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The suspense-filled elections in the United States are over at last, and now large parts of the U.S., not to mention Europe and the rest of the world, can breathe freely again. President Obama finally has an opportunity to come to grips with parts of his agenda that were neglected during his first term, and to take on new challenges. The world is hoping to see bold initiatives in climate change policy and wants the U.S. to assume a more circumspect leadership role, including due consultation with its partners, in the trouble-plagued global arena, especially the Mideast powder keg. The essay by Thomas Pogge is especially interesting in this regard, because he sheds light on the causal connections between worsening inequality in the United States and the scandalously high level of inequality that now prevails worldwide. He also indicates what sorts of changes would be needed to bring about a better world. Lew Hinchman points out the limitations imposed by divided government on the newly re-elected President as he tries to maneuver between a Democratic Senate and a Republican House of Representatives. The prospects are not exactly rosy, but there are glimmers of hope for improvement on some issues. Much will depend on the political skills that President Obama brings to the table.

The Euro-crisis, a hardy perennial in Europe and around the globe, drags on into another round of talks with no breakthroughs in sight on the key issues. Matthias Kollatz-Ahnen, former vice-president of the European Development Bank, presents a preliminary balance sheet that reveals both how little progress Europe has made toward overcoming the crisis and exactly what urgent measures remain to be taken. The results so far have been disappointingly meager. In 2013 Germany, the key to all the unsolved problems in the EU, will be holding elections of its own. For the moment, the prospects are not encouraging for an honest assessment of the results of previous policies. Nor should we expect courageous, long-overdue moves to go on the offensive and institute an effective regime of economic governance based on much deeper political integration. Things are quite different, however, in another of Europe’s original core member-states, the Netherlands. There the parties that gained the most seats in recent national elections were the ones that openly proclaimed their and the country’s responsibility for the cohesion of the eurozone and pointed out the advantages that accrue to everyone from European cooperation. But we should not lose sight of the fact that bestowing greater powers on the EU will require additional democratic control measures – and that is no trivial matter.

Thomas Meyer
Editor-in-Chief and Co-Publisher
During the summer of 2012, after more than four years of financial crisis, a certain sense of confusion had begun to take hold in the German public. For the umpteenth time in the aftermath of an EU summit, it was proclaimed that the crisis was finally under control. But a good many attentive observers began to get the feeling – once again – that such was not the case. Quite the opposite seemed to be happening. On the other hand, the »end game« of the euro, which had been invoked so many times and was supposedly going to conclude with Greece’s exit and/or the breakup of the eurozone, did not come to pass. Nevertheless, one had to reckon with the likelihood that such doomsday outcomes would be invoked over and over again. One has the impression that the crisis has entrenched itself in Europe, and that the German federal government is acting without any plan. Its initiatives may have been able to avoid more serious damage (although all of them were calibrated for the short term), but it is still not clear how the crisis is to be resolved once and for all.

Given this confused situation, two basic scenarios can be imagined. One would feature a search for scapegoats plus some simple declarations in the face of a crisis that will not go away. As components of this scenario one would have to include the outrage expressed by elements of the CSU and FDP against bailout packages as well as their European-level policymaking in general. The other one would aim to develop a crisis-fighting strategy based on multiple perspectives, one that combined short- and medium-term actions in a reasonable manner. But for now let us confine ourselves to the status quo.

During the French presidential elections, in Italy, and in Germany on the occasion of debates between government and opposition about the Fiscal Pact, doubts were raised about the paradigm that had previously been taken for granted as the only possible way out of the crisis: austerity policies. Such policies would enforce simultaneous, joint deficit-reduction by all countries and thus overcome the crisis automatically.

In that sense the decisions made at the EU Summit Meeting in June marked a compromise suggesting that a rethinking of old assumptions may have begun. This second look may produce an adjustment in the austerity policy, supplementing it with a simultaneous, sustainable growth policy, since the EU and the eurozone are headed into a recession. According to
current forecasts France, Italy, and Spain will all remain in recession in 2013. In Germany too, prospects got gloomier between May and August, especially the country’s hopes for exports within Europe. The upswing in jobs may also come to a halt.

In Germany, due to dissension within the parliamentary majority, the decision-making process brought two separate issues together as a kind of package deal: the Fiscal Pact (the Treaty on Stability, Coordination, and Steering in the Economic and Currency Union) and a proposal to adopt the European Stability Mechanism (ESM) as a permanent aid-providing institution.

That move could have been the precursor to a European Currency Fund. The Fiscal Pact was pushed through at the European level by the federal government in order to win the support of the CDU/CSU and the FDP for the European Stability Mechanism. Basically, the latter contains a sort of debt brake that includes states, local governments, and social insurance institutions and features a limit of 0.5% of gross domestic product (GDP) on new indebtedness. The Fiscal Pact goes into effect on January 1, 2013, while the debt brake becomes effective on January 1, 2014.

The federal government had hoped to obtain the concurrence of the CDU/CSU and the FDP, because the Fiscal Pact stipulates that only countries which have already signed and implemented it would be eligible to draw funds from the ESM. However, the government was not able to garner a »chancellor majority,« i.e., a majority of all its MPs, and had to rely on some opposition votes.

In spite of divergent legal advice, the federal government approached the opposition in advance, conceding that a two-thirds majority would be needed for any law incorporating the Fiscal Pact. Thus, since the opposition was accorded the right to have some input into the agreement, the SPD and the Greens focused on two points.

First, they wanted to get an effective transaction tax passed that would achieve several goals, including the following: enhancing the state’s revenues in order to bring the financial crisis under control; insisting on greater participation of the financial sector in the costs, attaining greater transparency concerning the registration of all transaction costs, and – as a steering mechanism – making sure that purely speculative, very frequently made trades were given less favorable treatment.

Second, they stuck to their demand for a growth program that would provide for a short-term redirection of the EU budget towards greater growth. They asked in addition that the European Investment Bank, which finances growth projects in EU countries, should receive an increase of paid-in capital to finance more such projects and make additional financing available for small and medium-sized businesses. Finally, they hoped to reorient EU finances in the direction of innovation and to mobilize both private and public funds toward those purposes.

The Party of the Left decided to say »no« in principle to the entire Fiscal Pact. However, after protracted negotiations the federal government agreed to the opposition’s demands on most points. Just before the summer recess the government introduced the transaction tax in Parliament in the form of a proposal for deeper cooperation between at least eight EU countries at the European level. It should be assumed that this minimum number has already been reached, and that the tax will be adopted before the end of 2012.

Germany found itself in a relatively isolated position at the European summit. Because of Germany’s short-term crisis management, its partners got the impression that this country, with the EU’s strongest economy and thus a leading role, was focusing excessively on itself and not adequately representing the all-European perspective.
That is the reason why several crucial counterbalancing measures against Germany were adopted, and the summit was judged by many to have been a defeat for Merkel. So, for example, Italy – with the support of practically all the other countries – pushed through a resolution making it easier for them all to access the ESM.

Countries that fulfill the terms of the Fiscal Pact and EU budget guidelines can now access the ESM without having to accept a specially imposed adjustment program which usually carries stringent requirements. Such programs were imposed on Greece and Portugal, for example, and precipitated years-long recessions in both countries.

There was another crucial amendment to the plan, this one pushed through by Spain. From now on ESM financing could be given directly to banks rather than circuitously, via state budgets, a procedure which had served artificially to increase the latter’s deficits. This second approach to EU support would become possible once the affected banks were subject to European bank regulation and a fund to wind up insolvent banks was in place.

In September a program was approved (despite doubts by the German Central Bank) to purchase government bonds. Meanwhile, the German Constitutional Court gave its approval to the ESM, but subject to the requirement that parliament would have to act if the new agreement were to be broadened or augmented in the future. The instruments thus provided in accord with the summit’s decisions have extended the EU’s ability to deal with the crisis.

**Unpopular course corrections and half-hearted implementation**

It has been obvious since the EU summit in June that the Merkel government really does not want the growth-related elements and at best only reacts to pressure from others. This suspicion is corroborated by the quarrel with the European Parliament over the EU budget. The latter is always adopted for a seven-year period and thus has a built-in tendency to allocate fewer funds during the first few years and more thereafter. One of the ideas incorporated in the Pact for Growth and Employment, unanimously approved by the heads of government, was to make strenuous efforts to spend previously un-earmarked funds as quickly as possible so that they could contribute to faster growth. Furthermore, funds committed to projects were to be repurposed if the projects had been delayed by the crisis or proved to be overambitious. Contrary to those priorities, member countries approved a 2013 budget that simply ignored those ideas and instead targeted small and medium-sized enterprises and innovation for cuts, precisely the areas that were supposed to be supported. In response, the EU Parliament threatened to reject the budget. Now the expectation is that negotiations will drag on far into fall. In the end, the federal government probably won’t be able to block the package approved at the summit, but it can delay it and thus deprive it of part of its effectiveness.

It is difficult to discern any strategy in the way the government has conducted negotiations, except its unrelenting focus on the short term. The government’s tendency to react to the pressure exerted by each situation as it arises has so far led to increasingly costly variations on the theme of »playing for time.« If there is any strategy at all here, it is simply faith in a strict course of deficit reduction accompanied by so-called structural reforms in every European country and all at once. To achieve those reductions, the focus has been on cutbacks in government expenditures, wage reductions, and cuts in social services. However, the rapid recovery that was projected to occur once the deficit-reduction measures were in place has failed to materialize. The policy of austerity
has so far served to worsen the crisis, and that is the reason why it needs to be supplemented by a policy of growth. The decisions reached at the June summit represent the first step toward a reversal in policymaking, but they should be followed up by further measures. For ideological reasons the federal government is tenaciously resisting just this sort of turnaround. In the course of the scholarly debate over economic policy, the evidence has been accumulating that the federal government’s approach cannot be justified on either theoretical or practical grounds. One study, published in June of 2012 by the IMF, shows that low interest rates spark a rapid recovery and consolidation programs promote recovery more effectively if they rely more on tax increases and less on spending cuts. Finally, the study indicated that reductions in expenditures should be spaced out over a longer period of time to avoid an economic downturn with all of its attendant costs. The IWF research suggests some broader conclusions. The countries involved in the euro-crisis have worsened its symptoms by imposing poorly designed programs all at once. Furthermore, those programs have relied too much on reductions in spending, have neglected tax increases, and failed to keep in mind the importance of stimulating growth.

