

Neue Gesellschaft Frankfurter Hefte

Journal of Social Democracy

4

2017

€ 3,80

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**How to Democratize Europe's
Multi-level System**

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Challenges and Opportunities**

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**There Are More Than Five Scenarios:
How real democracy in Europe might
come about**

INTERNATIONAL QUARTERLY EDITION

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The crisis that has gripped the European Union will not let go of us. Not only has it adversely affected people in Europe and threatened to dull their enthusiasm for the now-fragile historic work of unification; it also has had repercussions on the global situation. In truth, the current challenge – one that would be daunting even for an EU that enjoyed unimpeded scope for action – is to fill the shoes of Donald Trump’s America now that it has proclaimed its refusal to take responsibility for the world. Instead, united Europe is preoccupied mostly with its own problems, not least because it is no longer of one mind, even when it comes to existential matters. The crisis has numerous dimensions, all of which become more ominous as the entire structure weakens. The point is that we cannot lose any more time in initiating the most vital steps toward stabilization and renewal. But instead of doing that, the government of an important member country, Hungary, indirectly has just »declared war« by announcing that it will not obey a binding judgment of the European Court concerning the refugee question. This is a first step toward the corrosion of respect for one of the central institutions of the federation of states, a sign of imminent danger.



But perhaps even more troubling are the »quiet crises,« the ones that do not provoke conflicts among states or create headlines, but that constantly and insidiously undermine many citizens’ trust in the EU as a protective power. Above all, these crises touch on the social dimension, because the greatest ambition of unified Europe has been to offer its citizens ironclad protection against the unrestrained power of globalized markets. European treaties and many declarations issued by the Commission are replete with descriptions of the grand goals of the »social union« and affirmations of the urgent need for action. Yet this great promise has been broken due to the austerity policies adopted in the wake of the euro- and financial market crises. The EU has even reduced protections for the weakest inhabitants of the weakest countries. Still, every crisis contains the seeds of its own recovery. Now that it has stared into the abyss, Europe is starting to get serious about social solidarity, after proclaiming it so loudly and doing so little to make it happen. The contributions to this volume of the *Quarterly* focus on these issues and on the general situation that now prevails on the Continent. Frank Vandenbroucke’s essay, which sketches out a plan for setting up a European re-insurance scheme to cushion unemployment, offers a good example of how the way forward toward renewed social solidarity might begin.

Thomas Meyer

Thomas Meyer
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Ulrike Liebert

How to Democratize Europe's Multi-level System

Dystopian visions about a Europe that is undermining its democratic values and thus its unity are all the rage. There seems to be no pro-European remedy available against this rampant »democracy malaise.« The latter lies at the heart of the European Union's crisis, which allowed anti-establishment movements to become popular in the first place and eventually enabled them to come to power. If the ongoing disintegration of the European Union is not to make theories of European integration obsolete, there is very little time left to effect a democratic turnabout. Yet the German debate on Europe's future has a hard time countering illiberal discourses on popular sovereignty with a coherent narrative emphasizing that more democracy could bring about European integration. A narrative along these lines would have to deconstruct a great many myths: that there is »no alternative« to a technocratic, rule-based Euro-rescue policy; the »red lines« drawn by the German Constitutional Court; and the belief that Europe's national diversity would prevent parliamentary government in the EU. The goal of this essay is to show that a narrative of European democratization does not need to remain utopian, nor must it require a revolutionary leap. If it is to be convincing, it must present a scheme that proves in a coherent fashion that the democratization of the EU system is both feasible and necessary. It must show why European governance needs to re-forge its links to democracy if it is to resolve its current crises of rationality and legitimacy. And it must explain how such a democratization would work and in what way it could be shepherded through the legal and political minefield of EU politics.

To expand upon this argument I would like to draw on three prominent contributions to the debate on Europe's future. In the first of these, written in 2014, Jürgen Habermas makes the case for developing the EU into »doubly sovereign« supranational democracy (referenced in the Berlin journal of social science, *Leviathan* 42:4). The second is a plan drafted by Johannes Becker and Clemens Fuest (*Der Odysseus Komplex. Ein pragmatischer Vorschlag zur Lösung der Eurokrise*) that would reinforce national democracy on the basis of more European technocracy. Finally, we will consider »T-Dem,« a proposal elaborated by Stéphanie Hennette, Thomas Piketty, Guillaume Sacriste, and Antoine Vauchez that bears the title »For a Treaty Democratizing Euro Area Governance.« Their plan was published by C.H.Beck in September under the title *Für ein anderes Europa. Vertrag zur Demokratisierung der Eurozone* (In English: For another Europe: Treaty on Democratizing the Eurozone).

