parties in coalition.

So is all lost in Europe? Not at all. Start with the fact that, despite relentless pressure in the current austerity climate, there has been only limited success in rolling back the basics of the European welfare states (though of course there has been considerable success in making people suffer needlessly). And the surging part of the European right,

the populists, by and large, are defenders of the welfare state. They have no interest in seeing it dismantled.

Moreover, the current difficulties of the left in Europe have little to do with fundamental limits set on social advance by the depredations of capitalism, globalisation or neoliberalism. Such pessimism is not justified, given that the real problem and its solution are simple and clear. If austerity can be dismantled and healthy growth resumed, there is, in fact, considerable room for further social advance down the road to updated welfare states—call them “opportunity states”—that preserve the best of current welfare states, while extending and modifying them for a new era.

The end of austerity and the resumption of growth are highly likely to happen eventually though the road may be rough and winding. There is simply no viable alternative to relaxing fiscal rules and moving the Eurozone and EU toward some sort of fiscal and democratic union so that this growth can take place. Francois Hollande of France tried to move in this direction but he blinked, as it were, in the face of German intransigence. Now new French president Emmanuel Macron - after soundly defeating right populist Marine Le Pen - is poised to try the same thing.

Thus, despite the difficulties of the last 30 or 40 years, including the recent, particularly difficult post crisis period, there is no

reason for the left, either in the US or Europe, to wallow in pessimism. Social and economic advances are still happening, new coalitions are still growing and capitalism, with appropriate guidance from the left, is still capable of generating riches that can lift up everyone. In short, there is still everything to play for.



### > AUTHOR

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states have to offer good working conditions first and then suitable conditions for capital and investment, and if they fail in doing so, it is Europe that should take over the responsibility.

## THE BRAVE NEW WORLD NEEDS TO BE PROGRESSIVELY HARNESSSED

by Ernst Stetter

At the end of the 1990s, Progressives started to think about a new movement that would embrace globalisation. In this movement, the benefits would be shared ‘correctly’ and negative impacts would be limited and, as far as Europe is concerned, efforts would be made to elevate the knowledge based European society as stipulated in the Lisbon Agenda in 2000.

**Y**et, it seems that something was forgotten in the overarching promise of a fairer globalisation and that the initial forecasts were too optimistic. The social contract and the welfare

issues, which were the strength in the 1970’s and 1980’s, were not respected and many promises of a better future for each and everyone were left unfulfilled. There was also the widespread misconception that doing things for the few would

trigger down to the many, an assumption which of course proved incompatible with reality.

This is not to negate the great progress that has been achieved since then, with poverty having

been lessened in many countries and living conditions having improved on a large scale in many countries in Asia, Latin America and Africa. This is simply to say that the world of today is now a completely new world – not

the brave new world that The Doors sang of but a nasty and ruthless world of competition that is threatening our achieved progress, especially in Europe but also in the United States. As shown in a recent World Bank study, for instance, the importance of the G7 in terms of their global parity purchasing power has dramatically decreased over

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**GLOBALISATION  
IS STILL TODAY  
ORCHESTRATED  
BY THE  
DESTRUCTIVE  
RULES OF  
NEOLIBERALISM**

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the past two decades, while a reverse trend was observed in the case of countries such as China, where the percentage of PPP increased from 7.1% to 17.6% (1998-2016) and India where the PPP nearly doubled in the same period.

This complicated, uneven global picture is partly due to an inability to predict the size of the changes to come, and a lack of attentiveness to the problems at hand when these changes arrived. We couldn't have foreseen the intensity of the transformational effect the speed of the technological advances would have on our societies, with the speedy information flows, the permanent innovation and the introduction of globalised production chains. But what was also frequently overlooked was that globalisation is still today a capital driven process, orchestrated by the destructive rules of neoliberalism which create and work for the winners, while being more and more harmful for the losers.

Put simply, this has meant that what has traditionally been our political supporting constituency is on the losing side in Europe. Or as our friend Joe Stiglitz argued in Brussels at FEPS annual flagship conference "Call to Europe" - globalisation induces a situation in which states only try to offer best conditions for capital to come and stay.

Here is the crucial point, as all this should be ringing alarm bells for Progressives and the progressive movement. Thinking and acting in a different way is urgently needed: states have to offer good working conditions first and then suitable conditions for capital and investment, and if they fail in doing so, it is Europe that should take over the responsibility.

It follows that a new programmatic approach on globalisation

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OPTIMISTIC**

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is also an urgent necessity. An agenda that fights inequalities, that regulates capital, that improves labour regulations and that develops rules of sustainable and socially just growth.

Moreover, in order to advance in this direction, efforts should also be made, as also stipulated by André Sapir, for more effective international institutions in developing further on the question on multilateralism or, as we discussed within FEPS and together with Pascal Lamy, on a new system of polygovernance.

A lot of intellectual debate and study is on the agenda and this is also desperately needed so as to regain trust and confidence. This is the only way to win the political and social battles in favour of citizens and especially of the younger generations in our societies.

This is also the only way to reform the traditional social-democratic parties. The path should not be

the Macron-style of divide and conquer. There are other possibilities and better solutions as to how this can be done. This is a crucial part of the job that progressive political thinking and thinkers have to do: design, formulate and communicate these ideas and policy proposals to the parties we are all close to.



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| BREXIT - the departure of the United Kingdom, an opportunity to relaunch the Common Security and Defense Policy (CSDP)

## BREXIT: NEITHER A DISASTER NOR A BLESSING FOR EU DEFENCE POLICY

by Nicole Gnesotto

Contrary to outward appearances, the revival of a real European defence policy does not depend solely on Brexit. It is, however, possible that Brexit could be catastrophic for London whilst Brussels could avoid the fallout. In terms of a future EU defence policy, the Franco-German partnership will be pivotal.

**A**t first sight, the effects of Brexit on European defence policy seem positive: the departure of the British will liberate the Common Security and Defence Policy (CSDP) from

a situation in which the UK fairly regularly wielded its veto power. Similarly, the election of Donald Trump may improve the situation further: the increased uncertainty regarding the willingness of the United States to protect Europe

may encourage Europeans to implement a more robust military strategy. In other words: without Britain, a reduced America, and an increased number of crises the end result may be an enhanced European defence.

But it is not that simple. Certainly, the positive effects of Brexit are unquestionably tangible. In terms of the Defence Agency's budget, the European headquarters and the enhanced cooperation procedure, progress has been made

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 CREATION OF  
 A EUROPEAN  
 SPECIAL FORCES  
 OR INDEED  
 EUROPEAN  
 MILITARY  
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in this regard since spring 2017. Furthermore, the "Berlin-plus" agreements will now be reviewed. Either London retains their post as Deputy Supreme Allied

Commander for Europe (Dsaceur), and the "Berlin-plus" agreement becomes obsolete as the British can no longer claim command of the Union, or we decide to maintain "Berlin-plus" and the post of Dsaceur returns to a member state.

Some people have argued for a new defence treaty between France, Germany, and Great Britain. But this is a false premise. If one accepts that the Union can become a credible military and political force on a global scale, then this defence treaty, if it is proven to be necessary, must be concluded between members of the Union; notably between the four great European powers – France, Germany, Italy, and Spain. Great Britain would then be invited to join this European alliance, but only on the terms set by the founding members. If we prevent the reality of Brexit, we risk losing the true purpose of the Union.

As for the European army, it is a beautiful concept but a non-starter. There will come a day when we will have built a political Europe, one that is endowed with a national feeling and a shared sovereignty. But we remain far from this ideal. Freed from the risk of a British veto, one can aim at the formation of a European body for external intervention; creation of a European special forces or indeed European military doctors. A European army would be the icing on the political cake, but not the point of departure.

In other words, the European defence 'revival' only depends on Brexit in a marginal sense as Brexit poses a strategic problem

a thousand times more serious for London than it does for Brussels. After all, the British have only maintained a marginal presence in CSDP since 2003. The real problem for continental Europe will be that of their political will. Two options are on the table: wait or act. The wait-and-see attitude is fuelled by a propensity for denial, a refusal to accept the reality of Brexit, the Russian threat, the rise of extremism or the troubling developments within the United States. Europeans refuse to take charge, continuing to believe that everything will remain

- maintaining a reduced CSDP and relying on NATO. Paralysed by fear that the United States will abandon Europe or simply lose interest.

On the other hand, there is support for a rapid revival of a European foreign and defence policy amongst those who want one and can take action here, as inspired by Emmanuel Macron. It would be a policy founded upon a common vision of the political role of the Union and the right relationship with NATO. The Franco-German partnership is again the driving force behind a powerful and influential Europe. The CSDP is no longer an issue of resources or an end in itself. It is a question of effective influence on a global scale.

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 BREXIT - THE  
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| BREXIT - The impact on defense, in the context of the launch of a new EU Global Strategy.

# BREXIT AND EUROPEAN DEFENCE: BETWEEN UNCERTAINTY AND COOPERATION

by Alessandro Marrone

**The negotiations on Brexit are likely to have a dual effect on European security and defence, bringing more uncertainty at industrial level in the coming years and triggering more cooperation within the European Union.**

**T**he outcome of the UK election has weakened the Conservative party, which no longer holds a majority of seats in Westminster. The current hung Parliament is forcing the Tories to try a minority

government, and Theresa May's leadership within the Conservative camp is being challenged. That situation does not reverse the Brexit process, since a large majority of British lawmakers have pledged to implement the 2016 referendum.

However, it may question the option proposed by the prime minister to the electorate: a "hard Brexit" - seeing the country out of the single market and the EU legal jurisdiction, but willing to have a comprehensive free trade agreement with

the Union. As a result, the status of EU-UK relations will remain in flux at least for the next couple of years, with different options on the table. No deal, and an automatic exit of the UK from the EU, a postponing of a negotiations deadline or even

new political elections which will test the electorate's willingness to continue such an uncertain path to exit the Union.

Such overall uncertainty is already having an impact on the security and defence sector at the industrial level. The British military and industry are deeply interconnected in a number of ways with the European Defence Technological and Industrial Base (EDTIB). There are important joint procurement programmes, such as the Eurofighter combat aircraft with Germany, Italy and Spain. Mainland Europe defence companies have a substantial footprint in the UK, i.e. French company Thales and Italian company Leonardo. A two-way interconnection of supply chains does link small and medium sized enterprises and industrial giants across the Channel. A number of scientific and technological networks bring together institutions, private sector and academia working on security and defence issues. The weakening of those linkages is a possibility, because they depend on the continuation of the UK access to the EU single market. And this risk may hamper or at least slow down European cooperation with British actors even before London leaves the Union. This is particularly important because the EDTIB is crucial when it comes to the European strategic autonomy to act in the defence field: only by mastering the necessary capabilities will the Europeans be enabled to act militarily if, when and where needed.

At a political level, the path to Brexit is stimulating intra-EU cooperation. The institutions

have taken significant steps in the defence field, from the European Global Strategy presented by the High Representative/Vice President to the European Commission's European Defence Fund. France, Germany, Italy and Spain have put forward unprecedented statements to launch the Permanent Structured Cooperation (PeSCO) envisaged by the Lisbon Treaty. The Brexit negotiations will continue to stimulate intra-EU cooperation in three ways. Firstly, by directly removing the British veto to it. This may have a positive effect on PeSCO, on the establishment of a proper European military headquarters, on the Union's funding of defence research and procurement, on the empowerment of the European Defence Agency, etc.

A second positive - albeit indirect - effect is that as British politics are weakened and destabilised

while the EU's political core is enhanced by the Emmanuel Macron victory and German government stability, the pros of working to improve the Union's framework and policies - including on security and defence - become more evident. Third, there are still a number of public misconceptions about the advantages of leaving the Union and re-nationalising certain policies: the Brexit negotiations will clarify the costs and disadvantages of such a choice and what will be lost in economic, political and security terms. This will be a reality check for those who are against defence cooperation and integration, and particularly for certain unrealistic assessments of what can be achieved by a single European country in terms of national security.

At this stage, it is not worth considering whether Brexit will mean the launch of a European

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AT THIS STAGE,  
IT IS NOT WORTH  
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army. First, because it is extremely uncertain how and when Brexit will concretely happen. Second, because this army is not an issue on the European table for the next few years. What is on the table in Brussels, Berlin, Paris or Rome, is how to develop military capabilities together in the Union framework in a more effective way. It is about how to operationally command these capabilities via a functioning European headquarters to ensure swift military action if necessary. It is about the political leadership to decide and guide this action, as well as the development of the capabilities needed.

All of this requires a permanent and structured cooperation among EU institutions and the member states willing and able to move forward in the defence field. The Brexit process allows the launch of such cooperation, but only political will in European capitals will make it happen.



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| CSDP - Soldier on top of the mountain with a flag of the European Union.

## BREXIT: A PARADOXICAL EFFECT ON THE EU'S DEFENCE POLICY?

by Nicolas Gros-Verheyde

Britain's decision on 23 June 2016 to leave the European Union is a serious blow to Europe's framework. Will it, however, have a negative impact on the Common Security and Defence Policy (CSDP) ? Not necessarily.

## The strategic consequences

Concerning Britain's departure, the result seems catastrophic at first glance. The EU will "lose" one of its three major powers, one of its two permanent seats on the United Nations Security Council, unrivalled diplomatic expertise and one of the foremost networks of embassies in the world, as well as a privileged link with the United States, and an English-speaking part of the world. In military terms, the United Kingdom, alongside France, is the only country to have such wide-ranging means of high intensity warfare, from the special forces and navy through to military aircraft and nuclear weapons.

## The consequences for the CSDP

However, in terms of Europe's Common Security and Defence Policy, Brexit's consequences will not necessarily be overly negative. This paradox is due to several factors. Firstly, Britain's commitment to the CSDP has been quite limited over the years. Secondly, Brexit does not mean the end of Britain's commitment to NATO, which remains the world's foremost military alliance. On the contrary, London will be inclined to demonstrate its capacities and influence within the Alliance even more than it did in the past. Likewise, Brexit will not bring an

end to the various bilateral cooperation arrangements entered into with France (the Lancaster House Agreement), the Netherlands or northern European countries. The loss of Britain is more on an intellectual level. With its formidable and well-qualified negotiators, Britain has often provided the EU with a more realistic and robust perspective on international relations, by being proactive in several major international crises: terrorism, Ukraine, Iran, Ebola, Syria, Iraq, Sudan, etc.

## A moment of truth for the CSDP

For proponents of a European defence policy (the CSDP), Brexit might seem to be "good news", in some ways. Certain previously "blocked" subjects could safely be put back on the table. This unblocking has already begun, with the establishment of a mini military HQ, and a commitment by the 28 in the last EU summit to jointly finance the deployment of "battlegroups". The final outcome will depend on the willingness of the remaining member states, particularly states in the "heart" of Europe (France, Germany, Italy, Benelux, Spain, etc.) to continue. This is, in a sense, a "moment of truth" for the European defence policy. Countries that have taken shelter behind Britain to hide their scepticism – such as Sweden, Poland, Lithuania, even Ireland or Austria – will have to reveal themselves.

## What does the future hold for Britain in the CSDP?

Britain's departure from the EU does not also mean the end of all collaboration with Europe. Far from it! The Common Foreign and Security Policy (CFSP), as well as the fight against crime and terrorism, are the only areas where Theresa May's Conservative government has expressed its willingness to "cooperate" with the European Union. This political statement has been confirmed by British diplomats. Their hope seems to be to continue to participate in almost all activities. It's possible. There is nothing to stop Britain from signing a framework agreement with the EU, allowing it to participate in civilian and military missions that concern it. There is also nothing to stop the United Kingdom from signing an arrangement with the European Defence Agency, as Norway and Switzerland have already done, with a supporting financial contribution. If Permanent Structured Cooperation is normally reserved for member states only, there is nothing to prevent passerelles with the United Kingdom being considered. But London must accept the decisions imposed upon it by the 27, once they are made.