**Minimum requirements for a middle-range program**

If we want to have a stronger voice in the ongoing political discussions and enhance our chances of influencing decisions, it may make sense to imagine a package of measures that would be necessary to get Europe out of this crisis. This sort of «anti-crisis compass» may help us to determine whether specific measures are likely to lead us in the right or wrong direction, and whether they bite deeply enough to enable us to bring the crisis under control.

The most important elements in this kind of practicable minimum program are as follows:

- An investment program for sustainable growth, innovation, and employment on an order of magnitude comparable to the postwar Marshall Plan, i.e., around 2.5 % of GDP. Extended over 6 years, that would amount to around 60 billion euros a year at the all-European level. If these funds were focused somewhat on Europe’s crisis-ridden countries, they ought to activate or stimulate investments without further burdening the budgets of the countries in question. In the context of this program, capital supplied by the European Investment Bank should be increased by 10 billion euros by injecting more of the already committed capital.

- Creation of a banking oversight institution for the roughly 20 largest banks, including a fund for bank liquidation.

- Passage of a financial transaction tax that would also apply to derivatives. If this is to be an EU tax, it would be proper to make the revenue available at the EU level, thereby increasing the latter’s capacity to intervene in crisis situations such as the liquidation of banks. If no consensus can be reached at the EU level, then the revenue should be turned over to the member states. In a way analogous to what was said of the EU, such revenues should be devoted partly to enhancing crisis-management capabilities and partly to deficit reduction. After all, a substantial portion of such deficits were created originally by the crisis in the financial sector.

- A strong signal to the markets that the eurozone will be maintained and that interest rates for government bonds should be limited. The most sophisticated proposal for going beyond the ESM was put forward by the German Economic Expert Advisory Board. It involves a debt amortization fund to which all government debt exceeding 60 % of GDP would be assigned. The fund would thus have a
volume of some 2.3 trillion euros. Although each state would have to bear the burden of its own debts, the most hard-pressed ones would benefit from markedly lower interest rates, since there would be joint liability for the fund. In the case of Italy such a scheme would mean interest rates of something like 3.0% instead of slightly more than 6.0% today. German interest rates have fallen below the rate of inflation, from 4% prior to the crisis to between 1.2 and 1.5% today. The debt amortization fund could expect rates of between 2.5 and 3%.

- A politics of location-improvement, but without blinders\textsuperscript{*} would reduce and ultimately prohibit tax avoidance, tax evasion, and clandestine employment. All of these phenomena are more common in the EU than in other developed OECD countries. Furthermore, minimum rates for corporate taxation of business enterprises should be established.

- Comprehensive programs to improve economic productivity and enhance exporting capacity in the hard-pressed EU countries. The focal point for these efforts should be the revision of industrial policy directed toward small and medium-sized firms, because they will be the engines of stabilization and recovery. The second component should be promotion of innovation.

- A program of constructive conduct for EU countries with high current account surpluses, to include increased investment in domestic infrastructure and the introduction of suitable minimum wage levels.

- Democratization of the entire decision-making process by strengthening the EU Parliament as the continent’s central decision-making body. One crucial source of the confusion about and discontent with the current situation is the democratic deficit and the difficulty citizens encounter in understanding how decisions are reached. In practical terms this means: let’s get rid of inter-governmental treaties and let the European Parliament make the decisions. Yet at the same time we must see to it that the EU Parliament enjoys greater democratic legitimacy.

- Creation of a more robust but smaller financial sector accompanied by a strengthening of the real economy. There should be regulation, not self-regulation. The failure of the latter has lately become apparent since it came to light that banks had been committing fraud for years in setting official interest rates. Equity requirements for banks should be increased and long-term financing should be given preference instead of being handicapped by regulations. Other milestones in this minimum program would feature regulation of the non-banking sector, including hedge funds, and the advantaging of low-risk banking models.

\textsuperscript{*} A politics of location-improvement, but without blinders would reduce and ultimately prohibit tax avoidance, tax evasion, and clandestine employment.

\section*{Sigmar Gabriel}

\textbf{Willy Brandt died twenty Years ago}

At the SPD party headquarters in Berlin, named after Willy Brandt, there is a bronze statue of the former Chancellor measuring more than three meters in height. Nevertheless, the monument, created by the painter and sculptor, Rainer Fetting, does not make a remote and superhuman figure out of Brandt. This Brandt

\textsuperscript{*} A politics of location-improvement, but without blinders would reduce and ultimately prohibit tax avoidance, tax evasion, and clandestine employment.

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is a man whom the times molded just as much as he molded them. He doesn't adopt the pose of a great leader pointing the way toward a better future: Fetting’s Brandt gazes calmly downward. His hands seek to comprehend, but at the same time to explain. That is just the way his contemporaries knew him: thoughtful, cordial, occasionally even moody, but always ready to listen. Sometimes he was polarizing; at other times, he brought people together and gave them a sense of direction. In short, this Brandt is very human. To this day he remains a towering political personality who embodies a different Germany from the one that had been discredited for decades by the brutality of National Socialism.

Willy Brandt is more than just the face of Germany’s transformation into a modern, enlightened nation open to the world. As a politician he himself advanced and decisively shaped that transformation. Eight chancellors have governed Germany since 1949. Twenty years after his death Willy Brandt stands out as a visionary unlike any of the others who have held that office during Germany’s second democracy, partly because his legacy spanned generations.

1969, the year he took office as chancellor, marks a turning-point in Germany’s postwar history. If one is ever entitled to speak of a shift in power and policies, then certainly that description fits the transition from the Christian Democratic chancellor Kiesinger to Social Democrat Willy Brandt. The latter owed his popularity to his ability to outline a clearly articulated goal for his policies. He had a unique understanding of how to translate the esteem and fascination he awakened in other people into democratic support. That, in fact, was his paramount achievement in politics, one that stoked the charisma that still surrounds him to this day.

Willy Brandt shaped the Federal Republic even though his tenure in office lasted less than five years. Many of his initiatives continue to influence our own time.

The government policy declaration he delivered on October 28, 1969 before the German Parliament featured the motto »Dare more democracy.« This inspiring dictum continues to affect our language even today, because politics always has to involve risk. The reform projects submitted by the Brandt government read like the proclamation of a re-establishment of the second German democracy. And, of course, the members of the Brandt government did not rest on their laurels after making that proclamation.

Willy Brandt’s tone was optimistic and full of vigorous confidence: »We are not at the end of our democracy; we are just getting started.« The social-liberal governments after Brandt’s have redeemed that promise. He and his successor, Helmut Schmidt, created a new style of governing, which Brandt described as follows: »We have as little need for blind consent as our people do for affected dignity and regal distance. We are not looking for admirers; we need people who can think critically along with us, take part in decision-making, and bear joint responsibility.« This is a principle that should be the lodestar of every democratically elected government today. In fact, every government should have to measure up to it.

Today, participation has become a principle that pervades society. The far-reaching reforms of the social liberal era of government helped make it so. Amendments to the penal code, numerous reforms in social policy, the new Works Council Constitution Act, the broadening of co-determination in the private sector, policies to aid the accumulation of wealth by ordinary citizens, extensive educational reforms, a social-welfare state committed to upholding the human right to a dignified life: these are the lasting accomplishments of Brandt’s reform policy. But there is more: it can allow us to sense the breadth of the
possibilities that politics must take into consideration once again.

Yet Willy Brandt also stood before the Parliament on that October day in 1969 as the representative of the «other Germany.» A sworn opponent of Hitler, he had been forced into exile in 1933. Like many other Social Democrats he resisted National Socialism. On the very evening of the election Brandt spoke of the fact that his – Brandt’s – victory meant that Hitler had finally lost. In retrospect he was not simply exaggerating the meaning of his electoral victory. For the first time since 1930 Germany again had a Social Democratic chancellor. A few months earlier Gustav Heinemann, also a Social Democrat, had been elected to the office of Federal President.

National Socialism was no longer hushed up, repressed, or denied. Brandt’s chancellorship ushered in – albeit hesitantly – a new phase in Germany’s effort to come to terms with its National Socialist past. This was symbolized by one simple gesture: On the day that the Warsaw Treaty was signed, Willy Brandt fell to his knees before the monument to the heroes of the Warsaw Ghetto.

That humble gesture by Brandt, the resolute opponent of the Nazis, became a symbol of democratic Germany’s new beginning. Germany no longer needed to ask its neighbors to forget. In this way, Germany was able to become a nation of good neighbors, just as Brandt had intended in his government policy declaration. The Nobel Peace Prize that Willy Brandt won in 1971 was awarded in honor of this new beginning. Brandt’s new Eastern Policy, which among other things signaled the recognition of the postwar order including Germany’s partition, set the stage for the Europeanization of German foreign policy. The latter inaugurated the integration of Germany into the European community of states, a move that proved to be politically and psychologically irreversible. Without a policy of detente, it is impossible to imagine how the partition of Germany could have been overcome.

Willy Brandt was chairman of the SPD from 1964 until 1987, longer than anyone else before or after him. During his time in office hundreds of thousands of mainly young people joined the SPD. Between 1976 and 1992 Brandt served as president of the Socialist International. Together with Bruno Kreisky and Olof Palme he made the organization far more politically significant than it had been previously. Partly on account of Brandt’s efforts the SI became a forum for a north-south dialogue, which put asymmetrical globalization on the table as a new global social and ecological challenge.

Willy Brandt wrought lasting changes in the SPD. He was a Social Democrat who thought strategically and considered his actions in the context of the party’s history. Brandt did not want to lead a successful opposition party; he aspired to shape political events. For that to happen, the SPD would have to win over new voting blocs in favor of its policies. As early as the Party’s election-year convention of 1972, i.e. on the eve of the greatest electoral triumph in the history of the SPD, he was already talking about the «new middle.» By this he meant an alliance of voters joining together as a reform coalition. Brandt described the role of the SPD in forging this alliance as follows: «As I understand the political geography, (the SPD) is the great party of the left which must incorporate within itself all the currents of social democracy and of democratic socialism. The glue that holds them all together is the conviction that social advances and changes can only be carried out in freedom and strict allegiance to the democratic juridical state.»