Development of the EU into a supranational democracy

According to Habermas, democratic transformation in the EU is necessary because »fears of decline on the part of many citizens« and a »crisis policy that features palpable injustices« have »turned national societies against one another.« »Crying social injustices« as a result of the constraints imposed by austerity and reform in the monetary union as well as the lack of courage to bring European issues before the public are jeopardizing »project Europe.« Habermas claims that it is possible to

avert these dangers by developing further the democratic institutions of the EU which combine the achievements of nation states in social and civil-rights matters with the advantages of a larger, democratically organized political unit. To accomplish this he proposes the concept of »double sovereignty,« which constitutes the citizens of Europe and the nations that dwell within democratically organized European states as a unity. This »heterarchical constitution« could legitimize the transfer of further remits to the EU level and carry out a policy shift in favor of a »mastery of the crisis based on solidarity.« The practicability of Habermas' scheme is disputed. Fritz Scharpf has objected that fundamental political conflicts in the monetary union might only be resolvable if »super-majoritarian rules for decision-making« protected the »legitimate diversity of member nations.« However, such rules would reproduce the pressure to reach consensus – exactly what a supranational European democracy would be designed to overcome (in: *Leviathan* 43:1). Dieter Grimm points out that it would not be easy to resolve the dilemmas of supranational democratic government: Even if a European electoral system and European parties could strengthen the skein of legitimation that links the voter to the European Parliament (EP), the latter would be kept out of the politically significant decisions, if these had been transformed into constitutional questions by the European Court of Justice. Both objections are cogent; nevertheless, the search for ways to escape from the dilemma does not entail either dissolving the monetary union or de-constitutionalizing the EU.

The expansion of national democracy through decentralization of the fiscal union

The course that economists Johannes Becker and Clemens Fuest have chosen is diametrically opposed to the road toward a supranational democratization of the Union. The heart of their »pragmatic proposal for a solution to the euro crisis« is a reform of the European economic and monetary union, an idea that would imply greater technocracy at the European level and more democracy at the national level. Their scheme postulates the unity of (parliamentary) control und (fiscal) accountability in a »coexistence of member states.« To make that happen, one would have to shift operative decisions from the package deals eventually negotiated in Brussels back to the individual European states, while also strengthening their democratic autonomy. Thus, sovereignty over decision-making in the areas of budgetary, economic, and social policy would be restored to parliaments in the individual states. Certainly, one aspect of their autonomy would be the liberty to make even bad economic decisions without being hampered by intervention from Brussels. In return, they would have to be willing to bear the responsibility and costs for their own bad decisions. Becker and Fuest anchor the joint rules for this arrangement in a »decentralized European fiscal union.« The authors concede that their plan has a problem: the reforms to the EU treaty needed for the implementation of their scheme would require major strides in integration comparable to those taken by the Maastricht Treaty, but it would be difficult to summon up broad majorities »if a few countries – among them the current debtor nations – would end up as the losers of any such

reform.« Wolfgang Streeck attacks this exposed flank in his critique, arguing that the economists' anti-euro-crisis recipe seeks a »pragmatic special path out of solidarity« (*Süddeutsche Zeitung*, March 26, 2017). It would end up being very expensive for Germany, would be blocked by German export and taxpayer interests, and would not survive future financial crises. However, a solution to the euro and EU crises does not have to amount to the »road back« favored by Streeck – the nostalgia for a national unity of currency, economy, and people. The evidence for this claim is supplied by what has been so far the most original contribution to the European democratization debate: »T-Dem,« a proposal for ways through which the Eurozone might be democratized.