The UK's wish, not explicitly stated, to continue to be involved as closely as possible in CSDP decisions could, then, be quashed. Or, at least, it will depend strongly on

their willingness and on progress in the UK's future relationships with the continent regarding traditional Community policies. The United Kingdom could thus find itself as a strong advocate for strengthening EU-NATO relations, which would allow it, in an official and practical capacity, to continue to be closely associated with certain EU decisions or policies in the external field. Quite a paradox!



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## NEXT ECONOMY



| FTT - Financial industry groups highlight the societal costs of the proposed tax reform.

# HOW THE FINANCIAL INDUSTRY MOBILISED AGAINST THE EUROPEAN FINANCIAL TRANSACTION TAX

by Lisa Kastner

Despite broad post-crisis support in Europe for a financial transaction tax, the financial industry successfully lobbied to water down proposals and delay its implementation.

## 2017

should be the year when the much-delayed and watered down European Financial Transaction Tax (FTT) is finally implemented – but this is looking increasingly unlikely.

After the 2008 financial crisis, a broad public coalition of civil society organisations, trade unions and some EU member states' governments was in favour of making the financial sector pay its fair share towards the economic recovery. In 2011 the EU Commission brought forward an ambitious and broad-based

proposal for an FTT that would place a small levy on the transactions of financial institutions and thus raise tens of billions of euros each year. But six years on, the tax that may finally be implemented resembles a narrow tax with considerable exemptions for various financial instruments. How did this happen?

### Highlighting undesirable societal costs

One effect of the increased public attention about financial sector reform post-2008 was that opponents of an FTT were reticent about making a public case opposing the tax outright in the

early phases of the policy process when the memory of the crisis was still fresh. Yet despite chances of legislative success for an FTT being greatly improved after a second Commission proposal in February 2013, public interest slowly starting to fade and financial industry groups started to actively push back, launching a concerted attack against the FTT from March to June 2013. Industry representatives went public with warnings about the potentially harmful economic implications of the proposed reform and of societal costs. In early 2013, Goldman Sachs, Deutsche Bank, Citigroup, Morgan Stanley and their lobbying associations (the International Banking Federation and the European Fund and Asset Management Association) published a range of research reports presenting empirical evidence against an FTT. In its research report 'Financial Transaction Tax: how severe?', published in May 2013, Goldman Sachs claimed that the proposed FTT would lead to a massive tax burden for the banking sector, amounting to €170 billion. The report further claimed that 'the burden of the FTT would fall on retail investors'.

Financial industry groups were also careful to highlight the undesirable societal costs of the proposed tax reform. When arguing for exemptions from the scope of the tax, industry groups typically argued that the inclusion of certain financial instruments within the scope of the tax would lead to liquidity problems with detrimental consequences for the wider

economy. In a research report from March 2013, Deutsche Bank stated its opposition to the proposed tax, presenting evidence that the FTT would raise the cost of capital 'for households, firms and even states' and therefore 'hurt the real economy'. Several more studies, press releases and commentaries in major newspapers including the Financial Times and Bloomberg Business brought arguments and evidence forward against the FTT.

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### Building coalitions with corporate actors

With their expertise and credibility discredited by the crisis, industry groups had to choose their coalition partners wisely, in order to be able to make convincing counter-arguments to the proposed policy reforms. Policymakers were not eager to publicly support the finance industry's arguments opposing regulatory reform, but they equally shied away from publicly supporting regulatory reforms that could be seen to negatively affect corporate activity and economic growth. So, in an effort to leverage their political influence, financial industry groups also tried to tie their interests to those of other private sector groups indirectly affected by the introduction of an FTT. These included a significant number of corporate actors who actively mobilised against the introduction of an FTT. In May 2013, German multinational companies including Bayer and Siemens voiced their opposition to the proposed FTT, highlighting its damaging effects

for companies and the export-oriented German economy.

After the sustained range of public and private reports and lobbying by the financial industry had shed considerable doubt on the desirability of the tax, political support faded. In May 2014, German finance minister Wolfgang Schäuble declared that the options, interests and situation of the various participants were so divergent that states should start by introducing a limited taxation of shares and some derivatives. The industry's lobbying strategy using the high public concern about the FTT to their advantage had clearly paid off.



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# THE NEVERENDING STORY OF THE FAILURE TO INTRODUCE A FINANCIAL TRANSACTION TAX

by Lisa Mittendrein

For more than four years, finance ministers from 10 EU countries have been negotiating the introduction of the financial transaction tax. Today, agreement on this important tax seems to be further off than ever.



| TOBIN TAX -Will a financial transaction tax ever come ?

**N**ineteen years ago, in the summer of 1998, an association was established in France for the taxation of financial transactions in favour of the citizens - Attac was born. As a result of the Asian crisis, the anti-globalisation movement increasingly addressed the demand for strict regulation of the financial markets. Since then the demand for a financial transaction tax has been a key building block towards making our economy and society more stable and secure.

### What is a financial transaction tax?

A financial transaction tax is a very low tax of, for example, 0.01 per cent, on each financial transaction. Any purchase or sale of shares and bonds, any trading in a derivative or currency should be taxed at this low rate. Thus the financial transaction tax is a deterrent to highly speculative transactions, with very rapid trading and only minimal profits. This speculation would be less attractive with such a tax. In order to effectively regulate financial markets, however, further measures such as the restructuring of the banking sector and the prohibition of speculative

products are needed. At the same time, however, a financial transaction tax also strengthens tax records. Employees and the general public are still contributing more to tax revenues than the wealthy, corporations or financial firms. With the financial transaction tax, major revenues could be generated to combat climate change and global poverty.

### The financial transaction tax in the EU

The debate about the tax in the EU is an unending story. When Attac, social movements and civil society began to call for the tax, the political establishment declared us as being "crazy". With the financial crisis in 2008, the need to regulate the financial markets finally became clear again and public pressure increased. The European Commission supported a financial transaction tax, and in 2012 some Member States decided to work together to introduce it. Since then, Belgium, Germany, France, Greece, Italy, Slovakia, Slovenia, Spain, Austria and Portugal have been negotiating under the so-called "enhanced cooperation procedure". But while this was a reason for joy in the early stages, now, after four years without results, there is only bitterness.

### What is the obstacle?

Although the ten governments have extensive support from the population, the negotiations have stagnated for years. From the very beginning, the financial sector was lobbying heavily to prevent the tax at any cost. They painted shock scenarios about the future of banks and pension funds on the line and threatened emigration. They also put pressure on the individual governments to implement at least an exemption for their own important financial institutions. The governments of the Member States succumb to this, and soon a financial transaction tax looked as perforated as an Emmental cheese. Since the Brexit vote, several countries had been trying to attract financial companies from London to relocate to their countries.

It is now clear that accommodating the financial sector is more important for the European elites than making them safer and ensuring fiscal justice. In order to prove the contrary, the European financial transaction tax has to be finally introduced, and the overdue regulation of the financial markets must be tackled ...



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| JUNCKER PLAN - Leveraging private investment to boost business.

# IMPROVING THE JUNCKER PLAN FOR INVESTMENT

by Stephany Griffith-Jones

**A key constraint for increasing private investment in the European Union is lack of private finance, especially long-term finance for infrastructure and small and medium-sized enterprises (SMEs). The problem, especially in the weaker economies, is thus credit rationing.**

**P**ublic development banks, like the European Investment Bank, can help supply necessary credit to investment, unavailable in the private financing system, especially in the

aftermath of the Eurozone debt crisis. The key theoretical insight explaining this is a market failure in financial markets.

Joseph Stiglitz (1994) argues that market failures in financial markets

are endemic as those markets are particularly information intensive, making information imperfections and asymmetries greater than in other sectors. Therefore, market failures tend to be greater than government failures. The benefits

of government interventions tend to outweigh their costs. This provides a case for public development banks, and higher public investment, implying a shift in finance towards a more balanced public-private mix.

The role of the European Investment Bank (EIB), with its long track record of funding intra-European infrastructure, including renewable energy, SMEs, and innovation, is central for stimulating private investment. Equally important is enhancing national public development banks and of public investment.

The 2012 increase in EIB resources – paid-in capital was doubled with contributions from all member states – led to welcome increases in lending and equity operations. The European Fund for Strategic Investment (EFSI), known as the ‘Juncker Plan’, is an important vehicle for further increases. Through the EFSI, the European Commission hopes to encourage up to €500 billion of additional private investment, if the plan is extended until 2020.

In 2015 – 2018, EFSI was initially projected to deliver up to €315 billion of total additional resources for private investment, leveraging the €21 billion allocated. The plan currently seems to be broadly meeting the target, especially approved projects. However, disbursements are slow and projects poorly distributed amongst countries.

A major problem is that EFSI public resources are not additional contributions by EU governments, but drawn mainly from the EU budget. EFSI lending is cheaper and more longer-term compared with what is usually available. However, it is not clear that it funds more risky and innovative projects. Furthermore, the funding provided seems insufficient, especially in countries where credit rationing

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is still important constraint, and therefore needed most.

Despite these shortcomings, the intention to extend the plan's timeline to at least 2020 is positive. This could enable further investment, estimated at an additional 200 billion euros – but no additional public funds have been committed. The ideal would be for member states, especially richer ones, to contribute additional public resources, either to EFSI or via a further increase of the EIB capital. Furthermore, national development banks should be expanded, to help complement EFSI. Equally important, public investment should be allowed

to expand, for example by 1% of GDP in all EU countries, as proposed by Peter Bofinger, a member of the German Council of Economic Experts.

Can EFSI benefit all Member States? Larger and richer economies have more experience in developing good projects. By mid-2016, almost all financing granted under the EFSI (92%) was allocated to the initial member countries, the EU-15. This contrasts with the ‘new’ EU-13, (mainly Central and Eastern European (CEE) countries) which accounted for 8% of disbursements. EFSI support per capita in CEE countries stood at EUR 7, whilst in the ‘old’ member states it was EUR 20 per capita.

Action is needed to build capacity. This needs decentralisation of technical assistance, help in defining ‘strategic sectors’ and access to funding for smaller projects. Special attention must be given to countries that need investment most: the CEE region but also in Greece.

The EFSI investment agenda is promising in terms of sectors it prioritises. A quarter of funds are allocated to support SMEs and another quarter targets research and development. The remaining half is spread over energy, digital, transport, environment and social investment.

From September 2016 the improved EFSI will have more environmental reach. This is very positive. There will be greater focus on clean energy and other sectors, to help meet COP21 targets. At least 40% of

EFSI-approved ‘infrastructure and innovation’ projects should be in line with COP21 objectives.

The European Investment Bank has already been working closely with national development banks. Recent changes offer hope that this can be further extended. This can create additional leverage, while tapping into the local knowledge of national development banks.

National development banks should be allowed to grow, by excluding increases in the capital of development banks from deficit targets under the Stability and Growth Pact.



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| A Green-Social Investment Plan would create an estimated 2.8 million jobs.

# A GREEN-SOCIAL INVESTMENT PLAN FOR EUROPE

by Signe Dahl and Lars Andersen

The Juncker Plan, which was approved in June 2015 to promote public and private investment in the European Union after years of low investment and the global financial crisis, is a step in the right direction. But a Green-Social Investment Plan should be considered as it would boost productivity, employment levels and gender balance in the workforce.

**T**he independent Annual Growth Survey (iAGS), which is produced by a group of economists to provide an independent alternative to the European Commission's Annual Growth Survey, estimates that the Juncker Plan would have a cumulative impact of 0.45% on the EU's Gross Domestic Product after six years. This is a relatively weak impact.

## Responding to climate change and boosting productivity/employment levels

As an alternative to the Juncker plan, we suggest the Green-Social Investment Plan. This would respond to concerns about climate change by focussing on green investment and the need to base

production on green energy. It would also focus on social investment because education is key for future growth. Investment in childcare contributes to children's well-being and encourages women to enter the labour market, thus boosting productivity.

The calculations for this investment plan are based on the Foundation for European

Progressive Studies-Economic Council of the Labour Movement (FEPS-ECLM) International Input-Output Model (Andersen and Dahl 2016). In the plan, the investment level is increased by 1 pct. of GDP in all 27 EU countries; ½ pct. of GDP invested in green investments and ½ pct. in social investments (for further details see Andersen, Dahl and Nissen (2017)).

Figure 1. Job creation in thousands of jobs

Employment, in thousands of jobs			
Green Investments:	Direct effect	Indirect effect	Total
Construction	498	97	595
Renting, R&D and other Business Activities.	151	125	276
Spillovers from green investments on all other sectors	0	307	307
<b>Total Green</b>	<b>649</b>	<b>528</b>	<b>1178</b>
Social Investments:			
Education	864	31	895
Health and Social Work (child care)	459	28	487
Spillovers from social investments on all other sectors	0	192	192
<b>Total Social</b>	<b>1323</b>	<b>251</b>	<b>1574</b>
<b>Total investment plan (Green+Social)</b>	<b>1973</b>	<b>779</b>	<b>2752</b>

Source: ECLM based on the FEPS-ECLM International Input-Output Model.

Table 1 shows the direct and indirect effects on employment of the investment plan. The direct jobs are related to, for example, increasing energy efficiency and the education system. The indirect jobs relate to, sectors that provide input, for the sectors that receive direct investment.

### Plan would create nearly 3m jobs and improve gender balance

The table shows that the Green-Social Investment Plan will create around 2.8 million jobs. Of these, 72% , i.e. almost two million jobs, will be created directly, while the remaining 28%, i.e. almost 800,000 jobs, will be indirectly created. For the green investments, around 60% of the indirect effects on employment occur in sectors other than those

initially invested in. For the social investments, this is the case for 76% of indirect employment.

Considering the gender effect, figure 1 shows that the green investments create most jobs for men and the social investments create most jobs for women. In total, more than 1.3 million male jobs and 1.4 million female jobs will be created, which improves the gender balance on the labour market slightly.

This input-output model does not take account of the fact that higher employment due to the investment will lead to higher household income, which will lead to greater private consumption and more investment and therefore higher employment levels.

These results clearly show that, after a decade of falling investment

levels and weak growth, implementing the Green-Social Investment Plan could be an important step in the right direction to finally increase investment levels and improve future growth in Europe.



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| Broken down ocean ships at a shipbreaking yard in Bangladesh

## SHIP RECYCLING: EU LIST OF CLEAN, SAFE FACILITIES IS THE WAY FORWARD

by Ingvild Jensen

Recently adopted EU ship recycling legislation will soon be applicable. A key part of it is an EU list of ship recycling facilities with high environmental, health and safety standards. To ensure that it meets its goal of achieving a real shift towards clean and safe recycling, additional measures such as a financial incentive are needed.

**T**oday, most European ships are simply run ashore on tidal beaches in Bangladesh, India and Pakistan at end-of-life. There, they are broken up in extremely dirty and dangerous conditions. Accidents maim or kill large numbers of workers every year. The ship-borne toxic substances seriously impair their health and ravage the coastal ecosystems. Last year, at least 52 workers lost their lives on the shipbreaking beaches in South Asia. An explosion on an oil tanker beached in Gadani, Pakistan, killed 28 workers on the spot and seriously injured more than 60 others.

### EU list of ship recycling facilities with high standards

To tackle these deplorable ship-breaking practices, the EU will shortly publish a list of ship recycling facilities across the world that comply with environmental, health and safety standards that will ensure decent working conditions and the use of piers, slipways or dry docks for the proper management of hazardous wastes. The fact that facilities around the world have applied to be on the EU list is indicative of its potential impact in terms of improving conditions globally. Ship owners will simply need to pick one of the many facilities that will feature on the list.