Even with the benefit of hindsight there is nothing to add to his observation. Those words remain as his legacy and simultaneously as guidelines for us, the successor generations.
The ideologue of power, Carl Schmitt, once decreed that «anyone who talks about humanity intends to deceive.« Politics, he said, is necessarily a contest between friends and enemies, a struggle for power and conquest far removed from the realm of values. Hence, anything that might unite all the citizens of a republic or, for that matter, human beings as such – even including a tangible common good – must be little more than an illusion for simpletons and a pious fraud perpetrated by those in the know. Public opinion surveys and political commentary in the media show that the public esteem accorded politicians and parties, at least in respect to their statements about fundamental and other values, is not nearly as low as Schmitt’s conclusion would suggest. However, his remark really does reflect suspicions that are still widely held. References to fundamental values in the clash of political parties do indeed meet with a stubborn skepticism that seems motivated by one of two forms of mistrust: either lofty ideals are being misused for tactical advantage or else the entire discourse of values is merely a distraction from the things that really count in politics. But in any case the high-minded authors of opinion columns as well as social-scientific theorists shy away from the idea that values are important. People who consider themselves enlightened and on the cutting edge of critical world-views feel certain that ultimately, in the real world of politics, only interests matter. And this they believe to be so especially in cases where fundamental values are most often invoked. The interest underlying all other interests they take to be economic.

There are good reasons why such suspicions haunt the discourse of values. Every day we see that political parties refer to the very same set of basic values – freedom, justice, and solidarity – yet they constantly quarrel about the concrete meanings of these values. Their party platforms offer solemn declarations of value, but the extensive sections that follow these declarations, the fine print so to speak, disseminate quite different ideas about the economy, the state, and society. So then what is the point of these grand values? If we wish to avoid being entrapped by illusions, rhetorical tricks or tactical machinations, shouldn’t we eschew all talk about basic values and other «questionable» appeals to the community and just cut to the chase – i.e., talk about interests and the conflicts between them?

It is certainly true that political misuse of and arbitrary appeals to fundamental values gradually have become a public scandal. This detracts from our ability to cite any objectively binding criteria that might enable us to evaluate what is going on in society. Over the past 15 years soothing rituals of values have been invoked in support of the interests of capital and great fortunes, just at a time when battles over distribution were becoming increasingly heated, working to the detriment of the less well-off. The liberal mainstream has breezily offered us the consoling thought that all this was being done in the name of »true« freedom and justice.

Thomas Meyer

Interests versus Fundamental Values?

A clarification

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Interests and fundamental values

So, in light of these developments should not those who seek to limit powerful economic interests and protect the rights of the most vulnerable take a very different approach, one that is tougher and more «economic», rather than simply review the grammar of those values? It is in any case striking that the advocates of the most powerful economic interests typically act without paying the least attention to justifications, propaganda, or universally valid formulas. Meanwhile, even the most passionate debates about values over the past few years have left behind almost no visible trace on social reality. That is true even when those debates have been stoked by an outrage felt throughout society, as occurred recently when the financial sector scandalously flouted norms of justice.

Is that pattern rooted in the nature of things? Is there a law that – as Marx supposed – caused the moral idea to make a fool of itself whenever it collided with interests? Or does it arise from a peculiar juxtaposition of circumstances that have affected us, but perhaps would not affect other kinds of societies?

The current mismatch between economic interests and fundamental political values could scarcely embody the very nature of things. Otherwise, how could the labor movement and its bourgeois allies ever have carried on a struggle for equal liberty and social rights that managed to overcome all setbacks and convert the societies in which it was fought out into reasonably well-functioning social democracies? In the latter the majority has used its liberties to set undeniably effective limits to the interests of the economically powerful, and those have stood the test of time even under the «pressure of markets.»

Objection, your honor! There is a counterargument to this line of reasoning. It says that the true driving force behind workers’ accomplishments had little to do with the sheer moral weight of value-derived claims. Rather, what mattered was the vital interest that the disadvantaged majority had and indeed had to have, in the basic values of the labor movement – liberty, equality, solidarity. That is incontrovertible; nevertheless, we ought to ask whether the two positions sketched above really contradict one another. Are fundamental values nothing more than desiderata dreamed up by right-thinking persons to keep hard-boiled interests in check? If so, then obviously one could not expect much from them in the real world.

Whatever the key words and their combinations may be, at the heart of the discourse concerning fundamental values in capitalist democracies there are two essential questions. To what does the concept of equality refer, a concept that unquestionably underlies all notions of justice? And what is actually involved in the idea of liberty, which is always accorded top billing, rhetorically at least? The answers to these questions do not follow from the words themselves, since everybody uses them. Rather, they issue from the visions that represent them and the policies that incorporate them.

To be sure, democratic political discourse rarely disputes the claim that the normative core of the basic values contested by political parties somehow involves the notion of equal liberty associated with some conception of solidarity. But let us take a closer look at the classic conflict between right and left among parties committed to democracy, putting aside all propagandistic semantics and games of hide-and-seek.

We soon discover that the parties, in their actual practices, are indeed guided by a certain understanding of fundamental values. But when it comes to practical interpretations, the claim to universalism implicit in these basic values gets drawn into the wake of socio-economic interests.
For that reason – as the real-world application of fundamental values will show – two diametrically opposed variations on the themes of liberty and equality emerge along with their corresponding affinities within each model of justice.

Supposing we could succeed in laying bare the basic math, the rules of composition influencing how such fundamental values are fleshed out. In that case it would be easy to clarify the considerable differences in the way various political parties and schools of thought understand them. At the same time it would be possible to relate these understandings to the social and economic interests which they express. In both the liberal and conservative versions of economic libertarianism, liberty is defined in a purely formal, negative way, as a kind of defense against outside interference. By contrast, social democrats see it as a substantive and positive capacity that both empowers the agent and includes the social conditions of its own actualization.

Libertarians treat equality as a political value only, restricted to the role of citizen and the social opportunities that citizens enjoy. Social democrats, however, want it to apply as well to the real-world opportunities that people may or may not have over the course of their lives.

Despite their differences both sides could agree that justice requires equal liberty. Consequently, the paired terms »liberty« and »justice«, which on the surface everybody seems to agree about, actually entail two quite different models of the state, economy, and society, having quite far-reaching implications for human beings and their de facto opportunities in life. On one hand there is libertarian democracy with its commitment to market fundamentalism, and on the other social democracy with its imperative of social citizenship.

This clarifies the link between ideas and interests in the realm of fundamental political values. Assuming democratic rules of the game, if one initially adopts a purely economic understanding of interest (as many influential actors do) then formal freedom and a minimum level of political equality turn out be expressions of the interest in freedom of property and the market. In other words, these values reflect the interests of those who profit from unregulated markets and property ownership. By contrast, the economic interest of those who are handicapped by freedom of property and the market finds its fitting expression in the values of positive liberty and social equality of opportunity. Taking broad conceptual meanings rather than words as our starting point, on the level of fundamental values we have reached the heart of the distinction between left and right, although these ideal types perhaps tend to exaggerate the differences between them.

The political interest in compromise

When capitalist democracies were in their early stages, the interests embodied in these fundamental values were clearly opposed to one another in the way sketched out above. But as democracy developed, it became more urgent to find paths toward political compromise. Democracy managed to build a sort of bridge between the two extreme political and economic positions, since little was to be gained for either side by perpetuating conflict now that democratic politics could modulate the harshness of a capitalist economy. It sounds paradoxical, but there was a vital interest on both sides in mediating their antithetical interests and working out a »social-democratic compromise.«

The agents who embodied these great economic interests came to recognize that they would not survive in a democracy without making substantial concessions to the social interests of the working classes. The very principles of the free market and
ownership of the major means of production were themselves highly contested on account of their unacceptable social impacts. But in time, labor unions and social democratic workers’ parties all over Europe found out that they could perceptibly reinforce their freedom and enhance their opportunities by bringing property under social control and regulating markets through social and political means instead of by radically overturning both.

Ever since then, the unwritten – and in some cases even the written – constitutions of Europe’s capitalist democracies have acknowledged that the social foundations of equal liberty cannot be ignored. The more strongly influenced a given country has been by the social democratic compromise, the more explicitly it has incorporated those principles. Everywhere there are two conditions that determine how strong the social foundations of a country must be in order to meet genuine demands for equal liberty, keep social peace, and enable a society to become economically productive: the strength of working class self-organization and its political mobilization in a democracy. The social democratic compromise is permanently contested and can never be taken for granted.

We need to have a new debate

For nearly two decades now we have looked on as the trustees of capital and market interests, abetted by globalization and the crisis in financial markets, have largely succeeded in voiding the social democratic compromise and dismantling the social achievements it had once made possible. With breathtaking rapidity inequality has returned in full force, along with increasing insecurity.

Considering the standard of living they had once known, many people have now begun to notice a narrowing of the scope of their liberties. That is, they are experiencing more and more »material« constraints on their ability to live freely. This trend has entailed greater inequality and abridgements of freedom for many people; yet those responsible for it have not openly sought a revised understanding of fundamental values. Instead they have rammed through their new order under the pretext that there is no alternative to it. Meanwhile, they have hypocritically continued to pay lip service to the traditional formulas about freedom and justice.

Thus, we are experiencing a de facto change of course toward the social and political polarizations of yesteryear, which were once honestly expressed in the antithesis between libertarian and social interpretations of fundamental political values. It is therefore high time to counter the retrogression we have seen in the reality of everyday life with an unambiguous public clarification of the content of these values.

We therefore need to launch a new debate about fundamental political values, but one in which freedom and justice are no longer considered empty words that can be manipulated and used however one pleases. The first thing that must be clarified is exactly what economic and social arrangements the actors have in mind when they speak of freedom and justice. To be sure, such a step would not change much in and of itself, but at least it would enable us once again to see more clearly the reality – especially the interests and intentions – behind the words that political actors use. That alone would supply an important missing piece of political enlightenment. What has to become visible again is the truth that there are major alternatives and concrete interests at stake, even though the words used to depict them conceal more than they reveal.

There are two issues that need to be addressed. Does freedom include the whole of a person’s life or is it a partial, halfway state of affairs? And will equality only apply
to the citizen qua voter, or will it embrace the broader context of social life-chances? A universal interest is involved in the fundamental value of equal liberty: the claim to freedom that every single human being implicitly makes. Because that is the case, it would be worthwhile to launch a new conversation about these alternatives. Such a debate would show how far the opponents’ arguments actually go and at what point the naked interest of the stronger begins to take hold.

Now it is certainly true that ideal types do not convey the true complexity and discontinuity of the processes at work here: how interests are to be translated into political values, and how such values then affect the way in which interests are understood. The converse is true as well. Fundamental values are imperatives of political morality; therefore, they determine which social and economic interests will appear legitimate in the public sphere.