Transplanting democracy into the Eurozone

»T-Dem« takes up the question of how the populist wave that is now threatening to destabilize our democracies might be held in check and how the dissolution of the European Union might be prevented. Europe's crucial problem is that austerity policy, which one-sidedly burdens the broad masses while protecting big capital, was adopted not by the European parliament, but exclusively by the governments of the Eurozone countries, usually without input from the national parliaments. »T-Dem« offers as a solution a »democratic transplant into the heart of the existing Eurozone system:« a parliamentary body representing the Eurozone which would involve the citizenry and help the Euro-executive act in accord with majority interests. Only national parliaments would have the legitimacy to bundle the authority to act in the areas of budgetary, fiscal, social, and economic policy. In this way they would be able to call to account the technocratic bureaucracies set up since the outbreak of the financial crisis. To democratize the Eurozone regime, a Eurozone parliament would be established, drawn from among parliamentary deputies in national parliaments in proportion to the size of their countries' populations. It would be endowed with strong rights of program planning, oversight, investigation, and decision-making. In addition, a considerably augmented budget should enable it to regain the freedom to consider substantive alternatives and stand up for sustainable growth, employment, social cohesion, and economic/financial convergence in the Eurozone.

»T-Dem« is not without its critics. Many observers who take a supranational perspective fear that the inter-parliamentary legislative power might indeed unify the Eurozone politically, yet weaken the European Parliament and that, as a new »core Europe« it could split the EU. These criticisms would miss the mark if the deputies of the EP were given representation, say by being allotted a certain share of the seats in the Eurozone parliament. Moreover, the proposed Eurozone assembly should not take any remits away from the EP; instead it should wrest new parliamentary powers from the Eurozone executive. Also, the unity of the EU would be preserved if the EU members that are not yet in the Eurozone were included in the new parliamentary assembly by being granted rights of consultation and information. Furthermore, »T-Dem« could also spark national worries, for example that the intended budget might get very expensive for the net payers into the EU (Germany above all) and even that the latter might no longer be able to exploit their current

de facto veto power in inter-state proceedings. Yet these concerns also turn out to be groundless to the extent that, according to the »T-Dem« scheme, the new euro-budget would have its own sources of funding, e.g., revenue from a financial transactions tax or a tax on businesses as well as extra money derived from a crackdown on tax fraud and evasion. Last but not least it must be asked how such a democratic re-founding of the Eurozone could survive in the shark tank of mutually canceling vetoes and potential ratification referenda stirred up by the populists. As a short-run response, »T-Dem« proposes an inter-state treaty among the Eurozone countries; over time, those eventually would be converted into treaties of the entire European Union. Will the German-French consortium champion this plan? Will »T-Dem« have positive vibrations on both sides of the Rhein and not just in the Eurozone but outside of it as well?

»T-Dem« is superior to the other proposals that have been aired to the degree that it takes into account the multi-level structure of government in the EU. The Eurozone parliament would bundle the sovereignties of both national and European levels. A euro-legislature created in this manner would no longer have reason to fear the present political pre-eminence of the executive and legislative branches. Also tipping the scales in its favor would be the enhanced capacity of the Eurozone to get important tasks accomplished, especially channeling global financial flows and shaping the economic and monetary order in Europe. Nevertheless, the scheme will not be put into effect without a narrative – which should have international connectivity – capable of communicating publicly a vision that would supercharge the German-French motor of integration, enabling it to move ahead into the next stage of democratization. The most interesting selling point of the scheme must be its effort to give the Eurozone a parliament without risking splits in the EU. Its successes should motivate countries not yet in the Eurozone to stay on the towline or even to want to come on board.



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The Last Battle?

Euroskeptics and Europhiles are mobilizing in East-Central Europe

Will Europe soon be defunct or is it past its prime? While some people are already interpreting the presidential elections in France and Austria and parliamentary elections in the Netherlands as proof that the pendulum is swinging back away from Europhobic populism, others shake their heads and point with alarm to Viktor

Orbán (Hungary), Jarosław Kaczyński (Poland), and Robert Fico (Slovakia) in East Central Europe and to the western European »nationalists' Internationale.« Whereas the optimists pin their hopes on the »Pulse of Europe« – tens of thousands demonstrate week after week in dozens of cities in Western Europe –, the pessimists grumble that authoritarian Euroskeptics have come to power in east-central Europe. Admittedly, they say, there were numerous pro-Europe demonstrations there on March 23 and May 6, but they were smaller than the ones in western European cities.

The demonstrators at Warsaw's Plac Na Rozdrożu (Parting of the Ways Square) – the location was not selected at random – did understand themselves to be part of the same European movement that showed up in more than 90 cities in twelve countries, but it did not give rise to a mass movement against the governing Euroskeptics either in Poland or in Hungary.