South Asia beaching yards are dangerous and polluting. But will

they? Probably not if it is left to them to decide. The South Asian scrapyards that use the low-cost, but dirty and dangerous, method of beaching can offer higher scrap steel prices. In addition, the requirement to use an EU listed facility is easily avoided by simply swapping the ship's flag from an EU state to that of a Pacific island, for instance, offering a 'last voyage registration' discount. Cash buyers, companies specialised in trafficking ships that are to be scrapped to yards in India, Bangladesh and Pakistan, use some of the worst performing flags in the world - Comoros, St Kitts and Nevis and Palau - as part of their business model. They help ship owners rid themselves of responsibility.

### Incentives for shipowners to use the EU list

The EU must therefore seek additional incentives to push ship owners towards the use of the EU list. The proposed idea is simple: contributions for a 'ship recycling license' will be collected from all vessels trading in the EU. Money accumulated during a ship's operational life will be set aside and only paid back to the last owner if the ship is recycled in a facility on the EU list. Only with such a return scheme will the costs of the negative social and environmental impacts of shipbreaking on tidal beaches be kept within the shipbreaking industry. This 'polluter pays for ships' concept is a simple and

effective measure to counter the illicit practice of using cash buyers to circumvent the law.

### Sustainable recycling of ships

NGOs, trade unions, the European Economic and Social Committee, and concerned industry stakeholders are calling for a financial incentive to ensure a move towards the clean and safe recycling of ships. The financiers and clients of shipping are also increasingly calling for better practices, including a clear departure from the unnecessarily risky activity of beaching end-of-life ships. The large shipping banks ING, ABN AMRO, NIBC and DNB recently announced that they are now setting requirements for sustainable ship recycling in their loan agreements with shipping companies. That is a very welcome development which, in combination with a return scheme, will reduce the gap between 'green dollars' and 'green recycling'. Featuring on the EU list will become a competitive advantage. As a result, yards that have already invested in safe and clean methods will increase their market share. Furthermore, innovation and investments in cost effective, sustainable practices will be incentivised.

Many more ships are expected to head for the scrapyards in the coming years due to the overcapacity, especially in the container market and oil and gas sector. A large number of floating oil

production and storage tankers, drill ships and semi-submersible platforms that have operated in the North Sea need to be decommissioned. Yards on the upcoming EU list will be able to offer safe and clean solutions.

Responsible ship owners are not scotching development in South Asia by supporting beaching, a method which is banned in Europe, the United States and China. Effective measures in line with the 'polluter pays principle' need to be put in place to push those that still prefer green dollars to green recycling, off the beach and towards industrial platforms using piers, slipways or dry docks.



#### > AUTHOR

**Ingvild Jenssen** is Director and Founder of NGO Shipbreaking Platform. The NGO Shipbreaking Platform is a global network of environmental and human rights organisations that is calling for safe and clean ship recycling worldwide.



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| Ship recycling practices outside the EU are in dire need of improvement.

# EUROPE MUST PROTECT HUMAN RIGHTS OUTSIDE ITS BORDERS REGARDING SHIP RECYCLING AND OTHER SECTORS

by Baskut Tuncak

European ships exported outside the EU for recycling are frequently run aground, mainly in countries in South Asia. Hazardous working conditions and the release of toxic materials are among the human rights abuses that have been reported. A new EU ship recycling law addresses these in part but EU Member States must strengthen the legislation further to end foreign human rights abuses by its shipping and other industries.

**T**here is no shortage of documentation about human rights abuses linked to the export of European ships for recycling. Mostly in South Asia, European

end-of-life ships are run aground and dismantled in local communities in appallingly hazardous conditions. In addition to the physical hazards of essentially breaking apart these enormous

ships by hand, large volumes of toxic chemicals are released into the air, water and soil during the dismantling process, poisoning both workers and the broader community. Some of these

pollutants will eventually find their way back to Europe.

The EU's new legislation for ship recycling contains certain provisions to help ensure safe and

clean practices. However, the new EU legislation still requires additional measures to ensure that loopholes are not exploited by the European shipping industry to continue the so-called beaching practice. EU Member States must take further steps to strengthen the legislation to end foreign human rights abuses by its shipping industry.

Regular and systematic human rights abuses by many of the world's largest ship-owners due to the dismantling of end-of-life ships include the rights to life, to the highest attainable standard of health, to bodily integrity, to safe food and water, to adequate housing, and to safe and healthy working conditions, among others. Child rights abuses are grave, with abject failures regarding child labour in South Asian shipbreaking yards, one of the worst forms of child labour, and the poisoning of children in local communities through chronic exposure to contamination. This type of shipbreaking is discrimination in practice, where powerful actors are abusing the rights of the world's weakest communities simply for profit.

The EU must take adequate steps to prevent and redress foreign abuses linked to the activities of businesses in their jurisdiction. The EU and its Member States have an extraterritorial obligation to protect in precisely such circumstances, where businesses in their jurisdiction cause, contribute to or are linked to human rights abuses outside their territories. Various international human rights experts have explained the sources and function

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of extraterritorial obligations and have clarified their content and scope. This can be seen, for example, in General Comment no. 24 of the UN Committee on Economic, Social and Cultural Rights.

Indeed, there is also a duty on States with these deadly shipbreaking yards to protect against such abuses, as well as States hosting companies that enable the swapping of a ship's flag from an EU State to another to circumvent EU regulatory requirements. However, this does not absolve the EU of its obligation to protect from human rights abuses abroad by the European shipping industry.

It must be noted that the problem of toxic exports is not simply one of end-of-life ships or other types of hazardous and non-hazardous waste. The problem of EU businesses abusing human rights abroad through the export of toxic threats extends to supply chain segments, dangerous pesticides and industrial chemicals and polluting industries to developing countries. For example, the continued practice of manufacturing hazardous pesticides for export despite EU bans or other prohibitions from use within the EU is deeply problematic, requiring strong justification as to why such practices are not discriminatory. The traceability of toxic threats to human rights is crucial but is unfortunately missing in most European supply and value chains with regard to the production, use, release and disposal of toxic chemicals.

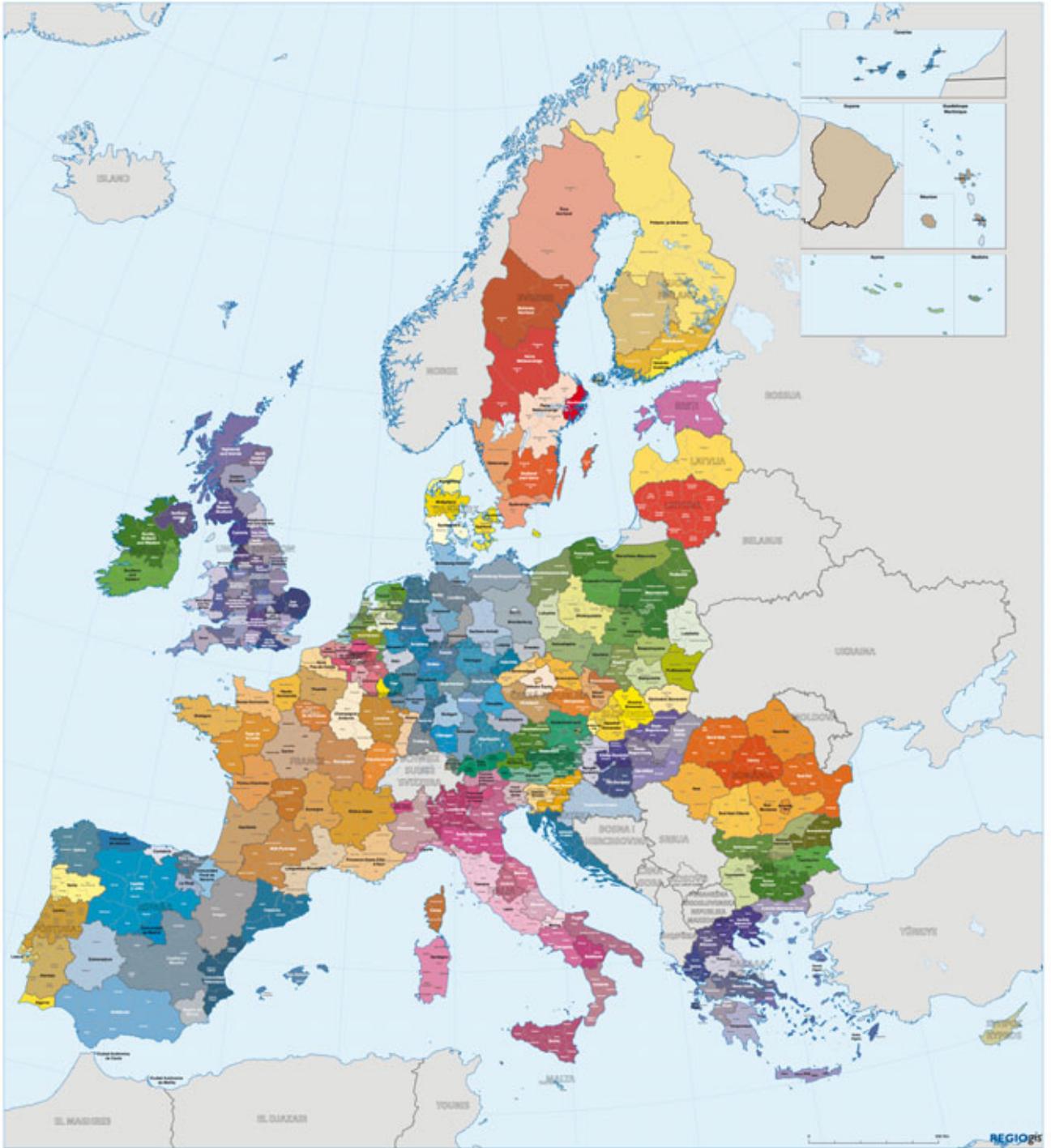
The EU should extend its best-in-class protection of human rights from toxic threats at home to the operations of its businesses abroad. Some EU Member States, such as France, have made significant progress nationally in terms of protecting against human rights' abuses by domestic businesses outside their territory. This is very much welcome but far more is needed. The EU must take adequate steps to prevent and redress foreign abuses linked to the activities of businesses in their jurisdiction, including through the export of toxic threats to human rights.



> **AUTHOR**

**Baskut Tuncak** is the UN's Special Rapporteur on the implications for human rights of hazardous substances and wastes. He is an independent expert, appointed to that post by the UN Human Rights Council

# The Regions of the European Union



# THE REAL CHALLENGE FOR CONTEMPORARY REGIONAL DEVELOPMENT IS HOW TO REDEFINE THE RELATIONSHIP BETWEEN URBAN AND RURAL AREAS

Interview with Karl-Heinz Lambertz, newly elected President of the European Committee of the Regions by Alain Bloëdt, Editor-in-Chief, The Progressive Post.

The newly elected President of the European Committee of the Regions succeeds Finnish conservative Markkus Markkula to become the only progressive currently at the head of a European institution. He begins his two-and-a-half-year term with prior experience of the institution itself, most notably as Minister-President of the German-speaking Community of Belgium (1999 to 2014). Karl-Heinz Lambertz is keen to unify all regional authorities around the institution and place regional unity on the political agenda for Europe. For the moment at least Karl-Heinz Lambertz rejects the need for an institutional debate that others feel is necessary. Created in 1994 under the Maastricht Treaty, the Committee of the Regions acts in a strictly advisory capacity to increase local and regional authority involvement and reduce the gap between the citizens and

Europe. As a strategic thinker with experience of institutional negotiations in Belgium he has opted to position the committee in such a way as to ensure

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THE RURAL  
AREAS

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LEFT WITHOUT

A VOICE!

”

they are perceived to be an indispensable partner within the European decision-making process before initiating an institutional debate which could be taken out of context.

~ How do you explain that a number of Progressives have been elected as heads of regions and capital cities (Paris, London, Vienna, etc.) but remain unable to win support during national elections?

**K-H L:** It is connected to our history and how progressivism has developed within urban areas. This is a strength but also a weakness as the socialist movement has continued to abandon the problematic rural areas in recent years although the real challenge for contemporary regional development remains how to redefine the relationship between the urban and rural areas.

~ This issue seems fundamental to you...

**K-H L:** The rural areas must not feel like they have been left without a voice! If they do feel this way then the populist movements will receive further support from such areas and they will follow the example we have witnessed during the last American election!

~ You have just been elected as president of the European Committee of the Regions, what role do you envisage this institution fulfilling at what is a key moment in the development of Europe?

**K-H L:** We must continue to amplify and extend our voice - through local and regional authorities we can be instrumental in uniting our regions together. It is unthinkable and impossible to envisage a European Union which



| Regions a global marketplace for creativity

does not possess a significant and substantive cohesion policy that ensures sufficient resources as well as the ability to take action across all regions.

**~ The European Committee of the Regions possesses relatively little authority when compared to other institutions. Are you planning to campaign to increase your powers?**

**K-H L:** It would be a tactical error to prioritise institutional strengthening above other concerns at the moment. But that does not mean that we will not prepare ourselves for a debate that will ultimately take place during my successor's leadership. It would be wise for us to implement the same tactic as the German-speaking community employed during the institutional debates in Belgium: we have never expressed a wish to alter the Belgian federal system nor do we

pretend that we have the means to do so, but if you do, then we are here and ready to provide you with the necessary solutions.

**~ Do you have any other ambitions?**

**K-H L:** I would like to improve the organisation and structure of our communications so that we can successfully operate as a spokesperson for local and regional authorities around Europe. In order to achieve this however we need to strengthen our relationships and I think the time is right for us to do so.

**~ What does it feel like to be the only progressive at the head of a European institution?**

**K-H L:** Honestly, I am a little saddened as I am not old enough to take that as a compliment! On the other hand, I would like to take

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WE MUST CONTINUE TO AMPLIFY AND EXTEND OUR VOICE - THROUGH LOCAL AND REGIONAL AUTHORITIES WE CAN BE INSTRUMENTAL IN UNITING OUR REGIONS TOGETHER.  
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this opportunity to inform other progressives who reside on the Council, the Commission, and the Parliament that the regional issue is must be resolved because many European citizens are still waiting for an answer on this issue.



**> AUTHOR**  
**Karl-Heinz Lambertz,**  
newly elected President of  
the European Committee  
of the Regions.



When I wrote a series of papers in February (including in *The Guardian*) about why the Front National's leader Marine Le Pen was in no position to win the French Presidency, my views were thought to be 'brave'—at best.

Several months on, Emmanuel Macron is France's new president, his party (*La République En Marche*) swept to victory with an absolute majority and 351 seats in last week's legislative elections and the Front National is in meltdown after it gathered a mere handful of seats in the National Assembly (not even the required 15 to form a parliamentary group).

UKIP and possibly the Conservative Party's most populist and authoritarian wing have suffered decisive blows after the UK elections, the Five Star Movement has performed poorly in Italy recently and the PVV did poorly in the Dutch elections.

All of this is of course good news but drawing any conclusions about populism's permanent retreat would be foolhardy. A look at the US, or at Melenchon's party *France Insoumise*, is all it takes to know that it is imperative that we use this reprieve wisely to understand it better and address it more effectively.

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### An ideology fit for our times?

Nearly ten years ago I suggested that certain kinds of institutional set-ups were perfect for the growth of populism. My argument was specifically about France-- that the Republic's institutions

presented an ideal set of opportunities for a party like the FN. Ten years down the road, it is clear that, while institutional arguments matters hugely, what may be overtaking them – or perhaps simply reinforcing some of their effects - is that our media, our technology, our lifestyles, etc have all contributed to making populism increasingly fit for the modern world throughout Europe and the West.

So whilst we have seen that defeating populists electorally is feasible, we have also seen that actually beating it over the long term is both more difficult and more urgent.

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### It is difficult for several reasons...

One reason is that while populist parties may go through short term crises (the FN is imploding after failing to win ground in the presidential or legislative elections and UKIP is all but wiped out in its current form after a poor showing in the recent general election) they are no strangers to crises and they know how to reform and revive themselves.