These tensions give rise to interpretive contests over the meaning and content of fundamental political values. In turn, the latter supply answers to the question of how the entire societal order is to be legitimized in the eyes of its citizens. Battles about fundamental values are of course shaped by purely economic interests, but two other kinds of interests also enter the fray: the social and moral interest in a fair, non-violent order and the political interest in a stable democracy.

Equal liberty is clearly in the social and political self-interest of the «under-privileged» strata, since it holds out the promise of tangible improvement in their real-world opportunities. By contrast, the socially privileged strata must recognize that they will have to give up their privileges. After all, that is what norms of social justice imply. They will emerge the losers as long as they understand their interest exclusively in light of short-term gains and losses. It is at this point that differences of opinion spring up in their ranks, as empirical research on social environments has revealed. In some of the crucial social settings in which the middle classes dwell, its members are considerably – even predominantly – influenced not only by their own social situation but also by political interests as well as those rooted in social morality.

There is a complicated overlapping of several factors at work here, including their own immediate economic interest, norms of solidarity, civic responsibility for a stable democracy, and the interest they all have in a fairly integrated, non-violent civil society. And so it turns out that a well-considered interest in the politics of equal liberty is alive and well amongst the «enlightened bourgeoisie.» Meanwhile, when one looks at the bottom of the social hierarchy – albeit surely not only there – one can observe that irrational «cultural» belief systems such as nationalism, populism, or racism can shroud a person’s social interests in an impenetrable fog.

In short, fundamental values are not just icing on the cake. Nor are they exercises in altruism and self-denial; rather, they link up with tangible interests. The setting in which the universal fundamental value of equal liberty most readily dovetails with diverse social interests is the public sphere, but only if it remains undistorted by power grabs and affords the same opportunities to participate equally. In the public sphere it becomes evident which interests can be justified and which cannot, in light of the fundamental values to which everyone professes allegiance.

Thus, as the public debate becomes more democratic, it becomes easier to separate the wheat from the chaff. In a public sphere without artificial barriers, narrowly economic interests always make fools of themselves when confronted with the social-moral idea. That is why a major new debate about equal liberty and its social prerequisites would be most worthwhile today.
During the last few decades political scientists have interpreted the evolution of democracy in radically different ways. One school of thought has diagnosed a retreat from democratic practices, a crisis of parties and parliaments, the end of the primacy of politics, and an ongoing depoliticization that might culminate in »post-democracy.« The other heralds the irresistible triumphal advance of parliamentary democracy and the expanding world of participation. The latter includes everything from the New Social Movements to the democratic dawn in Eastern Europe and the »Arab Spring« all the way to Germany’s »angry citizen« or even the grass-roots primary election that selected the Green Party’s top two candidates for the impending elections to the Federal Parliament.

In short, we have one set of theories optimistically crowing about democracy’s progress – presumably to serve certain ideological purposes – and another set that offers one-dimensional doom-and-gloom scenarios. However, there are three new books that may enable us finally to move beyond this dichotomy and avoid pitting differing perspectives on democracy against one another. Democracy may be conceived as: a story of promise and fulfillment, a history of crisis, and a perpetual quest for new forms of freedom and participation.

In a wide-ranging study committed to the defense of democratic principles, the Berlin historian, Paul Nolte, describes a surprising historical arc carrying the reader across millennia of democratic development. We are transported from Athenian democracy through the early phases of parliamentary government in England and the United States in the 18th century, to the French Revolution’s democratic impulse, the dictatorial reverses of the 20th century, West Germany’s thorny path to a democratic culture, and, finally, to present-day efforts to expand democracy, not forgetting the fault lines that still divide its adherents. Nolte does not want to hear sweeping assertions about democracy’s demise. Rather, as he puts it, »there is much evidence that our descendants will not look back at the decades around the year 2000 as the beginning of the end of democracy. Instead, they will encounter a turbulent period of reinvention, but also one in which people began to move away from the straightforward representative-electoral model of the postwar era.«

Yet during this process of upheaval some epoch-making trends have made their appearance. First, there have been the recent successes of the democratic principle. It might be said that democracy has flourished in two different ways: »Although powerfully influenced by neoliberal and global capitalism during the last three decades, democracy has not withered away; it has actually expanded. For one thing, democratic forms of government have been spreading at the expense of authoritarian regimes and dictatorships. For another, its own internal dynamics have spurred the rise of civil society and participatory democracy.«

Second, democratic politics is being driven to the brink by capitalism, which it is allegedly no longer able to hold in check.
Jürgen Habermas, Julian Nida-Rümelin and Peter Bofinger have recently summed up this trend, describing an »advanced transformative process that is changing welfare-state-oriented citizens' democracies into democratic facades beholden to the market.« Nolte concedes that democracy doesn’t work without a capitalist market economy, a position which will seem less than visionary to many readers. Yet its antithesis, capitalism without democracy in its politically authoritarian or dictatorial versions, does occur frequently in history. Alternatively, one can look at the relationship between capitalism and democracy as a historical process, as Christian Krell, Thomas Meyer, and Tobias Mörschel have done in the foreword to their anthology on democracy: »While an economic order based on market capitalism usually favors the emergence of democracy, it may also gradually undermine the latter unless it is propped up by far-reaching social reforms.«

Third, while Nolte does regard financial markets as the principal menace to democracy, he expands the list to include some other, more recent challenges, such as increasing social inequality as well as the decline in participation and autonomy: »At stake here are two issues: whether everyone is being fairly included in all the available (material, cultural, and political) opportunities, and whether individuals have the ability to direct their own lives instead of having them controlled by other people from the outside.« He also wonders whether notions such as »moderated democracy« may take the basic democratic order (including freedom of the press and expression, free elections, parliamentary government) too lightly, as compared to mere good governance (efficiency, concern for the general welfare, a certain degree of predictability and tolerance). He sees yet another challenge to democracy in the »fraying« of the nation state, the scope and responsibilities of which have been eroded both by its integration into the transnational and global order and by pressures exerted by civil society on local politics. Both tendencies may allegedly lead to democratic abstinence. In this vein one heard talk last summer in Italy that the democratic left there did not want to hold new elections to replace the transitional technocratic regime, because they were afraid that they would win and have to govern under the harsh dictates imposed by the EU.

The volume of essays penned by Serge Embacher addresses the other, more positive side of this fraying of the nation state. As far as he is concerned, it is civil society that provides the key to solving modern problems. Unlike Nolte, Embacher explicitly links his arguments to the notion of »social democracy«, «combining his analysis of the failed policies of the last decade with a plea - revealing his strong political commitments - for concrete steps toward reform. The goal is to be a »society of citizens founded on solidarity.« Such a society, recently given impetus by the internet, would become the most important link between the life-worlds of society and higher-level politics as well as the political parties.

Embacher’s message can thus be summed up as a politics of justice through participation: »The tasks of a society of citizens include: encouraging the parties to adopt new strategies and thus influencing governments to make different decisions; rediscovering the politics of social equalization and thus of social justice; and reestablishing the primacy of politics over markets. Only a society of this kind can empower politics to strike out on alternative paths.«

Is it really the society of citizens alone that is capable of all this? The anthology assembled by Tobias Mörschel and Christian Krell in the aftermath of last year’s Congress on Democracy, sponsored by the Friedrich Ebert Foundation, addresses some different dimensions and sets of topics in the current German debate on democracy. Their collection may also be
regarded as, in effect, a body of political advice offered to those in the SPD working on organizational policy for the party’s basic program, especially on the sections devoted to revitalizing participation. Responses to the current crisis (de-politicization, globalization, deregulation, inequality, the limits on representative democracy, loss of prestige and membership by political parties) offer strategies of reform for social democracy and thereby also for participatory democracy (fundamental social rights, social security and participation, an economy that is democratically accountable).

Although the anthology has the same general thrust as Embach’s book, it proves to be a fecund source of ideas on numerous other issues. For example, doesn’t »the limiting of political authority and economic power in favor of the human life-world« (Embacher) have to be supplemented by a strategy of the strong (even international) state, since the latter alone would be capable of re-regulating untrammeled financial markets? Does more direct democracy really lead to the valorization of the politics of justice? Could it not instead deepen social cleavages, since in any association of activist citizens it is generally the better educated and more affluent middle classes who dominate the proceedings? Given the rapidity and extent to which economic dynamics have become an independent force, won’t it be even more difficult to reestablish the primacy of politics if that effort has to involve long drawn-out communicative processes, mediated through civil society? Are we not witnessing a renaissance of ancient conflicts and tensions that even the Athenians felt to be at work in their age: those between the principle of majority rule and differing educational backgrounds; between majority voting and the wisdom of the decisions resulting from it; between partial interests or evanescent emotional states and the common good (which these days comes into the picture as an objective constraint imposed by European crisis management)?

Ever since the 1990’s, broad-based catch-all parties have been vitally interested in research on how they could regain their erstwhile attractiveness, influence, and support (in respect to their membership, milieu, and voter base), even though such research is not such a central problem for society as a whole. What is to prevent politics from becoming a game played for the maintenance of privileges and power rather than a normative contest to secure democratic majorities? As responses to the voters’ disgust with parties, the awakening of civil society, the broadening spectrum of parties to choose from, and changes in the way media reflect social conditions, we are offered more openness, participation, and professionalization. There has also been increased impetus behind the reform of political parties with mass membership bases. Here, topics such as primary elections, new forms of engagement, temporary incentives to get people involved, and especially internet democracy in social media have set the tone.

Still, it appears that research today is once again starting to focus on democracy as a whole. To be sure, we are no longer seeing the ideologically motivated frontal attacks on allegedly »outmoded« democracy that were so successful in the first half of the 20th century. Those were carried out in the name of organization and leadership in the new »mass society.« What has in fact emerged is a parallel structure that delegitimizes democracy and relativizes the question of who or what is actually sovereign. Wolfgang Streeck has recently put those tendencies in a nutshell: »Below are the people, the nation; above are the international markets, i.e., the need for profit proclaimed – in a historically unprecedented way – by the owners of financial assets.«

The three volumes discussed here still present relatively cautious arguments: »The ›big story‹ of recent democratic
history has not yet been discovered, «as Nolte puts it. But in the meantime one has begun to detect a note of alarm concerning the future of democracy. For example, Herfried Münkler, writing in the Krell and Mörschel anthology, formulates some reflections on the principles governing the relationship between democracy and freedom in a way analogous to Sigmar Gabriel's views. In light of the influence of «frantic politicians» on the management of the euro-crisis, he predicted recently in an article for Der Spiegel that the end was in sight for parliamentary rule. This would be the case, at any rate, if it should prove impossible to synchronize the tempo of economic and political decision-making processes and reduce the complexity of such matters to cogent alternatives that could be clearly understood and decided on.