East Central Europeans are by no means any more lethargic than western Europeans when it comes to mobilizing in behalf of the EU. But the pro-Europe movement in eastern European countries is not centrally coordinated, and its links to other such movements do not function especially well. In addition, the Polish website of the »Pulse of Europe« does not give a contact address or offer any further references. But the main point is that Poland's European discourse today is almost exclusively a domestic affair. The EU lies at the heart of what must be the most intense quarrel over domestic policy since 1989. The bone of contention here is not simply whether the Polish state will understand itself to be liberal democratic or authoritarian, but also whether the EU should be accepted as a norm-setting institution on a variety of issues. The national-conservative government led by the Law and Justice Party (PiS) has objected to Brussels' intervention in everything from the Constitutional Court and media law to the public administration. While the adherents of »Pulse of Europe« in Frankfurt, Munich, Berlin, and Hannover oppose what are basically marginal groups in their society – Pegida or AfD – and self-consciously build bridges to like-minded groups in other EU countries, the friends of Europe in Poland have been locked in a clinch with the Euroskeptical government of their own country for almost a year and a half. The direct impulse behind the formation of the »Committee for the Defense of Democracy« (KOD) in November, 2015, was the paralysis of the Constitutional Court engineered by the national-conservative government in the wake of the parliamentary elections. Yet the initial incentive for mobilization from below was dismay over the ostentatious removal of European flags at the government's press conferences. The very first demonstrations were carried out under the slogans »free, European Poland« and »free, European media.«

That is the reason why KOD activists get irritated when they are told that German Sunday demonstrations for Europe should be a model for them. Poland is facing a totally different situation. We really don't have time to demonstrate for Europe in the abstract. We are demonstrating under the banner of Europe for the Constitutional Court, freedom of the press, and women's rights as well as against the clearcutting of old-growth forests and a disastrous educational reform plan. That is our »Pulse of Europe.« Unfortunately, Europe is again more of a support in the

intra-Polish debate over principles than a mandate for the way we should conduct our foreign affairs. That, at least, is the way in which some of the demonstrators expressed it on March 23.

Adam Michnik's newspaper, *Gazeta Wyborcza*, seized the initiative for Polish pro-European demonstrations. The day before the marches, the paper listed the assembly points in Polish cities and publicized the appeal »We love you, Europe.« In addition, a special supplement to the paper clarified what all was at stake if the Euroskeptics should prevail in Warsaw. What would Poland look like in 2020, if it were to lose structural funds, freedom of movement, ecological norms, and inclusion in the pipeline system of European exchanges?

Because of the tensions between Warsaw and Brussels over the re-election of Donald Tusk as president of the Council of the European Union, the Polish march on the sixtieth anniversary of the signing of the Treaty of Rome struck a special Polish chord in regard to both domestic and foreign policy. Three weeks before the Jubilee, the Polish government alone voted against the re-election of the former Polish premier. The rulers of Poland arranged to have the curious debacle of 1:27 (one vote cast against Tusk by Poland, and 27 votes for him by every other EU country) celebrated as a moral victory and »investment in the future,« by presenting the minister president, just back from Brussels, with huge bouquets of flowers. Yet, the Polish populace by no means shared in the enthusiasm. The PiS's poll numbers continued to fall. 38 % of respondents opined that the vehement opposition of minister president Beata Szydło against Tusk's re-election had detracted from Poland's standing in Brussels, while 32 % said it was unchanged and just 9 % – the hard core of PiS voters – believed party boss Jarosław Kaczyński when he said that the affair had enhanced Poland's weight in the EU. On the whole the data were unequivocal: the great majority (61 %) of the Poles interviewed wishes to remain in the EU, while only 9 % would advocate a Poxit. It is also interesting that 68 % of Poles advocate a right of intervention in a member state in case it violates existing EU law, while 20 % oppose (although 41 % of PiS voters express their opposition).

These pro-European polling numbers are exactly the reason why the EU is at the center of Poland's internal debates over fundamental issues. In the latter, the question has also arisen: what kind of Europe do we want: a liberal federation of states or a loose association of authoritarian nation states? The Polish national-conservatives are saying one thing quite clearly: not that way!