A second is that their voters - whatever their misreading of the party they choose and its capacity to deliver better outcomes – exist. And for many there is no obvious alternative, aside from simply switching off. How we present them with alternatives is the big question.

A third reason is that, wherever these particular battles are being fought we know we are dealing

with a major, global development. These parties and movements share a DNA and feed off a resentment and a disappointment that is borne of a combination of pressures: economic, cultural and demographic as well as major transformations in the world of media and technology that have changed expectations, access, networks and habits in the most profound and lasting ways.

Citizens have been faced with nothing short of a revolution in their everyday lives and absolutely no institutional adaptation

or solutions to this new world. There are no new national or local systems of representation, the same old parties (*En Marche* is an exception), no new forums for collective decision-making, largely incapacitated international institutions and organisations, no new, effective systems for sharing and developing expertise and almost no adaptation to the educational requirements required.

Instead, we have left it to the internet and to the market. As a result, voters have turned to the parties least able to help, but

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THE URGENT AND NECESSARY TASK WILL BE TO GOVERN IN WAYS THAT SYSTEMATICALLY ADDRESS THE RESENTMENT AND ALIENATION OF THOSE WHO ABSTAINED, OF THOSE WHO VOTED FOR THE FN, OF THOSE WHO SEE EUROPE AS NOTHING BUT THE SYMBOL OF THEIR MARGINALISATION.

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| Macron has failed to convince many and he will have to govern in their name and with them as well.

most vociferous on the issue of the costs of this failure to adapt. We are experiencing a momentary respite in the strength of populist parties in Europe but let's not overestimate their waning. The Labour party may be benefitting from a surge in support – but this is due mainly to Jeremy Corbyn's style and not to any future-oriented policy solutions. As for the French Socialist Party, it faces an existential crisis.

## A matter of urgency

So, the task is urgent because, while our current electoral systems may sometimes work against populist parties such as the FN, our current politics and institutions will stoke their fires.

With *La République en Marche!* Emmanuel Macron has possibly set something small but promising in motion which capitalises on a general appetite for meaningful local involvement as well as a desire to move beyond a simple left/right political dichotomy. Jeremy Corbyn is surfing on the same wave of anti-technocratic politics.

However, Macron has failed to convince many and he will have to govern in their name and with them as well. The record low turn-out for the second round of the legislatives may be in part due to electoral fatigue, but it is also a clear signal that many voters feel entirely unrepresented by the current leadership. In the UK, while turn-out was relatively reassuring, and the result far more

positive for Labour than many had dared to hope, the situation is nevertheless one in which the current government is holding on to a frayed mandate and running the risk of re-igniting UKIP fires.

The urgent and necessary task will be to govern in ways that systematically address the resentment and alienation of those who abstained, of those who voted for the FN, of those who see Europe as nothing but the symbol of their marginalisation. This does not mean agreeing or appeasing (tactical flirtations with 'populism light' are a disaster—the UK can attest to the utter failure of that line of conduct), but it does mean weighing every single decision in that light.



### > AUTHOR

**Catherine Fieschi** is the Director of Counterpoint, a research consultancy that focusses on the social and cultural dynamics that underpin political risk. Catherine is a leading authority on populism and populist mobilisation.



# WHAT KIND OF SOCIAL EUROPE SHOULD WE AIM FOR ?

by David Rinaldi

To bring support towards Social Europe, it must be clear that it does not imply EU social policies, but rather a horizontal strategy upholding social outcomes. Focusing on a Social Europe, broadly defined as measures supporting social outcomes and social investment, can actively temper the economic, social and political crises at the same time.

**T**he promise of a Union endowed with a social triple A has gone largely unattended. The European Pillar of Social Rights is not going to deliver a Union where

social and economic outcomes are targeted with the same priority and it is therefore worth asking what is next for a European social agenda. Especially in view of the campaign for the 2019 European

elections, given that concern for social fairness is one of the key issues distinguishing progressive from liberal and conservative forces, one may well expect the agenda for a more social

Europe to be a cornerstone of the European progressive platform.

Too often the idea of Social Europe is misinterpreted as a shift of social policy from member states to

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the EU level. It should instead be clear that a Social Europe does not mean European social policies, but rather upholding social outcomes in all domains of EU intervention. It is fairly evident that the EU will not have a single welfare model for the years to come; the concept of a single European social model itself does not reflect the realities of European integration.

Social Europe should not be seen as a set of specific policies or laws in the social sphere but rather as a strategy that addresses social outputs and embraces social objectives as a core part of every EU policy intervention. Art. 9 of the Treaty on the Functioning of the European Union (TFEU) gives social objectives the special

status of horizontal goals to be pursued in the definition and implementation of all EU policies and activities. Along these lines, the concept of Social Europe chimes with Juncker's vision, announced before the European Parliament ahead of his nomination, when he declared that he was aiming for a Union with a "social triple-A rating".

However, it does not correspond to the logic behind the European Pillar of Social Rights which, as a pillar, completely neglects the horizontal nature of social goals. An agenda for Social Europe implies making social objectives central in the deepening of the single market - digital single market, energy union, capital markets union - in the reform of the EU budget as well as, of course, in the economic governance. An integrated approach that reconciles social and economic objectives should be the backbone of a progressive strategy for Europe.

In this context, the relevance of a push towards Social Europe should not be dramatically affected by the discussion on the future of Europe. There is space for a more social Europe whatever scenario the EU will embark. Social Europe means first and foremost having better social outcomes in what the EU does.

### How can Social Europe help solve EU crises?

The polycrisis in Europe has three main dimensions: i) an economic crisis due to weak growth and lack of competitiveness vis-à-vis reshaping global markets; ii) a social

crisis, linked to impoverishment brought about by the economic downturn, increasing divergence between member states and inequalities within member states in terms of well-being; iii) a political crisis largely due to a trust issue, increasing disaffection for the European project and institutions. Even though Social Europe should not be seen as a silver bullet, a strategy based on social outcomes and investment can actively contribute to mitigate the three crises at the same time.

It is quite self-evident that a Social Europe strategy should help reignite the 'convergence machine' that promoted shared prosperity for decades around Europe. Conceptually, the hard step to make is to move from "evidence shows that high inequality is bad for growth", a notion that is by now rather accepted among experts, to "social outcomes and fairness are good for growth". The economic value of certain social spending is often not accounted for; it does not necessarily mean more EU funds, but rather a framework that facilitates productive social spending at national and subnational level.

A Social Europe supporting social investment may contribute to economic growth through two channels: 1) through a more skilled, resilient and motivated workforce that enhances productivity and 2) through more inclusive labour markets, which sustain public finances.

At the same time, trust could be dealt with, at least partly, if the Union were to do something concrete for its citizens. If the latter

perceive that policies addressing their wellbeing come first in the agenda of EU institutions, populism and Euroscepticism may be contained and social and political tensions reduced. Research shows that active participation in the labour market and higher levels of education are associated with higher levels of trust in political institutions. A push on activation policies and human capital can therefore be functional to restore trust.

In spite of the gravity of the crises, consensus on Social Europe is yet to be found. Why are the benefits of a Union that moves 'Social' are so much underrated?



#### > AUTHOR

**David Rinaldi** is the FEPS Senior Economic Policy Advisor and Maître de conférences, ULB - Institute for European Studies



| In Spain, almost 13 million people currently live at risk of poverty or exclusion.

## THE CHALLENGE OF EUROPE: GROWTH AND SOCIAL COHESION

by Pedro Sanchez

Europe's response to the crisis, based on policies of economic austerity and drastic reduction of public deficits has been wrong and has led to a rise in inequality in the European Union and a large deficit in social cohesion. In order to meet these challenges, a transformation of the institutional architecture of the Economic and Monetary Union is required, which must be endowed with three key elements capable of guaranteeing the continuity of the single currency: the mutualisation of the public debt of the States of the Economic and Monetary Union, the constitution of a real budget and a Eurozone Treasury Department and a gradual harmonisation of fiscal and of some social and employment policies.



**THE WELFARE STATE NEEDS NOT ONLY  
TO RESTORE THE STATE BENEFITS  
REDUCED BY THE RIGHT'S AGGRESSIVE  
CUTS, BUT ALSO TO PROMOTE NEW  
POLICIES AIMED AT A SOCIETY BADLY HIT  
BY THE CRISES.**



**T**he Great Recession and the errors in European economic policy have led to a sharp increase in inequalities; a problem that, along with climate change, is the particular challenge for Europe in the next decades.

The inequalities that are emerging are morally unjust, undermining economic growth and dangerously undermining the social contract on which the legitimacy of democratic institutions is built.

In 1945, after the destruction wreaked by two world wars and a turbulent interwar period, not even the most optimistic of observers was able to imagine the extraordinary transformation of Europe in the following decades. Europe, with obvious exceptions, experienced a period of political stability and economic and social progress unprecedented in the history of the continent.

The factors that explain these decades of prosperity were the consolidation of democracy as a system of government in Europe, the financial aid provided by the United States, Keynesian policies that softened the frequency and intensity of the recessive phases of the economic cycle,

the construction of modern welfare states and the process of European integration inaugurated in 1951 with the founding of the European Coal and Steel Community (ECSC). By the end of the twentieth century, in short, Europe had succeeded in becoming the place of the world with the most balanced combination of wealth generation on the one hand, and social cohesion through public policies for the redistribution of resources, on the other.

The economic effects of successive shocks from oil in the 1970s, and the inability to respond with economic policies, represented a paradigm shift whose most prominent features appear in the Reagan and Thatcher economic programmes. Their policies sowed the seeds of the recent Great Recession, which began in 2007 with the American Subprime mortgage crisis, from whose ravages we are still suffering.

It is evident that the oil crisis marked a turning point in the economic history of the Western

World. Since the mid-1970s, the economic growth rates of the advanced countries have been lower and economic developments have been unpredictable, despite the scientific and technological advances that have taken place. However, in parallel, large emerging countries such as China, India or Brazil have experienced astonishing economic progress.

The economic crisis, which has not yet been overcome, erupted when almost no one expected it and was the most profound and complex the world has known since the 1930s. In the first phase, governments used a very expansive fiscal policy to mitigate the collapse of economic activity. At the same time, central banks reduced interest rates to almost 0%, injected the necessary liquidity to avoid disruption of the international payments system, and later purchased huge volumes of public and private debt. Finally, public authorities rescued financial institutions with solvency problems with huge amounts of taxpayer resources.

Nine years after the fall of Lehman Brothers, it is possible to analyse the successes and mistakes of European economic policy, as well as the fundamental trends that will shape the evolution of the economy in the medium and long term. First, in recent decades the economy has generated increasing and disproportionate levels of debt, which explains the hypertrophy of the financial system, the excessive risk taking by banks, the formation of huge bubbles in asset prices (property, shares, etc.), and the accumulation of unsustainable imbalances in the current account balance of countries such as the United Kingdom and Spain. In this regard, governments have made serious mistakes in financial supervision and, above all, in financial regulation. To minimise the likelihood of new financial crises, it is necessary, for example, for European banks to have higher capital levels and that new taxes are applied to cover any future public bailouts.

Secondly, in the macroeconomic field, Europe clearly erred in defining the pace and composition of the fiscal consolidation process initiated in 2010, which

In collaboration with





| MADRID, SPAIN - People protesting against unemployment, political corruption, eviction and bankruptcy.

first deepened the economic gap and further thwarted the recovery of activity. As a general rule, the need to reduce public deficits in countries such as Greece, Portugal or Spain should have been more gradual and a great deal of suffering avoided. The current economic and social drama in Greece is one of the nefarious consequences of excessive fiscal austerity policies, a tragedy that could have been mitigated by a better European economic strategy.

These errors also reflect the shortcomings of the institutional architecture of the Economic and Monetary Union (EMU), which in

the coming years must be endowed with three key elements in order to ensure the continuity of the single currency: the mutualisation of debt of the EMU Member States; the establishment of a real budget and a Eurozone treasury that, as in the United States, can make fiscal transfers to countries with lower relative per capita incomes or which are experiencing economic difficulties; and the gradual harmonisation of fiscal and social policies.

### Increasing Inequalities

Thirdly, the Great Recession and the mistakes in European

economic policy have led to a sharp increase in inequalities. This is a problem which, together with climate change, is the particular challenge for Europe in the next decades. The inequalities that are emerging are not only morally unjust, they also hinder economic growth and the social contract on which the legitimacy of democratic institutions is built.

In the coming years, therefore, its reduction must be one of the priority objectives of the European Union. For this, action by government is necessary on three fronts. The first is economic growth: through policies for macroeconomic stability and policies

for effective competitiveness and innovation, Europe must trigger productivity gains that generate new jobs in the heat of economic expansion and, at the same time, allow a rise in wages in real terms. The second front is fiscal reform that reduces fraud, brings the taxation of capital income closer to that of employment income, taxes wealth more heavily, and eliminates tax benefits that favour the wealthy and large corporations without economic justification. The third is the strengthening of the welfare state by increased public spending to provide a better quality of public education and health and, in general, produce more effective redistribution.



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We must act with the utmost urgency because the intensity of the crisis has generated an alarming extension of poverty, highlighting the shortcomings of our welfare state. In Spain, almost 13 million people currently live at risk of poverty or exclusion, more than 700,000 households have no income at all and more than 2.5 million workers are poor despite having a wage.

Spain has become a deeply unequal country in the EU rankings, which should lead us to a new design for our welfare system, incorporating policies to avoid social exclusion because, in many cases, access employment is not enough.

This is how we Spanish socialists are thinking. We are therefore proposing a Basic Minimum Income focused on those families who are doing badly and require income support, without losing sight that the goal is a full recovery of the economic and employment rights of the beneficiaries.

Our economy can afford to dedicate new resources to hundreds of thousands of families who need support. The welfare state needs not only to restore the state benefits reduced by the Right's aggressive cuts, but also to promote new policies aimed at a society badly hit by the crises

and the mistaken responses that have accompanied it.

In the coming years, the European economy must recover some of the features that today have been lost, those which gave this continent the best quality of life in the world, because of its balance between economic growth and social fairness. Social democratic policies are without doubt the only ones that can heal our wounds.



#### > AUTHOR

**Pedro Sanchez**, Secretary General of the PSOE, the Spanish socialist and workers' party, was reelected on 22 May 2017. He had already led the party from July to October 2016.



| THESSALONIKI, GREECE - Elderly people hold bags with food, distributed to poor people by the municipality.

## WE MUST INTRODUCE SOCIAL CONSIDERATIONS INTO THE VARIOUS ECONOMIC POLICY MECHANISMS BECAUSE SOCIAL ISSUES ARE NOT ISOLATED FROM THE ECONOMY

Interview with Nicolas Schmit, Luxembourg Minister of Labor, Employment and Social Economy by Alain Bloëdt, Editor-in-Chief of the Progressive Post.



**THERE HAS BEEN A REALISATION  
AROUND EUROPE THAT THE UNION  
IS HEADING FOR A DISASTER  
IF WE DO NOT REINSTATE  
THE SOCIAL DIMENSION IN ALL  
DISCUSSIONS RELATING TO ACTION  
WITHIN EUROPE.**



~ Are the new proposals from the Commission on Social Europe simply a recurring theme ever-present in European politics or do they represent a real change in political mindset?

**NS:** I am a believer that the glass is half full rather than half empty, especially when it was absolutely empty before! So yes, it is good news that social issues are back on the agenda. Even if the proposals do not go far enough, Europe has now realised that the Union is heading for a disaster if we do not reinstate the social dimension to all discussions relating to action within Europe.

~ Can Europe truly protect its citizens at a time of intensive globalisation?

**NS:** When Europe continues with an ideology that focuses solely on the common market, on competitiveness there is cause for concern. When Europe largely forgets about all of those who lose out through the operation of the common market and consider that competitiveness will benefit everyone - which is absolutely

false - there is cause for concern. Not only has Europe failed to protect the welfare state but the failure now threatens to unravel the existing welfare provisions. In this context, the contention that social issues fall within the domain of the state is dangerous because such arguments can be used by nationalists of any colour.