Münkler argues that the rising crescendo of citizen protests and declining rates of voter turnout are really two sides of the same coin: dwindling confidence in parliamentary decisions to which there are allegedly «no alternatives.» In that case one's view of future prospects would indeed have to be much more skeptical than the books reviewed here would lead us to believe. The lesson that Nolte drew from history was, however, far more optimistic: »Democracy has always been controversial and ambiguous; it has never been finished and never will be.«


Siebo M.H. Janssen

Elections in the Netherlands:
How will they affect the EU?

The Dutch elections for the Tweede Kamer or Second Chamber (comparable to Germany’s Bundestag) held on September 12, 2012 produced a number of minor and a few major surprises, which will be examined in the following essay. The election’s impact on the European Union and the Netherlands’ European policy will also be considered.

In April, 2012, the right-wing populist Geert Wilders and his PVV (Freedom Party) engineered the collapse of the governing coalition, which had consisted of the rightist-liberal PVD and the Christian-Democratic CDA. The PVV, whose voting support had permitted the government to function, seemed motivated mainly by issues of social and economic policy. To meet the budgetary criteria of the Maastricht Treaty, the Netherlands will have to cut several billion euros from its 2013 budget.

The VVD and CDA had agreed on extensive cuts in spending on health care, social welfare, and culture in order to reach that
target. Wilders thought that the cuts in spending on culture and the less-hard-hit budget for development aid (spared due to pressure from the CDA) were too little, while those in social and health-care spending went too far. Besides being a right-wing demagogue when it comes to Islam and the EU, Wilders presents himself to the Dutch public as a representative of the »little people,« somebody who claims to stand up for their interests against immigrants, the EU, and the country’s elites. The coalition’s demise came more or less out of the blue, since the VVD and the CDA had assumed that, after seven weeks of negotiations, Wilders would not withhold support for the agreement that was finally reached. As a consequence of Wilders’ behavior and the outbreak of yet another political crisis in the Netherlands, new elections had to be called for September 2012; otherwise, the European Commission’s guidelines for 2013 could not be met. Moreover, an ad hoc coalition in Parliament had to be cobbled together, which included the VVD, the CDA, the D66 (leftist liberals), Groen Links (a green party) and Christunie (a moderately conservative, Protestant-social party). The largest opposition party, the Social-Democratic PvdA, did not participate. Like Wilders’ PVV and the left-wing populist Socialist Party (the SP, comparable to Germany’s Party of the Left), the PvdA rejected the planned cuts in the social-welfare budget.

Politically speaking, the PvdA – like the CDA – had endured a »vale of tears« brought on by polling results in the months prior to the coalition’s collapse. Although it had been the country’s second strongest party with 30 seats after the elections of 2010, polls showed that it would win only 15-20 seats this time around. Depending on which poll one believed, the PvdA would end up with a parliamentary contingent ranking somewhere between third and fifth in size, behind the VVD, SP, and maybe even the PVV and D66. The ascendance of the SP in opinion polls was especially noteworthy. Roemer, the charismatic leader of its parliamentary delegation and a man known for wanting to prepare his party to govern, managed to improve the SP’s standing in the polls enough that it looked ready to move from 15 actual seats to, potentially, as many as 38. For a brief time the SP appeared poised to become the Netherlands’ strongest party. However, the aura of the charismatic victor surrounding Roemer began to dissipate rather quickly as he made some embarrassing blunders in TV debates and came across to the country’s voters as ill-informed and uncertain on many issues.

As Roemer’s star faded, the top Social Democratic candidate, Diederik Samsom, and his PvdA began their political comeback. Except for Alexander Pechthold of the D66, Samsom was the only major candidate to deconstruct the policies of the previous coalition in a factually competent way while simultaneously offering a clear alternative to them. He showed that they were economically and socially risky, as well as being overtly anti-European. In this way he became the most prominent political adversary of the previous Prime Minister, Rutte of the VVD. Yet it became obvious fairly early in this extremely brief (3-4 weeks long) and hotly-contested campaign that any kind of coalition except for a »grand« one between the VVD and PvdA would be impossible unless one were willing to tolerate shaky majority coalitions and/or work with dubious partners like the PVV, the SP, the Animal Rights Party, or the Pensioners’ Party.

The election on September 12 yielded a surprisingly clear result: stunning victories by the both VVD and the PvdA (they increased their share of parliamentary seats by 10 and 8, respectively). Still, there had been indications in the final week before the election that, together, they would win a majority of seats and thus be able to form a government.
The biggest losers in this election were Wilders’ PVV (which saw its parliamentary delegation decline from 24 to 15) and Roemer’s SP, whose contingent remained at 15 seats in spite of the originally optimistic polls. The Greens (Groen-Links) also suffered dramatic losses, going from 10 to 3 seats, as their leading candidate, the first-timer Jolande Sap, chose to step down after the debacle. Likewise, the CDA’s delegation had already been halved as early as 2010 (2008: 41 seats; 2010: 21; 2012: 13), perhaps because the party’s core supporters found its leaders’ cooperation with Wilders much more worrying than a majority of party officials cared to admit. The new defeat of the CDA in 2012 may have been connected to the party’s cooperation with Wilders, since the party was and is deeply influenced by Christian-socialist principles in some policy areas. It may also have been precipitated by the increasing secularization taking place not only in Protestant regions, but also in the Catholic southern provinces of Limburg and North Brabant, where it had arrived noticeably later. Limburg, especially, voted for Wilders and the PVV in huge numbers during the 2010 election (Wilders comes from the northern Limburg town of Venlo), then for the VVD in 2012. For that reason it makes sense in this context to speak of a “rightward secularization” of the Catholic areas of the country.

During the coalition-forming negotiations right after the elections, the two big winners, the VVD and PvdA, had to come to grips with a set of fundamental domestic policy issues, for example, the level of health insurance contributions, as well as a host of other questions affecting social and economic policy. The two parties’ chief negotiators reached some concrete agreements in the surprisingly fast – by Dutch standards – time of about seven weeks.

In these negotiations crucial differences on domestic policy played a major role, as did disagreements over policies toward Europe. To be sure, both parties had long been considered (moderately) pro-Europe; nevertheless, they approached European issues from nearly opposite points of view. It is crucial to note in this context that Samsom, the PvdA’s top candidate, repeatedly underscored the pro-European principles of his and the PvdA’s policy and consistently spoke out in favor of further aid programs for the crisis countries. «By contrast, the VVD usually adopted a hard line in defense of budget cutting and austerity programs, and was therefore seen as a close ally of the German government in the battle against the crisis.»

In the context of these differences, a clear signal may have been sent by the appointment of a committed European, Frans Timmermann, to be the country’s foreign minister and minister to Europe. Having been several times permanent undersecretary for European issues, Timmermann is one of the “poster children” of pro-European politics in the Netherlands. He is known to advocate giving broader authority to Europe while also maintaining or even expanding support for the crisis countries. Likewise, the new vice-premier, Lodewijk Asscher (PvdA) belongs to the overtly pro-European wing of his party. So the PvdA, together with Samsom, who will remain as leader of his party’s contingent in the Second Chamber, will be the clearly pro-European partner in the coalition. Furthermore, the party is closely aligned politically with the European economic policy of French President Hollande. To many in the VVD this may seem to be an excessive concession to the Social Democrats, so it is reasonable to assume that both parties will take a middle course when it comes to European fiscal policy, one that navigates between the positions taken by France and Germany. Still, the Liberals exacted a high price for this policy switch, since they demanded a significant reduction in development assistance (around 1 billion euros) as a quid pro quo.
In spite of the bitter residue left by this collaboration on development issues, there has been a breakthrough on European policy. One could sum up the result by saying that the anti-European populists of the left (SP) and right (PVV) have failed to foment further anxiety about Europe. On the contrary, it now seems that, after ten years of wandering in the European policy wilderness, the Netherlands will revert to its tradition as a pro-European country. Whether or not this new beginning in European policy succeeds will depend on two factors. First, the social-liberal coalition will have to settle its disputes about the remaining social and economic issues. Second, it will have to find a majority in the First Chamber for its overall conception of policy, because there it will have to work with either the CDA or the left-liberal D66 in order to realize its political objectives.

If the problems described above can be resolved and the cabinet holds together long enough, then Rutte II may be considered the first post-populist cabinet in recent history to once again emphasize the positive, pro-European policies of both parties and of the Netherlands as a whole. At the same time it may furnish a counterweight to the austerity policies pursued by Germany’s federal government.

This would be desirable not only for the Netherlands, but for the EU as well, which is grateful for any stable, pro-European partner in these uncertain times of anti-European populism.

Lewis Hinchman
The 2012 Elections in the USA: Progressive Renewal or Business as Usual?

Politically, the 2012 elections have left the United States pretty much where it was before, with divided government and a polarized electorate. The Republicans retained control of the House of Representatives with a majority of 234-201 seats. Besides winning the presidency, the Democratic Party gained two seats in the Senate and will enjoy a 55-45 majority in that chamber, including two Democrat-leaning Independents. As usual the GOP dominated much of the South and the Great Plains, while the Democrats won most elections in the Northeast and Pacific coast. The big Midwestern states were closely divided, often giving Obama their electoral votes, while keeping the Republicans in control of governorships and/or state legislatures. It is clear that the Obama administration will not be able to carry out grand reforms. The House GOP majority (aided by potential filibusters by Senate Republicans) will stymie most ambitious Democratic measures. Republicans still feel that they have a mandate to stop Obama, and are already adopting intransigent positions. But that does not necessarily mean gridlock will prevail on every issue. In some cases Republicans may be forced to cooperate with the President; in other cases the administration will be able to act on its own without asking Congress to pass enabling legislation. Let us take a look at some of the major issues that the U.S. government will confront and assess the chances for progressive change.
The »fiscal cliff«

Europeans have undoubtedly heard that the U.S. may plunge into an economic abyss on January 1, but probably have little idea why. The story dates back several years. As the federal deficit ballooned during the Great Recession, Republicans repeatedly threatened to force the government into default on its obligations rather than approve more borrowing. The Obama administration was eventually forced to negotiate with the GOP, which refused to approve any tax increases while demanding huge spending cuts in social programs in exchange for raising the debt ceiling. A »super-committee« of Senators and Representatives was empaneled in 2011 to search for a compromise that might prevent default. In order to give the committee a stronger incentive to succeed, Congress adopted a measure that provided for automatic spending cuts to take effect in 2013 in case no compromise were reached. At the same time, Congress had to reconsider the so-called »Bush tax cuts,« enacted in 2002 and due to expire after 10 years unless Congress decided to extend them. By the end of 2011, the super-committee reported its failure to agree; consequently, both the spending cuts and the expiring Bush tax cuts will hit the U.S. economy beginning January 1. The spending cuts of 10% across the board would total $984 billion over ten years, with half coming from defense and half from »discretionary spending,« while sparing some popular entitlement programs. The end of the Bush tax cuts would increase taxes on most Americans, but especially the wealthy, by raising rates and treating capital gains and dividends as ordinary income. The fiscal cliff could trigger a new recession that might raise the unemployment rate to 9.1% by the end of 2013.

Clearly, the Obama administration has an incentive to prevent a plunge over the fiscal cliff, and has therefore proposed that the cuts be delayed until a broader solution is reached, including a general revision of the tax code that would impose higher rates on those who earn more than $250,000 a year. House Republicans have said they are willing to consider adding sources of new revenue by eliminating some tax loopholes, but resist higher tax rates on the wealthy. The most likely outcome is a postponement of all cuts, which would mean that no serious action would be taken on federal deficits, now nearly 100% of the GDP. However, if the Obama administration really wanted to play poker with the Republicans, it could simply allow the country to go over the cliff, since that way it would get the higher tax rates that it has sought. Furthermore, it could allow the defense spending cuts to take effect, which are more painful to hawkish Republicans than to Democrats. It could then negotiate with Republicans from a position of strength, since the status quo would be more acceptable to Democrats than Republicans. But this approach would exact a high price from the most vulnerable Americans who always suffer most in recessions.

The Patient Protection and Affordable Care Act

The signature achievement of the Obama administration is the »Affordable Care Act« (»Obamacare«) of 2010, which, when fully implemented, will extend health insurance to 30 million more people. Republicans have denounced this law ever since it was passed, attacking it in the courts and in the legislative arena. Mitt Romney promised to try to repeal it on his first day in office, before some of its crucial provisions took effect. But since he lost, it appears that the Act will be fully implemented and become so deeply imbedded in the American health care system that it would be difficult for the Republicans to get rid of even if they won the Presidency in 2016.
Obamacare has survived some daunting challenges already. In June of 2012 the Supreme Court ruled (by a narrow 5-4 majority) that the Act was constitutional, even though it would eventually require most businesses to offer health care coverage to their employees or force individuals to purchase insurance (the »individual mandate«). Still, other challenges remain. The United States government and the states have joint responsibility for the Medicaid program, which provides health insurance to low-income Americans who meet the criteria of eligibility. Obamacare would dramatically expand Medicaid as a way to provide health insurance for more citizens, with most of the new funding coming from Washington. Yet the Supreme Court also decreed that states could opt out of this Medicaid expansion. If Republican-dominated states did so – perhaps on ideological grounds – the Act would fail to achieve one of its main objectives: moving toward universal health insurance.

The courts

Article II of the U.S. Constitution grants the president the power to make judicial appointments with the »advice and consent« of the Senate. Although the Supreme Court gets the lion’s share of public attention, most of the appointments any president makes are to lower echelons of the judicial system: the 94 federal district courts and the 12 U.S. Courts of Appeal. The latter, especially, are extraordinarily important in the evolution of the law in the United States, since the Supreme Court reviews only about 1% of the decisions they make. Barack Obama has made 105 nominations to judicial posts at all levels, but the Senate has stalled or blocked 16 of them, leaving him with only 89. That is a fairly small number in comparison with appointments made by other presidents. Thus, Obama has an opportunity to shape the federal judiciary more deeply during his second term, especially since many Republican appointees will be retiring during the coming four years.

Of course, all eyes will be on his choices for the Supreme Court if vacancies should occur, especially since the current Court is so sharply divided over so many issues. The justices most likely to retire include Ruth Ginsburg (79), a Democrat, as well as Antonin Scalia and Anthony Kennedy, both Republicans and 76. The Court’s ideological make-up would change dramatically if either one departed. Yet it is unlikely that those justices would want to give Obama the opportunity to swing the Court’s majority in a progressive direction.

Immigration reform

Barack Obama won the election partly by attracting over 70% of the Hispanic vote. It is likely that his overwhelming support among Hispanic voters gave him the margin of victory in at least three »swing« states. Hispanics increased their share of the electorate to around 10% in the 2012 elections, partly because many more decided to register and vote for the first time. The President has promised to pay off his political debt to Latinos through comprehensive immigration reform, i.e., legislation that would enable many undocumented immigrants to become citizens.

Resistance from Congressional Republicans could derail whatever immigration reforms Obama proposes. However, the GOP might pay a high price if it defeated a bill that would obviously benefit so many Latinos. Earlier in 2012 Obama made a gesture toward helping the children of illegal immigrants who had come to the United States at an early age and knew no other home, but could not become citizens. Under a program known as DACA (Deferred Action for Early Childhood), they were given semi-legal status
for two years, and so could legally hold jobs 
or attend university, which over 200,000 
have done so far. Romney opposed DACA 
and promised to end it, while urging un-
documented Hispanics to »self-deport.« 
The result: the Latino shift toward the 
Democrats. The more rational GOP leaders 
realize that their party cannot afford to 
alienate such a large, growing voter bloc, so 
Congressional Republicans will probably 
acquiesce in some sort of significant im-
migration reform, a major policy shift for 
them. Right-wing media personalities such 
as Sean Hannity are now signaling to their 
supporters, including those in Congress, 
that this is one issue on which the GOP 
will have to give ground and that politi-
cians voting for reform will not be pun-
ished by right-wing voters.

The political landscape after 2012

These days, Democratic pundits are talking 
confidently of their party’s long-term 
advantage in the Electoral College and 
their expectations of dominating pre-
sidential elections for years to come. 
Should such optimistic forecasts be taken 
seriously? Yes, but only up to a point. The 
Democrats’ confidence is rooted in demo-
graphic shifts. Hispanic Americans are the 
fastest growing segment of the population 
just at a time when they have become a 
core element of the Democratic electoral 
base. Immigration reform, if it happens, 
will only add to their clout. Furthermore, 
the birth rate among all the principal 
Democratic-leaning minorities (African-
Americans, Latinos, and Asian-Ameri-
cans) is higher than it is among whites. 
Those groups account for more than 50 % 
of all children born in the U.S. today. By 
2050 today’s minorities taken together will 
outnumber whites, the core constituency 
of the GOP. The Democrats thus have 
reason to be sanguine about the Party’s future prospects.

On the other hand one has to look 
beyond the results of high-profile national 
elections. A very different picture emerges 
from recent elections for state legislatures 
and governorships. Republicans now 
control 59 chambers in state legislatures, 
while the Democrats hold only 36. The 
GOP holds 29 governorships to 20 for the 
Democrats. Local and state politics is the 
training ground for candidates to national 
office, so in effect the Republican Party is 
grooming more high-profile politicians 
for national offices than is the Democratic 
Party. Furthermore, every 10 years a cen-
sus is held in the United States, after which 
Congressional district boundaries are re-
drawn to reflect population shifts, with 
some states gaining Congressional seats 
and others losing them. It is the state 
legislatures and governors that do the 
redistricting in most states, and they 
manipulate district boundaries so as to 
maximize the number of seats their own 
party will likely win («gerrymandering»). 
For example, in North Carolina the two 
parties roughly split the popular vote for 
races to the House of Representatives in 
this election, but the GOP will hold nine 
seats to the Democrats’ four. Nationwide, 
the Democrats won 52 % of the vote for 
House seats, but lost the House due to 
gerrymandering. Thus, domination of state 
politics by one party often enables it to gain 
a majority in the House of Representatives. 

Finally, state officials make and enforce 
the rules under which elections are held. 
Republican officials sometimes attempt to 
suppress voter turnout among heavily De-
mocratic groups, for example by requiring 
citizens to present a picture ID in order to 
vote. Many minorities, especially older 
African Americans from the South, lack 
the birth certificates needed to obtain an 
ID, because their states of origin did not 
always record black people’s births. Also, 
state officials have some discretion about 
whether to allow early voting and how long 
to extend it, how many voting machines to
assign to certain precincts, and how long to allow voter registration to take place. All of that discretion was used this November to reduce turnout. For example, would-be voters in strongly Democratic counties like Dade (Miami) had to wait as long as six hours to vote, whereas people in rural, mainly white counties often voted in 15 minutes. This occurred because Republican governor Rick Scott had reduced the early voting window from 14 days to 8, forcing many citizens to vote on Election Day and jamming urban polling places. Thus, control over politics in so many states gives the Republican Party opportunities to remain highly competitive in American politics even if and when demographic changes weaken its ability to assemble a winning coalition in presidential elections.

To sum up, we should not expect dramatic new legislative victories for Obama and the Democrats, except perhaps in immigration reform. American politics will muddle along for another four years as Republicans block most progressive initiatives, including especially tax reform and climate change legislation. GOP leaders are now debating the lessons to be drawn from their defeat, and so far the answer seems to be that their policies and ideology are not to blame, except (as noted) their hard line on immigration and perhaps the insults to women handed out by a few of their candidates. Some observers hope that the Republican Party will be recaptured by its moderate wing, but that is mostly an illusion. Moderate candidates continue to lose in the GOP’s primary elections, because the Tea Party faithful and other hard-liners dominate the voting and choose the most extreme candidates. Politicians respond to the values of the electorate that chose them; for the GOP those are still extreme right-wing values, both libertarian and fundamentalist Christian. However, the GOP may lose some of its financial advantages. Billionaires such as the Koch brothers and Sheldon Adelson contributed hundreds of millions to right-wing super-PACs and other campaign organizations, but most of the candidates they supported lost. They may not be willing to continue spending so much money in losing causes and may instead decide to contribute their money to more moderate candidates who actually have a chance to win. We can only hope!

Michael Bröning

Halftime: Four Years of Obama in the Middle East

Expectations were high after Barack Obama delivered his Cairo »Address to the Muslim World« in 2009. But now, in the wake of the Arab Spring on one hand and burning embassies on the other, the question has to be raised: was there really a new beginning or has Obama failed?