~ Are you suggesting that the message can be contradictory?

**NS:** Europe advocates the use of the domestic market, it advocates detachment, the opening of borders and where social issues are identified only the respective national power may decide on such matters. The problem is that Europe dictates to each national state how to conduct their fiscal policy. The outcome: member states have less and less room for manoeuvre on key social issues.

~ What do you propose?

**NS:** We have to change our approach: one where Europe will still have a role to play. Admittedly, implementation will remain a consideration for each member state, as is the case for retirement and pensions. In this specific case, there is no requirement for Europe to dictate the form of the system, but they have a responsibility to guarantee a decent standard of living for all.

~ And in real terms, what are your thoughts on Marianne Thyssen and Jean-Claude Juncker?

**NS:** A plan of action must be rapidly introduced alongside a social-welfare system that takes into account various economic policy mechanisms, since social issues cannot be isolated from the economy. We cannot talk

about youth employment levels in Greece unless we talk about the economic and fiscal policies in Greece.

~ But on labour issues, are the progressives not prisoners of their own ideology and unable to advance any further?

**NS:** Employees must be provided with maximum legal protection, but above all they must be able to return quickly to the labour market. One of the key concerns, particularly for the most vulnerable, are public services that work.

~ Is this approach not partly distorted by the greater desire to save all jobs at any cost?

**NS:** Jobs disappear, it is unfortunate but this is the reality. On the other hand, employees must not be solely responsible for carrying the financial burden of such changes. They must be supported and provided with training, advice, etc. which allows them to find a new career. This is not the American system where you are left to find your own way!



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FRANCE - Protester with raised hands in front row of thousands of people demonstrating as part of nationwide day of protest against proposed labor reforms by Socialist Government.



WE MUST  
 SUBSTANTIATE  
 THE ARGUMENT  
 THAT THERE IS A  
 GENUINE NEED  
 FOR A SOCIAL  
 UNION ALONGSIDE  
 THE EXISTING  
 BANKING UNION  
 AND MONETARY  
 UNION.



~ Does the importance of public services mark for you the dividing line between the right and the left?

**NS:** As a social democrat, I am in favour of increased public services which operate to ensure a sense of justice, whereas those on the right consider that public services should be reduced and that it is the private sector that should be used in their place.

~ What is your prognosis for the discussion on agency workers?

**NS:** The discussion is going to be difficult. Yet there is some urgency, not only because of the negative impact the issue has across Europe but the fact that many people continue to work in unspeakable conditions when, at

the same time, others are losing their job to individuals who are being over-worked. There is a degree of urgency, but, I am not sure that we can declare this to be an emergency.

~ In terms of context, will Brexit have an impact on this issue?

**NS:** I do not think it will have a significant impact. Brexit has certainly been a convenient excuse for some individuals to hide behind - to say that the British will block everything but there are other countries (or the political right in general) that do not want such issues resolved. We must substantiate the argument that there is a genuine need for a social union alongside the existing banking union and monetary union with a significant amount of subsidiarity.



**> AUTHOR**  
**Nicolas Schmit**  
 is Minister for Labour, Employment and Social Economy of Luxembourg. Nicolas Schmit is also Chairman of the Social Affairs Ministerial Network for the Party of European Socialists (PES).

## INTERVIEW



| MIDDLE CLASS - A pivotal part of our society caught between radical extremism, high salaries and job insecurity.

## AFTER THE TERTIARY SECTOR, THE MIDDLE CLASS CONFRONTED WITH THE DIGITAL SECTOR

Interview with Daniel Cohen by Alain Bloëdt, Editor-in-Chief, The Progressive Post



**POLARISATION  
WEIGHS UPON THE  
MIDDLE CLASS  
AND POSES A RISK  
TO DEMOCRACY!**



~ Does digital technology pose a threat to our society or should it be encouraged?

**DC:** Both. Everyone is familiar with the concept of a connected world; we have modern phones and TV's which promise significant benefits. We can talk to each other, exchange documents, etc.

~ But you feel there is cause for concern?

**DC:** Much of the debate amongst economists is focused on determining whether the introduction of technology will create jobs or cause jobs to be lost.

~ What type of jobs do you have in mind when you say this?

**DC:** In the 1980s, it was believed that skilled labour was going to be utilised at the expense of unskilled labour, which posed a threat to the working classes. A threat that was mitigated at the same time by a promise to re-train the whole population. Ultimately the promise was too complex to implement and economists now refer to the polarisation of the labour market which followed.

~ Is such polarisation a cause for concern?

**DC:** Yes because polarisation weighs upon the middle class and poses a risk to democracy! A

practical example of this are those who trade on the stock market, these people are able to move billions or even run companies just by using their smart phones. At the other end of the scale, there are local jobs, which provide services or assistance to individuals that are poorly paid or require little or no formal qualification. Yet the biggest loser remains those who earn average pay from middle management employment for example, in other words the middle classes.

~ Why?

**DC:** In order to understand this, we must re-consider the developments which occurred during the 20th century after the industrial revolution and how this affected white collar workers. White collar workers have gradually been removed from the centre of industrial society - they have been employed in offices, banks, insurance companies and government agencies to the detriment of those employed in factories who

undertake hard, repetitive, physical labour. To a certain extent the middle class found a promised land within the tertiary (services) sector and it is this refuge that is now under threat from the digital revolution.

~ Does this threat have a direct affect on the rise of populism?

**DC:** Indeed, I feel it is at the heart of the great disarray within our modern-day societies. Radical movements prosper when the middle class cease to play a pivotal function within society. Yet, the radical movements serve a central purpose; they expose the illusions, the mirages within society that promise promotions to those in the middle classes but do not receive them! Moreover, this is the distinguishing feature which differentiates such movements from revolutionary movements which sustain themselves by believing in the world promised to them if they are successful. As such, populism is a new form of nihilism: we see that the world does not want us so we do not want the world!

~ Can Europe fight against populism?

**DC:** There is a demand across Europe for strong protection as we face a world that threatens to make us disappear. And yet paradoxically, Europe is quickly becoming the enemy of populism

by opening borders within the European zone and creating globalisation on a miniature scale.

~ Is the middle class in real danger?

**DC:** At the moment the danger is less visible in Europe than in the United States but if we treat the United States as a laboratory and observe the global transformation it will not be long before we are struck by the fate of American white collar workers. Moreover, we cannot ignore the many similarities between the United States and Europe. All politicians in the United States are elected as a check and balance against the power of Washington, which embodies a federal power deemed far removed from concerns relating to the welfare of the people!

~ Should Europe exert influence on social welfare issues to restore public confidence?

**DC:** I believe that social welfare issues must remain the prerogative of the member states as is the case for health and education policies. On the other hand, Europe must ensure that they have sufficient resources to implement their own policies.



| Digital technology poses a threat and an opportunity

**~ If I understand you correctly, harmonising social welfare policies within Europe is not a priority?**

**DC:** It is less a question of priority and more a question of how to share the responsibility. We can always take steps to ensure that minimum wage policies align with each other but this will never be a priority. How can it be when we cannot even agree on the minimum tax rate for corporations within the Eurozone! This would be the least of our concerns however, as companies can be domiciled virtually wherever they want!

**~ Will the arrival of Emmanuel Macron not cause matters at a European level to shift?**

**DC:** Emmanuel Macron successfully illustrated this point during his campaign particularly in terms of the European issue. By doing so he ensured that the issue was given serious consideration at a European level. He appears to be the one who is the source of the populist movement. Many of his followers thought that France would be the next victim. Having said that, it is necessary for

Macron to succeed in causing the lines to shift at a European level for if he fails then his actions will eventually contradict the purpose of the European project.

**~ On what basis?**

**DC:** He wants to reinvigorate the debate about agency workers and their rights. If one feels that labour law can be circumvented in France by using such measures this will only increase hostility towards Europe. Taking a hard-line stance on the law is crucial. The common defence fund is also an interesting concept. The concept of a Euro zone budget is just as important because the Euro zone should be accountable to the European Parliament as a replacement for the existing Eurogroup, which relies on intergovernmental co-operation.

**~ Emmanuel Macron will also face resistance in France with his plans to reform the labour code. Do you think he has the ability to overcome these obstacles?**

**DC:** This will be his third litmus test after the presidential and

general elections. Without having seen the text in detail it is difficult to assess the reform at this stage. It will be an operation which relies on charm. Macron must handle a number of figures from the corporate sector and if his reforms fail the consequences will affect millions of people; they will have lost everything, including at a European level.



**> AUTHOR**

**Daniel Cohen** is a Founding Member of the Paris School of Economics (PSE); a Professor and Director of the Economics Department at the Ecole Normale Supérieure (ENS) (Higher Teacher Training College)



| Europe - Spring is coming.

# AFTER 10 YEARS OF ECONOMIC CRISIS AND AUSTERITY, THE FIRST SIGNS OF A EUROPEAN SPRING ?

by Luca Visentini

It is ten years since the financial crisis of 2007-08. Ten years lost and wasted. Ten dark years that have been like an ice age in which the hopes and aspirations of working people have been frozen.

**A** banking crisis led to a government debt crisis. Economic crisis led to political crisis. The austerity medicine mistakenly chosen by the EU and member states has created widespread disillusionment, and a backlash against Europe. Violent conflict in neighbouring regions,

unprecedented numbers of refugees fleeing to safety in Europe, and terrorism at home have added to the sense of crisis.

Are we now seeing the first signs of a European spring? Clearly Europe is now discovering some slow growth and the gradual retreat of mass unemployment. But

recession followed by tentative recovery is no cause for celebration. Instead, what offers some encouragement are signs of the reversal of the rise of anti-European and anti-foreigner forces, of an emerging political debate about more worker-friendly policies, increasing wages and tackling inequality. Fairness and the needs of

working people are coming back to the political agenda.

The shock of the political fallout from the economic crisis has over the last year created a mood of reflection on the future – of Europe, of globalisation. Mainstream politicians on the left and right know they face

extinction unless they address working people's concerns. Perhaps the penny has dropped.

EU institutions are now releasing funds for investment, talking up wage rises and even increased public spending. The European Commission has forced an EU debate on a European Pillar of Social Rights, on the social dimension of the EU and fairer globalisation. On the 60th anniversary of the Treaty of Rome national governments pledged to work towards a social Europe which promotes economic and social progress. On Brexit, EU member states appear unanimous in agreement.

After Brexit and Trump, voters have rejected far-right candidates for president in Austria and France, and kept a far-right party out of government in the Netherlands. But let's not get carried away.

The EU's Stability and Growth Pact is a straight jacket preventing many countries from investing in better public services and jobs and growth. But some European leaders are now pushing for more flexibility, for an end to austerity, for more room for growth-friendly economic policies and to ease the burden on working people who have borne the brunt of the crisis.

New policies are far from being established as the new consensus. The European Pillar of Social Rights is long overdue, could be more ambitious, and might yet be killed off by hostile governments and employers.

And the world is not standing still after the crisis. There are many difficult challenges ahead. Brexit was

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**INSTEAD, WHAT OFFERS SOME ENCOURAGEMENT ARE SIGNS OF THE REVERSAL OF THE RISE OF ANTI-EUROPEAN AND ANTI-FOREIGNER FORCES, OF AN EMERGING POLITICAL DEBATE ABOUT MORE WORKER-FRIENDLY POLICIES, INCREASING WAGES AND TACKLING INEQUALITY.**

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not the choice of the European Trade Union Confederation (ETUC) or of British trade unions, and we need to continue to insist that the rights of working people and citizens must be paramount. The growth of bogus self-employment, temporary or part-time work, and other precarious jobs are the dark side of today's slowly reducing unemployment, and must be challenged by trade union and ultimately new laws. Digitalisation and climate policies need to be accompanied by intelligent strategy for a just transition that equip working people and industrial regions to adapt and create new jobs.

The humanitarian refugee crisis is not resolved. Refugees are stuck in Turkey, Libya and the Balkans. Trade unions must redouble our efforts in calling for a fair redistribution of refugees across Europe and in working with employers to integrate refugees into the workplace.

I sense an opportunity. Some signs of movement in the right direction, and what is needed from all progressives is a strong push. Now is the moment, not to proclaim yet another setback, but to push harder than ever for what working people desperately need: increased public investment and services, and to tackle inequality through decent social protection, fair taxation, fair wages and good working conditions across every EU member state.

It is also the moment for trade unions to be more active than ever in efforts to manage digitalisation and climate action to ensure that working people are not left on the scrap heap, to

manage globalisation, to reduce persistent gender and regional inequalities. Trade unions need to demand action on these challenges throughout the trade union movement, with employers and government at every level from the local to the EU level.

Let's seize this marginally better moment – it's the most promising for ten years. Let's keep our ambition high, our action strong and sound, let's make alliances with those who want to build a social Europe for working people.



> **AUTHOR**

**Luca Visentini** is General Secretary of The European Trade Union Confederation is a trade unionist with experience at regional, national and EU level.



| Researchers estimate that a specific mix of higher public spending and more progressive taxation would boost GDP growth by more than 2% in all 15 EU countries tested.

## EUROPE NEEDS A COORDINATED MIX OF FISCAL AND WAGE POLICIES

by Özlem Onaran, Maria Nikolaidi, Thomas Obst

**Austerity policies coupled with rising inequality in Europe have resulted in a long period of economic stagnation. To end the vicious circle of chronically low demand, a slowdown in investment and productivity and economic, social and political instability we need coordinated action to develop sound fiscal and wage policies in all the EU Member States.**

The effects of income distribution and fiscal policy on growth, investment and budget balance: the case of Europe (to read the full research paper, click here: <http://gala.gre.ac.uk/16088/>) is a piece of research which we carried out at the Greenwich Political Economy Research Centre. The research presents the impact of a coordinated policy mix of

increased public spending together with more progressive taxation and labour market policies to improve growth and income distribution in Europe.

Based on a model developed for 15 individual European Union Member States, we simulated a policy scenario of a simultaneous increase in public spending

by 1%-point of Gross Domestic Product (GDP) along with more progressive taxation (increasing the effective tax rate on capital income by 1%-point and decreasing the tax rate on labour income by 1%-point) and an increase in the share of wages of GDP by 1%-point of GDP in each country. The result was 6.72% higher GDP in the EU.

Private investment increases as well, by 2.30% as a ratio to GDP (on average in Europe); i.e. overall public spending does not crowd out but rather crowds in private investment despite a rise in tax rates on profits. Although public spending increases, the budget balance in Europe improves (by 0.86% as a ratio to GDP) due to the beneficial fiscal effects of

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**THE KEY MESSAGE OF OUR RESEARCH IS THAT AN EXPANSIONARY FISCAL POLICY CAN MAKE A SIGNIFICANT CONTRIBUTION TO ECONOMIC GROWTH AND CAN BE SUSTAINABLE WHEN IT IS COMBINED WITH WAGE POLICIES AND PROGRESSIVE TAXATION IN A COORDINATED FASHION.**

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higher economic growth and higher tax rates on capital. Concerns about the possible inflationary effects of wage increases are not supported by empirical evidence. A wage stimulus leads to only a modest 1.5% increase in price levels in Europe on average and would help to steer the European economy away from deflation.

Growth, private investment and the budget balance improve both in the periphery and core countries of Europe. The effects of our suggested policy mix on GDP are most marked in Finland (12.04%), Greece (15.29%) and Spain (16.15%). GDP increases by more than 2% in all countries: e.g. by 5.85% in Denmark, 6.77% in Germany, 4.82% in France, 2.91% in Ireland, 3.81% in Italy, 8.03% in Portugal, 9.90% in Sweden and 4.47% in the UK.

The key message of our research is that an expansionary fiscal policy can make a significant

contribution to economic growth and can be sustainable when it is combined with wage policies and progressive taxation in a coordinated fashion.

In practice, the suggested increase in the wage share can be achieved by re-regulating the labour market, improving the

Union's legislation, increasing the coverage of collective bargaining, increasing the minimum wages and enforcing equal pay legislation more effectively. Also, coordination of wage policies at the European level is necessary to ensure that wages increase in line with historical increases in productivity, stabilising effective demand, avoiding counter-productive 'beggar thy neighbour' competition policies based on low wage policies and preventing a race to the bottom. In the Euro area, this implies that wage policy has to take into account current account surpluses as much as deficits and coordination must aim at avoiding a deflationary adjustment with substantially higher wage growth in the surplus countries.

As for public investment, its positive effects on spending go beyond those examined with our model. Public investment as part of an industrial strategy is key to achieving convergence in productivity between European

countries. In addition, public spending in physical and social infrastructure can lead to environmental sustainability and gender equality. For example, public investment in green projects could reduce the carbon that is generated as a result of EU production and consumption. In addition, spending on health, social care, education and child care is crucial to improve gender equality and could lead to the creation of jobs with high labour intensity (i.e. generating more jobs per output) having an additional beneficial effect on carbon intensity. This is not only because these sectors have low emissions but also because more employment is created for a modest increase in output.



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| Unequal pay in the world of business.

# CROSS-BUSINESS AND INTRA-BUSINESS WAGE INEQUALITY IN EUROPE

by Claire Courteille-Mulder

Since the 2008 crisis, wage growth around the world has largely been driven by growth in emerging countries. This has slowed recently, but has accelerated once more in developed countries. The International Labor Organisation's World Report on Wages 2016/2017 confirms this.

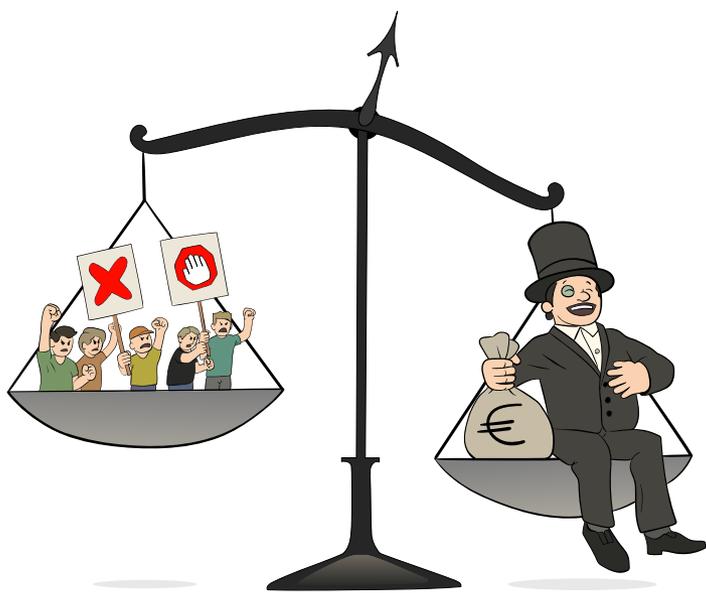
**A** globalised economy requires a coordinated approach to wage policies around the world. In 2016, the G20 called for the implementation of macroeconomic policies aimed at stimulating significant growth in earnings as well as encouraging sustainable wage policies that better reflect the productivity gains.

Indeed, in the vast majority of countries, the proportion of labour deemed to be value added has been in decline for several

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**THE WAGE GAP BETWEEN  
 MEN AND WOMEN (...)  
 IS HIGHER AMONGST  
 TOP EARNERS**  
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decades due to wage growth that has remained well below productivity. This has been the case, for example, within Germany, the United States, and China, although in these countries the wage share has rebounded somewhat in recent years.

The ILO notes that wage inequality has increased across a number of EU countries over the past few decades, but has been mitigated somewhat since 2002, and more notably in 2006. Whilst inequality between sectors and businesses



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 WHERE  
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has played a central role in recent developments regarding wages, such inequality cannot explain everything. An analysis of the situation in 22 European countries reveals that in 2010 wage inequality across businesses represented 42% of all wage inequality and that the issue is more pronounced in companies with a comparatively high average wage. According to the study, the situation amongst the companies which pay the highest wages is a concern, with the lowest paid 1% earning an average of 7.00 EUR per hour whilst the highest paid 1% earn more than 840.00 EUR per hour. On the other hand, the wage gap between men and women, which has reduced in general terms across Europe remains increasingly evident amongst the top earners and is expected to reach nearly 45% for those within the highest percentile of the wage distribution structure.

Minimum wage and collective bargaining agreements remain the preferred instruments for

simultaneously reducing cross-business and intra-business inequalities. Most countries within the European Union have implemented statutory minimum wages, but their amounts remain quite varied. Some remain particularly low when compared to national productivity or average wages. As a result, the ILO advocates the involvement of both employers and employees when determining the minimum wage and stresses the importance of the field of application alongside the implementation of regulations or other such wage agreements so that all workers, even the most vulnerable, are effectively protected. Where collective bargaining takes place at a national, sector or industry-wide level, and incorporates multiple employers coordinated across a number of different levels, inequalities between businesses and within businesses are reduced accordingly. On the other hand, where collective bargaining takes place on a narrow basis, that is, the agreement is formed at a business or establishment level, the relative effect is limited to internal inequalities within that specific entity.

New initiatives have been implemented in recent years to encourage collective bargaining and slow the advance of inter-business inequality. This includes agreements between buyers and their subcontractors to integrate all elements in the supply chain together by way of collective bargaining.

Whilst reducing internal wage inequality has also generated numerous private sector initiatives to self-regulate the salaries

of senior executives often based on the concept of greater shareholder involvement. Currently there are people who want to go further than this and wish to discourage short-termism in favour of executive compensation that takes into account the long-term performance of the company concerned. It seems though that cross-business and short-term wage inequality are two sides of the same coin!



> **AUTHOR**

**Claire Courteille-Mulder** has been a director of the International Labour Organisation (ILO) in Brussels since 2014



| Corporate social responsibility with children education.

## THE EU: A ‘HOLDING ENVIRONMENT’ FOR SOCIAL INVESTMENT REFORM?

by Anton Hemerijck

For national politicians wishing to break away from the failed ‘efficient market hypothesis’, investment in social policy positively re-legitimises the role of the state in the (mixed) economy, drives up standards in family policy, education, and employment services and embeds all of this in a policy agenda of inclusive growth.

Over the past decade, the notion of social investment has gained considerable traction in debates about the future of the welfare state. Social investment is about long term investment in social policies. It was given a ringing endorsement by the European Commission in its Social Investment Package for Growth and Social Cohesion in 2013. In that policy paper, the Commission urged EU Member States to advance post-crisis welfare reform strategies that help 'prepare' individuals, families and societies to respond to the changing nature of social risks in advanced economies, by investing in human capabilities from early childhood through old age, rather than pursuing policies that merely 'repair' social misfortune after moments of economic or personal crisis. Examples of social investment include spending hikes on child and family policy, parental leave and active labour market policies.

### Growing interest in social investment

There is evidence too that the tide is turning in terms of the thinking about social investment. For example, the OECD and the World Bank, which used to be champions of neoliberal 'structural reforms', today argue that well-calibrated social investment oriented welfare policies boost growth, employment, productivity and social protection for everyone.

Looking ahead to the future, Europe is in dire need of a growth strategy that is economically viable, politically legitimate and seen as socially fair. However, given the magnitude of the hangover of the sovereign debt crisis and the dismal experience of social investment reform in Southern Europe prior to the Euro crisis, there are no quick fixes.

For social investment policy priorities to survive politically in the new hard times ahead, the EU must, first and foremost, break with the policy legacy of relegating social investment reform to being a 'handmaiden' to neoliberalism – wise to pursue when the economy expands, but prohibited when the chips are down.

### EU institutions can play a supporting role

The EU should be seen as a union of national welfare states and not as a social union. The role of EU institutions is to operate as a 'holding environment' within which national welfare states can prosper. The notion of a 'holding environment' refers to zones of resilience, based on shared values and a common purpose matched by competent institutions, in times of painful adaptation. The function of a 'holding environment' is to mitigate stress, but also to maintain pressure to mobilise, rather than overwhelm its members, and to back up progress on tough problems.

### Discount social investment policies from the Stability and Growth Pact?

My concrete proposal is to discount social investment policies, in the area of human capital stock, from the fiscal criteria of the Stability and Growth Pact and the Fiscal Compact, in order to clear the necessary fiscal space within a bound of 1 to 2 percent of GDP for the coming decade. This should be closely monitored through the European Semester in terms of effective alignments with labour market regulation and relations that ease labour market transition for individuals and families and strong (universal) social security reform across Euro-member states. For countries struggling to commit to a balanced budget without trampling on their domestic social commitments, such exemptions could foster immediate gains in early childhood, female employment, improved work-life balance, and reduced levels of early school leaving, with positive medium-term outcomes in employment, educational attainment, and pension cost-containment.

Politically, this would require Germany, the Netherlands, Austria and Finland to come down from their 'high horse' of austerity. The fundamental political reason why the social investment paradigm can no longer be dismissed as 'fair weather' politics

is that economic stagnation, high (youth) unemployment and rising poverty and inequality are the breeding grounds for xenophobic populism, Brexit and Trump, and ... the demise of the EU.



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**Anton Hemerijck**

(EUI), Professor of Political Science and Sociology at the European University Institute in Florence, has written numerous books and articles on welfare policy and employment relation and regulation, European politics and economics. Recent publication (Oxford University Press): *The Uses of Social Investment* (2017).



| Reducing inequality offers us a win-win: improved quality of life, more chance of achieving sustainable economies, a greater sense of solidarity and shared purpose.

## REDUCING INEQUALITY: THE KEY TO A STRONG AND COHESIVE SOCIAL EUROPE

by Kate Pickett

In the face of pressures and tensions affecting the European project, there is a vital need to strengthen the vision and mission of a Social Europe. Focusing on reducing inequality could allow the EU to reconnect with its citizens and offer them a higher quality of life.

**A**s economic difficulties, migration stresses, populist and far-right politics, among other factors, have brought the European project under increasing pressure, it has become essential to revitalize the EU's social mission. The development of the European Pillar of Social Rights by the Commission, as well as the Reflection Paper on the social dimensions of Europe which accompanied the White Paper on the Future of Europe, are a recognition that a vision of Social Europe is needed alongside the economic and security aims of the EU. Nevertheless, many have been deeply disappointed by the lack of attention in these documents to the role of socioeconomic inequality in creating the societies that the EU claims to want. Although fairness, equal opportunities and social protection get attention, inequality – which lies at the root of them all – is barely mentioned.

The scientific evidence on the impact of inequality is broad and deep, robust and growing. We know that inequalities in income and wealth cause economic instability, tear the social fabric, undermine social cohesion, damage population health (physical and mental), destroy democracy, and create a roadblock to the adoption of pro-environment strategies and behavior. Social and economic inequalities prevent nations, communities and individuals from flourishing.

Fortunately, the effects of inequality were treated much more

seriously in the development of the United Nations Sustainable Development Goals. Goal 10 (of 17) is to 'Reduce inequality within and among countries.' All European nations have signed up to this goal, and should be trying to 'progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.' Other institutions are also taking inequality more seriously. This year at Davos, in the World Economic Forum report on global risks, rising income and wealth disparity ranked as the most important trend likely to determine development across the world over the next decade. The International Monetary Fund, the World Bank, and international NGOs, such as Oxfam and Action Aid, also understand the central importance of inequality. At the moment we see more rhetoric than action, but from the EU Commission we don't even see the rhetoric.

Tackling inequality can feel like a tough, intractable problem. But in reality there are vast numbers of economic, political and social solutions that can be implemented at international, national and local levels. And the experience of the past tells us that big changes can happen quickly. There are distributional solutions, such as progressive taxation and higher social security provision. There are pre-distribution solutions, such as higher minimum wages and representation of employees on company boards and remuneration committees. International

action is needed to deal with tax havens and the behavior of multinational businesses. Most fiscal policy sits at national level, but communities can also take action: in the UK, many local authorities have committed to paying the Living Wage. Reducing inequality requires political will and leadership, but also grassroots movements and upwards pressure for change.

On the grounds that 'member states and the EU as a whole will reap political, economic and social benefits from fighting inequality', the Scientific Board\* of Progressive Economy (an initiative of The Progressive Alliance of Socialists and Democrats in the EU), has called for Europe to move towards 'a new egalitarian ideal'. Pursuing such an ideal credibly and effectively could re-connect Europe with its citizens. The measures which member states could use to achieve this new egalitarian ideal include taxation (e.g., stiff inheritance tax and taxation of real property and rents; implementing a financial transactions tax), action on wages (e.g., favouring strong trade unions and a high minimum wage), expanding social insurance at the European scale (e.g., a European pension union, and an emergency social solidarity programme) and finally, mobilizing European policies and regulation to reduce inequalities (e.g. enhancing employment and social rights, gender equality and child equal opportunities). As well as trying to meet the UN SDGs, the EU should commit itself to the reduction of inequality and

the convergence of income levels across EU member states.

Neoliberalism has failed to deliver what it promised. We've had growth, but not fairly distributed; we've seen booms but too many busts. And even if the pursuit of economic growth had delivered benefits to all of us, in the face of coping with climate change we can now no longer afford to reify this goal. Reducing inequality offers us a win-win: improved quality of life, more chance of achieving sustainable economies, a greater sense of solidarity and shared purpose – this should be the number one priority of a Social Europe.



**> AUTHOR**

**Kate Pickett** is a Professor of Epidemiology at University of work and co-founder of The Equality Trust.



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| MEP Javier Lopez is drafting a report about inequalities for the European Parliament.

# INEQUALITIES, GROWTH AND THE FUTURE OF LIBERAL DEMOCRACIES

by Javi Lopez

Waves of suffering in the form of unemployment and destruction of wealth have transformed the social cartography of the Western world and have led to a true geopolitical recession. The coordinates of the political agenda are shifting, old conflicts are emerging and new cleavages are opening up. Once again, the distribution of wealth, inequality and their effects are at the centre of public debate. Javier Lopez looks into the reasons for this.

**W**e are currently reproducing the aberrant levels of inequality of the golden age before World War I and the subsequent Great Depression. Equity and social mobility are linked through

equality of opportunities: in more equal societies, people can more easily change their social category regardless of the resources of their household. The truth is that, if you want to "live the American Dream" you should go to Denmark. Unfortunately income inequality

and gender inequality are developing in parallel. Equality works as a social glue by creating bonds of mutual trust.

There are strong arguments that allow us to argue that more equitable societies have

better social outcomes and are healthier, more peaceful and cooperative. Large swathes of academic literature links growth problems with current levels of inequality. A major problem is that inequality distorts demand and favours over-indebtedness. Only

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THE IDEA AT  
THE CORE OF  
MY EUROPEAN  
PARLIAMENT  
REPORT ON  
COMBATING  
INEQUALITIES  
AS A LEVER TO  
BOOST ECONOMIC  
GROWTH IS TO  
MAKE INEQUALITY  
ONE OF THE MAJOR  
PRIORITIES TO BE  
MONITORED AND  
ADDRESSED BY  
THE EUROPEAN  
INSTITUTIONS.

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inclusive and equitable growth strategies will ensure the recovery of the economies of industrialised democracies.

At the same time, inequality erodes democracy. The decline of the middle class undermines the political order and damages traditional politics. Income polarisation is contributing to political polarisation and weakening support for inclusive democratic and economic institutions.

Moreover, various economic trends have generated profits but these have been unequally distributed. Without adequate compensation mechanisms, our societies are tearing themselves apart, as we have seen in many cases.

Globalisation and market liberalisation have been working in this direction. On the one hand, hundreds of millions of people have been lifted out of poverty in the last few decades, especially in Asia. But, on the other hand, many of the middle and working classes in the First World did not benefit. The digitalisation and robotisation of the economy acts in a similar way. Both create new opportunities in the labour market but large numbers of the current workers do not have the necessary skills to seize them.