Even before the final votes in the U.S. presidential elections had been counted, the White House began receiving congratulations from the Middle East. The region’s leaders, from the Israeli Prime Minister to the Egyptian Head of State, hastened to congratulate the President on his re-election. In this way, protocol was
being observed. However, words could not conceal the fact that neither the Arab World nor Israel was euphoric about the outcome.

A retrospective: in June of 2009 the recently elected President of the United States had proclaimed »a new beginning in relations« in his dramatically choreographed »Address to the Muslim World.« Obama had then declared that the United States »is not and never will be at war with Islam.«

Fast forward three years: in September, 2012, American embassies are in flames from Benghazi and Tunis to Yemen. For the first time in 30 years, an ambassador is killed in an attack. To conservative pundits the conclusion is obvious: the »new beginning« is a failure. On Fox News the far-right commentator Pat Buchanan charged that »Obama’s entire strategy in the Middle East has collapsed.« Meanwhile, the Republican presidential candidate, Mitt Romney, kept up the pressure in the Wall Street Journal, claiming that Obama had »heightened the prospect of conflict and instability« in the Middle East. Even The Washington Post, otherwise a bastion of Democratic support, unapologetically proclaimed the »collapse« of the »Cairo doctrine.«

Criticism of this kind is overblown. That is true not only because it exaggerates a snapshot of extremist violence, but also because there has been no such thing as an all-embracing »Obama doctrine« in the Middle East during his first four years in office. Quite apart from the text of his speeches, what has really shaped Mideast policy under Obama is a flexible combination of icy power politics and value-driven idealism.

Let us take the example of Israel and Palestine. In spite of all the optimistic proclamations delivered when Obama took office, the Israelis and Palestinians still confront each other as implacable foes. Obama had originally promised to try to persuade the Netanyahu government to rethink its long-term policy of building settlements in the West Bank, but nothing came of his efforts. His attempts to set a date for binding negotiations on the final status of the Palestinian territories (a result of his failure with Netanyahu) also came up empty, because the Palestinian Authority remained divided between Hamas and Fatah. The one enduring result of these efforts has been frustration in Tel Aviv and Ramallah, not to mention in Washington itself.

Now let us turn to Iraq. By the end of 2011 the last U.S. combat troops had been withdrawn from Mesopotamia. In this way one of the longest-lasting U.S. military operations came to an end much as Obama had announced and his predecessor in office had envisaged that it would. Nevertheless, the conflicts in Iraq have by no means been resolved merely because American troops are gone. September of 2012, for example, proved to be one of the bloodiest months in the last two years. Another matter leaves an unpleasant aftertaste: contrary to all previous statements Obama pleaded in vain behind closed doors to extend the troops’ deployment in Iraq. Thus, the troop withdrawal appears ultimately to have been forced on Obama by the Iraqis, rather than representing a principled, voluntary decision to revise policy.

U.S. diplomatic overtures toward Iran and its suspected nuclear weapons program appear in a similarly ambivalent light. Since Obama took office one finds few indications that political progress has been made, apart from a toughening of the sanctions regime. There is no sign of any comprehensive diplomatic new beginning. It is not clear whether any new diplomatic initiatives should be expected prior to Iran’s presidential elections scheduled for June of next year. One could, however, point to the lowest common denominator of success: at least military escalation has been forestalled.

And then there is Syria. Disappointing all of Washington’s hopes, Syria’s leader is relying more and more on repression in-
stead of reform. Yet the U.S. government has so far not come up with any convincing response to that turn of events. The Republican camp has increasingly used the Syrian dilemma as ammunition in its campaign to prove that Obama is a weak leader. But none of his critics has offered any credible alternative, especially considering the well-documented resistance in Moscow and Beijing to intervention.

Israel-Palestine, Iraq, Iran, Syria... the preliminary balance sheet looks rather sobering. If one's evaluation had to end at this point, the outcome would be disappointing. But then it would have neglected to consider a series of decisions on matters of principle, by virtue of which Obama has likely already made (Middle Eastern) history.

Let us raise the curtain on the success stories of the Arab Spring, at least in a relative sense: Tunisia, Libya, Egypt, and Yemen. In all these cases the rapid collapse of authoritarian regimes, spurred on by the blessing of the United States, would not have been possible without a paradigm shift in Washington.

What is often overlooked here is that American support for the protest movements as well as recognition of the Islamist parties’ electoral victories in the wake of the insurrections is not a move that anyone should have taken for granted. As late as 1991 the first Bush administration had clearly thrown its weight behind the preservation of an undemocratic status quo in Algeria. Electoral results there were simply ignored. The administration of George W. Bush took a similar position in regard to the electoral successes of the Islamist Hamas in Palestine. The same rule was followed in both cases: stability trumps democratic principles.

In some crucial instances Obama’s approach has been to value norms more highly than traditionally defined interests and the notions of stability that had usually tipped the policymaking scales. This is certainly new territory, and it carries risks. The U.S. government is ultimately hoping to domesticate the newly empowered Islamist parties in Tunisia, Egypt, and elsewhere by integrating them politically. There are good reasons to assume that this will work, although success is far from certain. The one thing that stands out clearly up to this point is that Obama’s decision to shake up the status quo will define and shape the political evolution of the Middle East for years to come.

Nevertheless, in spite of his progressive stance toward political change during the Arab Spring, Obama has still remained committed to the traditional lines of U.S. policymaking on crucial issues. Attempts at democratic renewal in Bahrain, for example, were ruled out as unacceptable, since that country is the home of the U.S. Fifth Fleet. The same holds true for Saudi Arabia’s nascent democracy movement. In these cases realpolitik has certainly set limits to any thoroughgoing reconsideration of values. To put Obama’s approach in a nutshell, it would be: as much idealism as possible, as much realism as necessary. Nor should we forget that Obama has stubbornly continued the Bush administration’s »war on terror« by other means. Expanding and perhaps morally questionable drone attacks as well as the relentless hunt for Osama bin Laden offer evidence that the old anti-terror policy has not changed much.

To sum up, a complex picture of Barack Obama’s first four years of Middle East policy is beginning to emerge. Continuity has run up against high expectations that may sometimes have been exaggerated in an increasingly multipolar world that poses novel strategic challenges, especially in Asia. But, faced with the Arab Spring, Obama has embarked on a courageous rethinking of core principles. When we recall the disastrous results of his predecessor’s policies, this is surely not the most negative of all possible evaluations, nor is it bad field position to start the second half.
The latest figures from the World Bank put the global median income at just under $3 per person per day in 2005 international dollars. This means that, at the median, people could consume about as much each day as could have been bought in 2005 with US$3 in the United States or with EUR 2.73 in Germany – or as much as can today (2012) be bought with US$3.55 in the United States or with 3.09 in Germany. It is safe to say that people living at this level are very poor indeed. This judgment is reinforced by two important facts. First, because foodstuffs are tradable commodities, their prices in poor countries are uniformly higher than the World Bank’s purchasing power parities suggest – fully 50% higher on average. This means that a person at the global median could in 2008 buy only as much food as could be bought in 2005 with US$2 in the United States or with EUR 1.82 in Germany. This is significant because poorer people spend a much larger proportion of their income on food than the general population does. Second, the poorer half of humankind is living not at the median income but on average 46% below this level. In fact, the World Bank calculates that in 2008 fully 1.74 billion human beings lived on less than $1.50 per person per day in 2005 international dollars, deemed equivalent to what could have been bought in 2005 with US$1.50 in the United States or with EUR 1.365 in Germany.

It is obvious that such minuscule incomes are associated with severe deprivations and vulnerabilities. According to the

1 See http://iresearch.worldbank.org/PovcalNet/index.htm?1 and input there a monthly poverty line of $91.20 to find a 2008 poverty headcount of 3.4 billion. The World Bank estimates the human population in 2008 at 6.692 billion – see World Bank, World Development Report 2010 (Washington, World Bank 2010), 379. The expression »international dollars« indicates that the 2005 incomes of poor people have been converted into US dollars at 2005 purchasing power parities for individual household consumption expenditure. Using this conversion, the World Bank would convert a 2005 income of 47 Indian Rupees per day into $3 international dollars even while this same 47 Rupees could have bought only US$1 on the currency exchange market.


4 See Thomas Pogge, Politics as Usual: What Lies behind the Pro-Poor Rhetoric (Cambridge, Polity Press 2010), note 127.

5 Return to http://iresearch.worldbank.org/PovcalNet/index.htm?1 and divide the poverty gap by the headcount.

official statistics, about a billion human beings are chronically hungry and undernourished,7 868 million lack access to improved drinking water,8 2.5 billion lack access to improved sanitation,9 and almost 2 billion lack regular access to essential medicines.10

Over 1 billion lack adequate shelter,11 1.6 billion lack electricity,12 796 million adults are illiterate,13 and 215 million children are child laborers.14 Even more shocking is the number of people who die from poverty-related causes. According to the World Health Organization, roughly one third of all human deaths, 18 million every year, are from causes such as diarrhea, tuberculosis, maternal conditions, and respiratory infections – all easily preventable through access to safe drinking water, improved sanitation, more adequate nutrition, rehydration packs, and vaccines and other medicines.15 These conditions are all but non-existent among the affluent. And again, they account for roughly one third of all human deaths. To put that in perspective, in the last 22 years since the end of the Cold War some 400 million people died from poverty-related causes. This is about twice as many as died from government violence – wars, concentration camps, gulags, genocides – in the entire 20th century.

We can glean a superficial explanation

Table 1: The distribution of global household income, 1988 and 2005, converted at market exchange rates.16

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<tr>
<td>Richest 5 Percent</td>
<td>42.87</td>
<td>46.36</td>
<td>+3.49</td>
<td>+8.1%</td>
</tr>
<tr>
<td>Next 20 Percent</td>
<td>46.63</td>
<td>43.98</td>
<td>−2.65</td>
<td>−5.7%</td>
</tr>
<tr>
<td>Second Quarter</td>
<td>6.97</td>
<td>6.74</td>
<td>−0.23</td>
<td>−3.3%</td>
</tr>
<tr>
<td>Third Quarter</td>
<td>2.37</td>
<td>2.14</td>
<td>−0.23</td>
<td>−9.7%</td>
</tr>
<tr>
<td>Poorest Quarter</td>
<td>1.16</td>
<td>0.78</td>
<td>−0.38</td>
<td>−32.8%</td>
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16 These data were kindly supplied by Branko Milanovic, principal economist in the World Bank’s Development Research Group, in a personal e-mail communication on April 25, 2010. See also his «Global Inequality Recalculated and Updated: the effect of new PPP estimates on global inequality and 2005 estimates» in Journal of Economic Inequality 10 (2012), forthcoming.
of these massive deprivations, and an indication of their avoidability, by looking at the global distribution of household income, assessed at prevailing market exchange rates.