At the same time, the urban/rural division is very present in the political conflict. Many urban centres have been incorporated into the value chain of globalisation, in front of rural or punished by deindustrialization peripheries. This is fertile ground for resentment and

identity withdrawal. From this emerges a new logic, the logic of 'globalism against nationalism'.

To rebuild a progressive electoral base, we need to put in place a programme of redistribution to counter inequality. The XXist century's solutions were as follows: Keynesian management

of demand, economic policies, state industrial planning, preservation of collective bargaining and fiscal redistribution through taxes and social welfare systems. This roadmap is valid but must adapt to a different context: the particularities of the euro area, internationally connected economies and markets and changes in social structures.

We need to build new tax systems and programmes of public and regulatory spending that redistribute more efficiently and promote a fairer distribution of wealth. All this should be done whilst taking account of factors such as the concentration of people in cities, ageing populations and climate change. The lever to use to start rebuilding the social pact should be the political threats that haunt Europe, such as those that haunted Europe between 1945 and 1975, because without a threat there is no incentive to act. The reality is that inequality explains, at least in part, the breaking up of the pillars that have sustained the developed world: economic growth, middle classes, liberal democracy and the American order.

The idea at the core of my European Parliament report on "combating inequalities as a lever to boost economic growth" is to make inequality one of the major priorities to be monitored and addressed by the European institutions. This should be done by following cohesion and investment tools such as the co-ordination of social policies with regard to combating poverty and social exclusion and improving

living and working conditions. Moreover, we include an innovative approach in order to face new challenges, as we are very much need to protect workers who are at a disadvantage in the face of technological change. We must strengthen and modernise our welfare states, fight poverty, especially among young people and children, address the gender gap and combat fraud.

Like all Herculean tasks, the fight against inequality requires a narrative that supports and shapes it. We need a new narrative of equality in defense of economic growth, the protection of democracy and the deeper meaning of freedom: autonomy and dignity.



> **AUTHOR**

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| The dynamics of the conflict that emerged in the European Parliament debate have unveiled the political barriers that prevent a full implementation of the EPSR.

## NUMEROUS TENSIONS STAND IN THE WAY OF AGREEMENT ON THE EUROPEAN SOCIAL PILLAR

by Francesco Corti & Patrik Vesan

A look at the parliamentary debate on the European Pillar of Social Rights (EPSR) may help to unveil the political barriers, which are preventing full implementation of the Pillar and the dynamics of the conflict that define the room for manoeuvre that policymakers have for setting out social policy proposals within the EU. Drawing on the framework put forward by Maurizio Ferrera, one may identify at least four areas of conflict that will shape decision-making in the European Parliament.

In particular, it is worth noting the explicit tension between Euro-social and Euro-liberal (Left vs Right) political groups, which has emerged within the official pro-European grand coalition that supported the EPSR in opposition to the far-right Eurosceptic parties: the European, Conservatives and Reformists groups (ECR), the Europe of Freedom and Direct Democracy (EFDD) and the Europe of Nations and Freedom (ENF). This tension arises because of a clash on policy priorities and the overall mission of the Economic and Monetary Union (EMU). On the one hand, the Alliance of Liberals and Democrats for Europe (ALDE) and the European People's Party (EPP) support a more neo-liberal project centred on labour market deregulation and welfare retrenchment and monetary/fiscal stability. On the other hand, the Progressive Alliance of Socialists and Democrats (S&D), the Green/European Free Alliance (EFA) and the Confederal Group of the European United Left/Nordic Green Left (GUE/NGL) are in favour of a growth/employment oriented project backed by public investment and accompanied by a stronger social dimension.

### Territorial lines of conflict

While the left-wing coalition, led by S&D, has shown robust party discipline and voted in favour of the resolution, the liberals and christian-democrats split into two sub-groups. The two sub-groups are the northern and eastern delegations, which defected from their group's official line. In detail, 83% of EPP and 100% of ALDE German MEPs, 96% of Polish and Hungarian EPP MEPs, 100% of

the Czech, Danish, Estonian and Swedish ALDE and EPP MEPs and 100% of Dutch and Finnish ALDE MEPs chose not to follow the line of their groups.

On the one hand, liberal and christian-democrat northern delegations refused any proposal for new financial instruments (e.g. the Child Guarantee and the European unemployment insurance scheme) or revision of Europe's socio-economic governance (e.g. rebalancing the European Semester). On the other hand, eastern ones rejected any suggestion of the harmonisation of standards (e.g. a European framework for the minimum wage), which could imply an increase in labour costs. In general, both ALDE and EPP northern and eastern MEPs sought to delete any reference to the "binding" nature of the EPSR, often justifying this position with Robert Gilpin's famous motto "Smith abroad, Keynes at home".

### Division among liberals and conservatives sent a bad signal

The internal fragmentation of ALDE and EPP reflects two other significant tensions identified by Maurizio Ferrera. The first has to do with the issue of cross-national institutional redistribution and fiscal discipline, according to which EU Member States are divided into two conflicting sub-groups: creditors (northern countries, Germany in primis), and debtors (southern countries). The second regards intra-EU "system competition" between high-wage and welfare EU Member States (west) and low wage and welfare Member States (east).

The dynamics of the conflict (Left vs Right, Pro- vs Against- EU integration, North vs South and East vs West) that has emerged within the parliamentary debate shows the complexity of finding a path towards a European Pillar of Social Rights that reconciles economic and social policies in the EU. The tensions that have emerged shed light on the boundaries of the ongoing debate on the EPSR. The European Parliament gave its broad support to the Rodrigues report (396 in favour, 180 against and 68 abstentions) on a series of policies, which could be included in the Pillar, such as the Child Guarantee, the Youth Guarantee, the extension of social protection for non-standard workers and self-employed and the directive on work-life balance. This strong mandate is the only concrete area where consensus can be found on social issues.

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**THE EUROPEAN PARLIAMENT BACKED THE RODRIGUES REPORT ON A SERIES OF POLICIES, WHICH COULD BE INCLUDED IN THE EUROPEAN SOCIAL PILLAR**

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| The transport sector, an example of the transfer of workers across Europe.

# MAKING THE REVISION OF THE POSTING WORKERS DIRECTIVE A TANGIBLE SUCCESS FOR CITIZENS

by Agnes Jongerius

The European Commission has been spurred into action and published proposals on a so-called “European Pillar of Social Rights”, as well as a discussion piece on possible scenarios for the EU’s future. These are laudable attempts to launch a broad and all-encompassing debate on where we want this Union to go. The Parliament has followed and engaged in the debate.

**H**owever, we have to ask ourselves the question: what do European citizens actually expect from our Union? Sure, the Commission’s five scenarios on future models of integration and cooperation are interesting. Of course we need to have the broader debate on the State of the Union; now and in the future. But we also have to face the fact that many of the models of integration are just a bridge too far at the moment. Take the scenarios that speak of

a super-state, or those that propose a conscious decision about a multi-speed Europe. Or the recent Verhofstadt report on further federalisation. These are interesting, but they are all plans that will be nigh on politically impossible to ‘decide’ upon in the coming years.

And yet, we do need European successes, and we need them where citizens can see and feel them. After almost a decade of crisis and economic slump it would seem that many Europeans are fed up with idle talk, empty

promises and under-delivery. So I would suggest that, while keeping the broader debate alive, we should take small, incremental steps forward, fixing problems as they occur. In my view, most people are not necessarily waiting on an overarching vision on ‘social Europe’ or an intellectual exercise on ‘two speed Europe’- but they do need certain issues addressed.

Fixing unfair competition caused by an outdated posting of workers directive would be a great start. And I mean really fixing them. This

means several things. First, I think it needs to be made clear that the posting of a worker is always a temporary arrangement. Second, I believe the legal base of the Directive should be broadened so as to include articles on social protection, rather than only references to the functioning of the internal market. Third, I think all representative collective agreements in host countries should apply to posted workers and not only universally applicable ones. Fourth, travel board and lodging costs should fall to employers

and not under any circumstance be deducted from posted workers' wages. Lastly, I want to ensure that when a worker is posted, the posting is a 'genuine' one, with a clear link between the employer and worker.

These would be important steps in stopping the race to the bottom we are currently seeing in certain sectors such as construction and transport. As far as I know, people in the Netherlands don't mind the

something that urgently needs our attention. Or the ease with which social contributions can be avoided while working in another member state, let alone strengthening our financial system, combating tax evasion and putting an end to regulatory arbitrage on environmental standards (no more Dieselgate!).

So yes, by all means, let's continue debating the future of the European Union. But we also

now. And there's enough to do. Let's try to live by the motto of the current Dutch football league champion, the working class club of Feyenoord Rotterdam: 'not words, but deeds!'



free provision of services across the European Union and there are plenty of people from Southern and Eastern-Europe still in need of work. This is just as well, because there is work to be had: the Netherlands needs thousands more truck drivers urgently! But this must be decent work, governed by fair rules and enforced properly. And there are more concrete matters that we can sink our teeth into right now. How about the patchy enforcement of road transport rules? The cross-border exchange of information is

need some concrete and tangible results. We need to fix the problems that are fixable now; so people have something to grab and hold on to.

Let us, both Parliament and Council, therefore start by quickly making the revision of the posting of workers directive into a success story. We should spend our political capital wisely. On those things we can actually achieve within the foreseeable future. Things that actually improve the lives of our citizens

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| WORKERS' RIGHTS - Improving the posting of workers from Eastern and Central Europe, a challenge for Europe

## CRUCIAL DEBATE RELAUNCHED ON THE POSTING WORKERS DIRECTIVE

by Kristian Vigenin

The European Commission proposed a White Paper on the future of Europe and a reflection on the social dimension. Kristian Vigenin gives us his vision on a more progressive directive on the posted workers from Eastern and Central Europe.

**W**hile I welcome the ambition of the European Commission to ensure better protection of workers' rights at EU level, I find it quite improbable that this commendable goal could be achieved through the proposed review of Directive 96/71/EC, concerning the posting of workers in the framework of the provision and services and amending regulations. The proposal of the Commission has had a rough start and it is unclear how long it will take (if ever) for it to become part of the *acquis communautaire*.

To begin with, I find it particularly disturbing that the Commission did not properly consult the European social partners beforehand, for which it was rightfully called upon by the European Economic and Social Committee (EESC). It seems that the whole timing of the proposal was ill conceived, as the Commission published it months before the actual deadline for the transposition of the Directive 2014/67/EU, an enforcement of the previous Directive, thus making it difficult for the parties involved to properly assess the merits of the proposed changes. Even more worrying was the lack of an in-depth analysis of the situation in the various Member States, as well as real quantitative information on posted workers and the ways of implementing and enforcing the existing directive. Without this crucial information it is practically impossible to make a proper impact assessment of the Commission's proposal and there is a serious risk of doing more harm than good to European citizens.

The revision of the Directive includes several controversial topics, among which: replacing the concept of "minimum rates of pay" with "remuneration"; limiting the effective duration of posting for 24 months and introducing the possibility to apply to subcontractors the same conditions as main contractors.

There are, of course, arguments in favour of the proposed changes, as their aim is to achieve better protection of workers' rights, however, they also present serious challenges for the integrity of

barriers to the market in Member States with higher wage levels, which could lead to higher prices for the end consumers there. Such distortion of the market cannot bring prosperity; it will only deepen existing problems and slow down the convergence process within the EU.

In order to continue the debate effectively on posting we should gather and take into consideration as much reliable data as possible, both on workers and companies. As EESC notes in its opinion on the proposal for a new directive, we cannot ignore the fact that the situations of foreign and domestic companies are different and the foreign service providers bear additional costs resulting solely from performing services in another Member State, such as additional operating expenses and indirect cross-border labour costs.

We absolutely need to safeguard the rights of workers, prevent unfair competition, wage and social dumping but this should and could be achieved by strengthening the economic and social convergence process within the EU. We also have an obligation towards our citizens to fight discrimination between workers and companies based on their nationality. "Equal pay for equal work at the same place" is not good enough, European citizens deserve "equal pay for equal work anywhere in the EU" and this must be our ultimate goal.

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THE EUROPEAN  
CITIZENS DESERVE  
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”

the Single Market, creating new obstacles for cross-border service providers. Companies from Member States with lower wages levels will find it extremely hard, if not even impossible, to provide certain services across the Single Market. The new obligations for them will undermine their competitiveness and serve as de facto



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| European Commission President Jean-Claude Juncker has relaunched a pan-European discussion about Europe's Social Model.

## SOCIAL EUROPE IS BACK ON THE AGENDA BUT THERE IS NO BIG BREAKTHROUGH

by Björn Hacker

Thanks to its proposals on social Europe, the European Commission has given the pan-European debate on this issue a boost. But its proposals are inadequate in terms of their scope and level. To restore people's confidence in a socially balanced European integration process, we need to move away from the current emphasis on a market-friendly and austerity-loaded form of economic governance.

There were high expectations in advance of the European Commission's final proposals for the European Pillar of Social Rights and the Reflection Paper on the EU's social dimension. For too long the social aspects of European integration had been

slipping off the political agenda. They had been pushed aside in favour of economic aspects even before the financial crisis and this trend continued following the crisis in the monetary union. Many socially orientated actors in the EU have long believed that the

integration process must maintain a close eye on its social dimension to be sustainable in the long run. Can they now be happy with the Commission's ideas?

There can be no doubt that what the Juncker Commission did

achieve with the year long consultation on different aspects of social standards, social protection and working conditions, was to relaunch a pan-European discussion about Europe's Social Model. Initially, it was Jacques Delors who emphasised the need

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IT IS A POSITIVE DEVELOPMENT TO PUT SOCIAL AFFAIRS BACK ON THE EU AGENDA BUT WE HAVE TO DIG DEEPER IF WE REALLY WANT TO BRIDGE THE GAP BETWEEN THE FAR-REACHING ECONOMIC INTEGRATION OF THE EU AND THE COORDINATION OF SOCIAL POLICIES, WHICH IS LAGGING BEHIND.

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for a social dimension to accompany the EU's rapid economic integration and that was back in the 1990s! The social protocol to the Treaty of Maastricht was groundbreaking in that it stepped up Europe's powers in the field of social policy. Workplace security, social dialogue, European Works Councils and equal opportunities had been at the heart of it, followed by anti-discrimination rules and the European Employment Strategy. In the 21st century, coordination of different schemes for labour market policies, poverty prevention, pension and healthcare arrangements with

common objectives agreed by EU Member States have come to the fore. But the coordination of policies in the Lisbon Strategy and the entry into force of the Charter of Fundamental Rights due to it being incorporated into the Lisbon Treaty have, for many years, been the most recent appearances of social issues on the EU's agenda.

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### **Austerity provoked a backlash**

The concept of mutual learning came coincidentally at a time when social reform primarily

meant cutting down social spending and supply-side economics ruled out more market-shaping measures. This was the recipe. EU Member States learnt from each other by explaining their national reforms in supranational fora and reports. In the 21st century, welfare state expansion and macro-economic policies were mostly seen as obstacles to economic success. Highly divergent economic growth led to ever growing macroeconomic imbalances. This was the backdrop for the severe crisis in the monetary union. The chosen path of an asymmetrical alignment signified internal policy changes in Greece, Ireland, Portugal, Cyprus and Spain to overcome the crises. Without an own currency, these states had to devalue internally by cutting wages, pensions and other social investments. With these austerity measures social issues came up in public debates once again, but only in a negative sense. Examples were that people complained about rising (youth) unemployment, higher risks of poverty and social exclusion, shrinking household income and decreasing access to social services in the countries under the supervision of the Troika of the European Central Bank (ECB), the International Monetary Fund (IMF) and the European Commission. The cannibalisation of social policy by doubtful economic imperatives, in turn, provoked a backlash.