It is worth highlighting four salient facts from this table:

1. In just 17 years, the richest 5% of human beings have gained more (3.49%) than the poorer half had left at the end of this period (2.92%).

2. The ratio of average incomes of the richest 5% and the poorest quarter rose from 185:1 to 297:1 in this 1988-2005 period.

3. Had the poorer half held steady, its 2005 share of global household income would have been 21% higher (3.53% instead of 2.92%). Had the poorest quarter held steady, its 2005 share of global household income would have been 49% higher (1.16% instead of 0.78%).

4. Had it been allowed to gain the 3.49% of global household income that was in fact gained by the richest 5%, the poorer half would have more than doubled its share to 7.02% in 2005. This would have sufficed to bring all human beings above the 2008 actual median income of $3 (2005 international dollars). And it would still have left 93% of global household income for the richer half of humankind.

These are purely mathematical points about the rapid polarization, since 1988, of the global household income distribution – they do not begin to explain why this polarization is taking place. In my view, an important driver of this polarization is the rapid development of an increasingly dense and influential global network of rules along with a proliferating set of new international, supranational, and multinational actors. These transnational rules and actors shape and regulate not only the ever-growing share of interactions that traverse national borders, but increasingly also reach deep into the domestic life of (especially the poorer) national societies by pre-empting, constraining and shaping national legislation.

This dramatic shift, since the late 1980s, of law and regulation from the national to supranational levels drives global economic polarization because supranational rules are not formulated through the kind of transparent, democratic procedures that characterize national law-making in the countries that have reached some basic level of domestic justice. Rather, supranational rules emerge through inter-governmental negotiations from which the general public and even the majority of weaker governments are excluded. The public does not know in real time what proposals are being debated and learns the content of the new rules only after they have been adopted. Even then there is no accountability because no information is released on how the final text emerged from the initial negotiating positions through pressures exerted and compromises proposed by the various participating states.

This shrouded rule-making environment is ideal for cost-effective lobbying by a few powerful organizations and individuals, including large multinational corporations, banks, industry associations and billionaires, which have the resources and incentives, and can acquire the requisite expertise, successfully to lobby the governments that dominate supranational rule-making. Undisturbed by competing inputs from the rest of humankind, this tiny elite can divide the new regulatory terrain amongst themselves, with each powerful player making concessions in areas where it has relatively less at stake in exchange for other such players making reciprocal concessions in other areas where it has relatively more at stake. Without any malice toward the excluded, such accommodations must be expected to result in supranational arrangements that further strengthen and enrich those who are already the strongest and most affluent – at
the expense of all the rest. The massive persistence of severe deprivation is then an unintended but foreseeable effect of vigorous lobbying by the most powerful economic agents who have been successful in promoting the upward shift of rule-making to supranational levels where it is easy game for their competitive efforts to shape the rules and the application of these rules in their own favor.

If this explanation has merit, one would expect the greatest beneficiaries to be the richest firms and individuals in the most influential countries – especially in the United States because this country is still the dominant player in supranational negotiations and because the US politicians and officials are substantially softer targets for lobbying than nearly all other powerful governments.

This expectation is indeed borne out. The table shows how very concentrated the gains have been at the very top of the US income pyramid, where the share of the richest 1/100\textsuperscript{th} of 1 % of the US population has increased by a factor of 7 over just 29 years. With incomes of over $ 12 million per annum, these super-rich – some 14,400 tax returns representing about 30,000 people – collectively controlled in 2007 about half as much income as the bottom half of the US population (some 150 million people) and more income than the poorest 40 % of humanity (about 2.65 billion people).

Dramatically defying the Kuznets curve,\textsuperscript{18} these data support my hypothesis that the increasing marginalization of the poor is the flipside of a massive trend of regulatory capture that drives a powerful inequality spiral. Tiny elites in the most influential countries influence their governments (i) to shift rule-making upward to supranational levels where it can be exempted from democratic accountability and then (ii) to shape these rules and their application for the benefit of these elites. Insofar as these efforts are successful, the elites in question gain economic and political power, which renders them ever more capable of influencing in their own favor the governments that matter in the international arena.

The US economic polarization and con-

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\textsuperscript{17} Data from Facundo Alvaredo, Tony Atkinson, Thomas Piketty and Emmanuel Saez, Top Incomes Database, http://g-mond.parischoolofeconomics.eu/topincomes/ (last visited September 4, 2012).

\textsuperscript{18} Named after Simon Kuznets, this curve graphically represents the hypothesis that an initial rise in income inequality, associated with the early stages of a country’s economic development, is harmless because income inequality will go back down in later phases. There were indeed two such phases in US history: a dramatic increase in economic inequality preceding the Great Depression followed by a substantial decrease in the half-century thereafter. This decrease was, however, completely reversed by a rapid build-up of economic inequality in the subsequent three decades (1978-2007).
sequent economic and political marginalization of the poorer 90% of the US population illustrate that the increase in global economic inequality is now mainly due to rising intra-national inequality which, while certainly influenced by domestic factors and resistible by domestic political processes, is favored and facilitated by the WTO globalization of the last two decades. The process involves not merely a marginalization of the global poor but also a rapid erosion of democracy in many states such as the United States which, 30 or 40 years ago, were substantially more democratic. This erosion of democracy in the United States is not in the interest of the poorer 90% of the US population who certainly have the political power to democratize their political system by constraining the enormous influence money exerts on domestic legislation and on the design of US foreign policy (esp. in regard to international rules and treaties relating to trade and investment). The poorer 90% need to achieve such a democratization in order to protect their own interests and to fulfill their moral responsibility to oversee the conduct of their government. But the political mobilization toward achieving such democratization is increasingly difficult to accomplish when the rich control the commercial media and, thanks to inordinate election spending, the political parties as well.

Magnifying inequality and aggravating poverty, the following are among the more important injustices of existing supranational institutional arrangements which the citizens of the more influential countries have a responsibility to compel their governments to overcome:

1. The new global trading regime epitomized by the World Trade Organization (WTO) Treaty was supposed to release large collective gains through free and open markets. But the regime is rigged, permitting rich states to continue to protect their markets through tariffs and anti-dumping duties and to gain larger world market shares through export credits and subsidies (including some $265 billion annually in agriculture alone) that poor countries cannot afford to match. Since production is much more labor-intensive in poor than in affluent countries, such protectionist measures destroy many more jobs than they preserve.

2. The TRIPS (trade-related aspects of intellectual property rights) Agreement, imposed on developing countries as a condition of WTO membership, secures technologically advanced countries large streams of revenues for use of their intellectual property while effectively excluding poor people from important innovations in pharmacology and agriculture.

3. Under the existing trade rules, affluent countries and their firms buy huge quantities of natural resources from the rulers of developing countries without regard for how such leaders came to power and how they exercise power. In many cases, this amounts to collaboration in the theft of these resources from their owners, the country’s people. It also enriches their oppressors, thereby entrenching the oppression: tyrants sell us the natural resources of their victims and then use the pro-

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19 Even against the determined resistance of the US Supreme Court which, most recently in its judgment in Citizens United v. Federal Election Commission (558 U.S. 50, 2010), insisted that the First Amendment to the US Constitution (“Congress shall make no law... abridging the freedom of speech, or of the press”) entitles corporations to spend unlimited amounts on “electioneering communications.”

20 About $6 billion were spent on influencing the outcome of the 2012 US elections.


ceeds to buy the weapons they need to keep themselves in power.\textsuperscript{23}

4. Under existing lending rules, affluent countries and their banks are encouraged to lend money to such illegitimate rulers and compel the country’s people to repay it even after the ruler is gone. Many poor populations are still severely burdened by the debts that, much against their will, kept their erstwhile oppressors in power: people such as Suharto in Indonesia, Mobutu in the Democratic Republic of the Congo, and Abacha in Nigeria.

5. The international banking system is structured to facilitate the embezzlement of funds by public officials in less developed countries by allowing foreign banks to accept such funds. Such complicity could easily be avoided: banks are already under strict reporting requirements with regard to funds suspected of being related to terrorism or drug trafficking. Yet Western banks still eagerly accept and manage embezzled funds, with governments ensuring that their banks remain attractive for such illicit deposits. Global Financial Integrity (GFI) estimates that less developed countries have in this way lost at least \$342 billion annually during the 2000–2008 period.\textsuperscript{24}

6. Global accounting rules facilitate tax evasion in the less developed countries by multinational corporations. Since they are not required to do country-by-country reporting, such corporations can easily manipulate transfer prices among their subsidiaries to concentrate their profits where these are taxed the least. As a result, they may report no profit in the countries in which they do most of their extraction, manufacture or selling of goods or services, having their worldwide profits taxed instead in some tax haven where they only have a paper presence. GFI estimates that, during the 2002–2006 period, trade mispricing deprived less developed countries of \$98.4 billion per annum in tax revenues.\textsuperscript{25}

7. Under existing rules, the more affluent countries can pollute at will without compensating for the harms they thereby impose, such as serious health hazards, extreme weather events, rising sea levels, and climate change, to which poor populations are especially vulnerable. A report by the Global Humanitarian Forum estimated that climate change is already seriously affecting 325 million people and is annually causing \$125 billion in economic losses as well as 300,000 deaths of which 99\% are in less developed countries.\textsuperscript{26}

By upholding supranational institutional arrangements that are badly slanted in favor of the world’s richest individuals and corporations, the leading national governments are massively violating the human rights of the poorer half of humanity whom these same supranational institutional arrangements foreseeably and avoidably keep in life-threatening poverty. The responsibility for this largest human rights violation of all time is shared by citizens of the more influential states who – even when they do not benefit from the injustice – are implicated in the wrongs and injustices their governments contribute to.\textsuperscript{27}


\textsuperscript{24} Dev Kar and Karly Curcio, Global Financial Integrity, Illicit Financial Flows from Developing Countries: 2000-2009 (Washington, Global Financial Integrity 2011). This outflow is over four times larger than all official development assistance, which, during the same period, averaged \$83 billion annually, of which only \$8 billion was allocated to »basic social services.«

\textsuperscript{25} Ann Hollingshead, The Implied Tax Revenue Loss from Trade Mispricing (Washington, D.C.: Global Financial Integrity 2010), p. 15, Table 2.

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