The Commission has responded to the growing discontent with Europe's state of social affairs, which has been exploited by right-wing populists, with a huge

package of proposals and reflections for the future. These were published at the end of April 2017. However, the ideas that have been presented will not be sufficient to restore confidence in the integration process and to develop a true European Social Model. Using supranational fora in the one and the EU to tackle new challenges such as digitalisation, globalisation and changes in employment and societal patterns jointly is a good idea. Upward social convergence is rightly at the heart of the Commission's proposals and means a catch-up process, in which the Member States enlarge their social security provisions. But this ambitious objective cannot be achieved by restating basic social security principles without explaining how the higher standards can be put in place. The Commission's most concrete idea is to develop a social scoreboard that monitors selected indicators on labour market policies, working conditions and the impact of social protection schemes. But this good initiative is missing a common objective and will be hidden in the Joint Employment Report. This would amount to achieving less than the coordination efforts at the time of the Lisbon Strategy and would also fall behind concepts brought to the table by former EU social commissioner László Andor in 2013. At the time he proposed including social indicators with commonly agreed objectives in the existing framework of the Macroeconomic Imbalance Procedure in order to give them teeth beyond a pure reporting exercise.

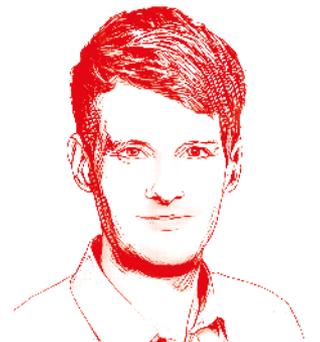


Monument to the Maastricht Treaty: the social protocol to the Treaty stepped up Europe's powers in the area of social policy.

## Elevating market-shaping instruments

And this is exactly where the whole debate on social Europe remains incomplete. The main fault line runs between the dominance of market-developing policies of the major integration projects such as the Single Market and Economic and Monetary Union on the one hand and the relatively small EU legal acquis on market-shaping social aspects on the other. It is a positive development to put social affairs back on the EU agenda but we have to dig deeper if we really want to bridge the gap between the far-reaching economic integration of the EU and the coordination of social policies, which is lagging behind. There are instruments that really enable upward social convergence: a social stability pact with reference values for social spending, the integration of joint economic and social surveillance in the European Semester, a social protocol which gives social rights the same significance as economic freedoms. The reflection paper on the social dimension discusses the resistance in some EU Member States to commonly develop this sort of social dimension and offers the option of enhanced cooperation (i.e. cooperation among

a smaller group of EU Member States) for the states interested, for example, in the Eurozone. This might be the way forward, but there need to be higher ambitions and the relegation of social policies to a lower level of importance under the existing economic governance needs to be addressed. As long as the focus stays on budgetary issues and austerity to the detriment of social issues, a European Social Model will remain just cheap talk.



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## TO WATCH

**The Battle for Europe, 2017**

Achim Scheunert – 2017

After Brexit on 23 June 2016 and following the election of Donald Trump as President of the US, the European geopolitical landscape has been one ravaged by populism, the debt crisis, the migration crisis and the weakness of the European institutions. How did we get there? That is the leitmotiv of this documentary.

The story switches between the construction of the EU and the contemporary political situation. It highlights the major role of the US in post-war reconciliation. To counter communism, the country that had become a leader on the international stage was ready to do anything to ward off this threat. The Marshall plan became a tool to immunise western countries against the Soviet regime. The EU was at that point a life-size game of chess. The major players: the US against the Soviet Union. The pawns: France, Germany and Great Britain. This is a look back at 60 years of European integration based on a struggle for power.

**Meeting Snowden**

Flore Vasseur - 2017

In a context that increasingly evokes that of the cold war, when relations between Russia and the US seem impossible to read and even unpredictable, three renowned activists discuss the issues facing the international community.

Larry Lessig, an American professor of law at Harvard, Birgitta Jónsdóttir, an Icelandic MP who founded the Icelandic Pirate Party in 2013, met Edward Snowden in Moscow. Snowden was a former contractor of the CIA and the NSA who had been in exile in Russia since 2013.

The issue: how can democracy be saved? This is a documentary behind closed doors which allows us to meet three leaders defending citizenship and a free internet. It is a freeflowing conversation on the future of democracy and also on individual commitment faced with a fight that often endangers their liberty.



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# MEETING SNOWDEN

UN FILM DE FLORE VASSEUR

AVANT-PREMIÈRE **LE 17 MAI À 20H00**

AVEC  
BIRGITTA JÓNSDÓTTIR  
LARRY LESSIG  
EDWARD SNOWDEN

PRODUIT PAR JULIE PERRIS & PAUL ROZENBERG

Le Tank

## TO READ

**Julian GEWIRTZ,**  
*Unlikely Partners,*  
Cambridge, Harvard  
University Press, 2017

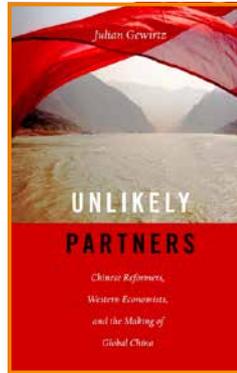
Julian GREWITZ

Walking the line between a study of political regimes and a discussion of historical political concepts, *Unlikely Partners* is a unique study of China's post-Maoist transition. The author's characteristic unique approach manages to successfully combine both of these disciplines into one book. As such the book is not an account of the so-called conversion of China to the Western economics model but an account that details the search by the Communist political elite for an effective method to save their country from the deadlock formed by the centralisation of production scheduling whilst ensuring they could achieve a genuine "great leap forward". Autonomisation of business and the associated liberalisation of pricing conditions are central concepts in this book.

Throughout this book references are made to the incredibly tenacious Deng Xiaoping but Julian Grewitz does not make the mistake of using such references to summarise the Chinese reforms as merely the work of a single man. Other faces emerge from the shadows of history, such as Zao Ziyang, Chinese Premier and the 'right-hand' of Deng, who was exiled due to his overt support and sympathy he felt towards the students during the 1989 protests. More importantly, Grewitz writes

this recent history of the Chinese political regime and their ability to control economic transition by comparing their experience with the Soviet experience which quickly descended into chaos after Gorbachev rose to power and failed to master the dialectic relationship between his perestroika (restructuring) and glasnost (openness) concepts. The complex relationship Communist reformers maintained with the works of Milton Friedman and the manner in which the academic works were welcomed and on occasion mishandled yet consistently utilised in some way, is a magnificent example of how the Chinese approach is considered to be superior in many respects. Measures which control inflation, yes; excessive deregulation, no; political liberalisation, even less so: the Chinese Communist Party however, listened before continuing with their carefully planned experiment to screen out any potential issues. Moreover, Friedman's monetarist neo-liberalism is far from being the only reference material for the reformers who also discussed matters with both James Tobin and Janos Kornai in order to introduce further content which had not yet stabilised to the notion of a "socialist market economy."

Furthermore, the title, *Unlikely Partners*, which is used to



**Mario TELO,**  
*The European Crisis and  
the world, Université Libre  
de Bruxelles, 2016*

Mario TELO

characterise the relationship between the Chinese reformers and a wide range of "Western" economists, also effectively summarises the history - a history in which the circulation of ideas and the acceptance of conflicting visions for how best to organise society did not exist during the transition to a model similar to the existing model embodied by the United States and the European Union.

The latest book by Mario Telo succinctly summarises recent works from a scientific and activist perspective by reference to a collection of works published in Great Britain and includes commentary from a number of specialists in the field of regional organisation transformation across each continent.

The approach undertaken by Mario Telo is truly unique as he provides an assessment of the "state of the Union" without attempting to define European integration using the conventional concepts of federalism and confederalism which can be vague. For the author, if Europe is to be considered as a regional organisation like any other then the EU is one regional organisation amongst many different organisations.

On the contrary, the dynamics currently produced by the regional organisations across the four corners of the world is perhaps a good omen for what was originally an organisation that was collectively formed to aid economic growth and monitor steel and coal production. But the economic, political, and even defence-orientated communities which are currently being formed in America, Africa or Asia cannot be overlooked as they have the potential to enjoy even greater successes than what has become

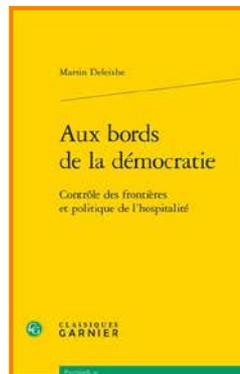


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**Martin DELEIXHE,**  
*At the edges of democracy;  
 control of borders and  
 asylum policy, Paris,  
 Garnier, 2016*

Martin DELEIXHE



of the EU : an EU where division and conflict between member states undermine the collective purpose of the union.

There are benefits to viewing the European Union through the global network of regional organisations; principally it is easier to gain insight into the attempts to unify our continent from a historical perspective.

The starting point is not the Treaty of Rome as many believe but the failure of Great Britain to maintain a world order during the inter-war years that was firmly based on free trade and the peaceful coexistence of states within a "European family" established during the previous century.

However, Mario Telo is careful not to interpret such "regionalism" in a narrow way that is to say, as part of a linear process or to determine that such events signify the dissolution of the State within a cosmopolitan environment. It should be noted that such processes do not historically take place along a "long, calm river" as one can observe from the current trends across Asia and America. Competition develops between free-associations (free-organisations) according to the mutualisation of business activities and the conversion of empires into regional organisations.

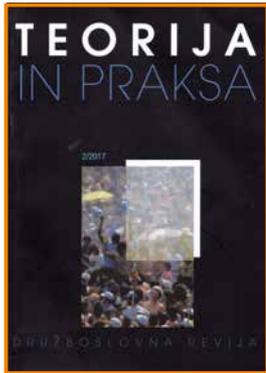
The Brexit news and, more generally, the threat of a dismemberment of the Union by right wing nationalists have put thinking about the very meaning of border, usually reduced to being a tariff barrier to trade or to some barbed wire, on the backburner. Following in the footsteps of French philosopher Etienne Balibar, Martin Deleixhe questions the relationship between border and democracy before questioning the plausibility of an asylum policy in a world in which economic and cultural globalisation does not mean the disappearance of territorial states.

Questioning the relationship between border and democracy contains a paradox. If democracy is conceived as the expression of the general will of a sovereign people, it authorises a differentiation of treatment between members of this sovereign people and of third parties. However, if the responsibility of democracy is envisaged as also being to respect universal norms, including human rights, it becomes inconceivable that it organises discrimination against people on the basis that they do not share a nationality and citizenship.

The interest in Martin Deleixhe's book is not only to document this paradox by bringing together the greats of modern philosophy,

including John Rawls and Carl Schmitt. The second part of the book is devoted to the possibility of reinventing the border by using as support one of the proposals of Kant's 'Perpetual Peace Project' and according to which "one cannot take away from a citizen of the earth the right to try to be in a community with everyone... although it can be about the right to settle". Outlining a third way between national sovereignty and the utopia of a global village without borders, Deleixhe thus calls for a redistribution of sovereignty.

## TO THINK



### *The Effectiveness of Gender Quotas in Macedonia, Serbia and Croatia*

Elena Nacevska, Sonja Lokar

In Macedonia, Serbia and Croatia, women activists supported by strong international partners, using lobbying in pre-electoral competitions, succeeded in putting the issue of underrepresentation onto the agenda of mainstream politics.

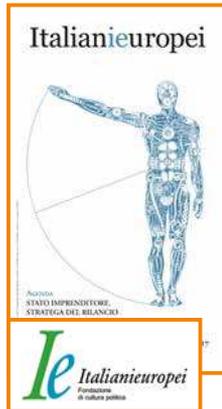
This article analyses reasons for the (in)effectiveness of quotas, offers basic evidence on legal improvements and a conclusion that it would be a great mistake to expect that quotas alone could lead to transformative gender equality aware policies.



### *The divided Eurozone*

Hacker, Björn; Koch, Cédric M.

The Euro crisis showed how incomplete and vulnerable the Monetary Union is. This study analyses the member states' conflicting interests in the recent Eurozone reform process. While a minority around Finland and Germany advocates a stability union, a majority around Italy and France strives for a fiscal union. However this cannot be achieved against the defenders of the status quo, as the fiscal union representatives lack coherence and are struggling with economic problems.



### *Italianieuropei Issue n. 2\_2017*

Various authors

The first section of this issue of Italianieuropei focuses on the positive role that the State and public agencies can play in re-launching economic growth after years of crisis that disclosed all the limits of private capitalism in managing the reasons and effects of economic difficulties.

The second part is dedicated to the theme of increasing poverty among families and individuals and the tools that can be used to fight it, above all, measures to aim at guaranteeing a minimum income.



### *Moving Forward EU-India Relations. The Significance of the Security Dialogues*

Nicola Casarini, Stefania Benaglia, Sameer Patil (eds.)

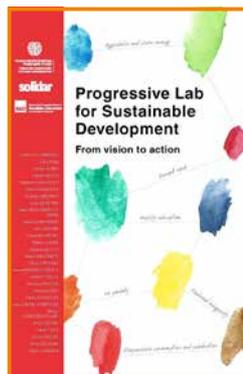
Relations between the European Union (EU) and India have been growing in quantity and quality in the last two decades. Alongside the economic dimension, the political and security elements of the relationship have emerged as the most promising area for further collaboration between the two sides. This volume brings together analysis and recommendations on EU-India security relations in the fields. The chapters have been written by a select pan-European and Indian group of experts tasked by the Rome-based Istituto Affari Internazionali (IAI) and the Mumbai-based Gateway House (GH) in the framework of the EU-India Think Tank Twinning Initiative – a public diplomacy project aimed at connecting research institutions in Europe and India funded by the EU.



### *European defence industries*

Elisabeth Guigou,  
Gwendal Rouillard,

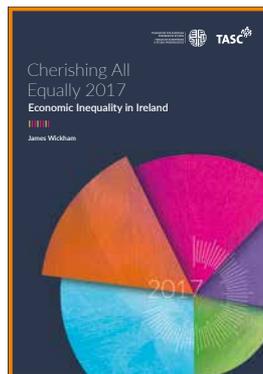
In a deteriorated geopolitical context, the European Union must, to assert itself as a player in terms of international security, rely on European strategic autonomy in relation to its industry. That is the key to strengthening European sovereignty and to making European companies competitive players in globalisation, argue Élisabeth Guigou and Gwendal Rouillard in this essay in which they put forward proposals to make the European Union a respected global power.



### *Progressive lab for sustainable development: From vision to action*

Various authors

The 2030 Agenda, adopted in September 2015, sets out the framework for achieving, by 2030, a sustainable development model where no one is left behind and where planetary boundaries are respected. Following its adoption, the EU committed itself to a transformative programme, which could potentially turn the current unsustainable 'growth-at-any-cost' economic model into a sustainable one. This will require measures and policies that tackle the current major global challenges such as growing inequalities; growing corporates' power and the shrinking funding for development cooperation. The nine contributions collected in the present book provide some ideas on how to tackle some of these challenges.



### *Cherishing All Equally 2017: Economic Inequality in Ireland*

James Wickham

Inequality is a matter of choice. Thus economic inequality in the USA reaches extremes that would not be tolerated in any European country.

In terms of market incomes, Ireland is the most unequal country within the EU. However, the welfare state ensures that actual inequality (incomes after taxation and after benefits) is about average for the EU. It is state policies – and the choices that lie behind them – that determine the level and form of inequality.



### *Who's in charge here? The global crisis of representative democracy*

Various authors

The governance model for western societies is in crisis. The basic pillars which support representative democracy are increasingly called into question by their inhabitants. Many voters feel that their preferences are not sufficiently taken into account by politicians and become open to alternative means for channelling their demands; for their part, governments complain about the ever greater obstacles and restrictions which they need to overcome when they try to carry out their policies; while the founding principles of the separation of powers, majority governments and democratic accountability are increasingly being eroded.

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