By contrast, the opposition is hoping that the defeat of the PiS in its absurd veto campaign against the re-election of Tusk will have a snowball effect in the public sphere. Prior to the elections of 2015, the PiS figured out how to project a public image of itself as a rejuvenated and moderate pro-European party. It was thus able to reach voters who either had forgotten its hectic term in office from 2005 to 2007, or had no direct conscious experience of it. The former deputy to the European Parliament from Civic Platform (PO), Lena Kolarska-Bobińska, put it this way in her *Polityka* column: »Now the image of a pugnacious, irrational party is back, a party that stirs up incomprehensible quarrels and is incapable of cooperation.« By its ham-fisted foreign policy, the PiS has exacerbated the division between those who want a

strong EU and those who insist upon the sovereignty of the nation-state – according to their own taste.

By contrast, the PiS EU Parliament deputy Ryszard Legutko, writing in a government-sponsored publication called *wSieci*, maintains that we »are the ones who are defending Europe.« Almost unnoticed, liberal-democratic civilization is putting in place »mechanisms that we know from the previous system, the communist one.« By struggling to go its own, Polish way, the PiS is also rescuing the European culture of diversity. He alleges that Tusk and his party colleague, former EU commissioner Janusz Lewandowski, are »people without convictions, who have abandoned their culture and do not like Polishness. This is not a fight between people who have distanced themselves from the EU and others who are the Union's fervent adherents. It is a fight between those who would prefer to preserve their national identity and those who want to destroy it.«

In this intra-Polish »total war« for Poland in Europe, Germany plays a very small part. In contrast to 2005, during the election of 2015 the PiS held back on its anti-German cannonades, if one disregards the broadside it launched against Angela Merkel's opening of the border to refugees. The PiS government saw itself as being more in conflict with Brussels than with Berlin. It was Martin Schulz, as President of the European Parliament, rather than Angela Merkel, who symbolized »unprecedented meddling in the internal affairs of a sovereign EU member-state.« And the Polish opposition, for its part, sought an appeals court in Brussels rather than, say, in Berlin for the intra-Polish conflict over democratic values and institutions.

Social researchers see three relatively equal groups in Poland: the successful, who today mostly side with the protest movement KOD; the followers of the PiS government who either belong to the national-Catholic hard core or have fallen by the wayside due to the transformation or their own neglect; and young people, who know little of the history of the past 25 years and find themselves in a political vacuum.

Poland's now retired state president, Aleksander Kwaśniewski, thinks that the weakness of the anti-PiS opposition stems from the fact that, while it may indeed defend the status quo that existed before the PiS took power, it does not put forward any needed reforms. For its part, the PiS is backward-looking, with its promises to Polishize the economy, redistribute wealth, defend authoritarian values, and uphold a policy of glorifying the past. Moreover, it is, he says, unwilling to adopt the norms decreed by external sources of authority.

For the social democrat Kwaśniewski, a »United States of Europe« might indeed be a pipe dream today, but in 50 years it might become a »natural« vision »unquestioned by anyone.« In today's Poland and Hungary, »The last battle of nationalist circles against inevitable globalization and increasing interdependence is being fought out.« The only question is what price Europe will have to pay for the current disintegration. It is certainly possible that its rebirth could take as long as thirty years. That is the reason why it is not good enough today merely to defend the status quo, even if the ever more anti-elitist, riled-up citizens are Euroskeptical and deaf to the new challenges. Kwaśniewski adds, »I can hardly imagine that there will be a lasting regression.«

How can we stem the »national conservative tide«? There is a Polish saying *róbmy swoje*, which roughly translates as »Let's do our part,« meaning that we should work at the grass roots. We have had good experiences in Poland with self-education and self-organization of the willing from below. Democracy does not sell itself. Every generation has to learn how it works and make a commitment to it. East-central Europeans are in the process of realizing this. But the western Europeans and even the Russians take to the streets in support of liberal values and an open society.

Evelyn Roll, a politically committed journalist for the *Süddeutsche Zeitung*, called for a general mobilization in favor of Europe in her broadside »*We are Europe! A polemic against Nationalism*,« that appeared in early 2016, the tone of which was reminiscent of the *Communist Manifesto*. In Polish, the rather less militant translation of the title would be *pospolite ruszenie*. She writes: »In 1913 and 1932 there was no Internet, no Facebook, and no Twitter by means of which Europeans might have networked with and protected each other across national boundaries and shaken their sleepwalking heads-of-state awake. Today it's a different story. Each person can do far more than just sit at home every evening complaining about the day's feature stories and being in a bad mood. The Internet puts ingenious tools at our disposal that will convert the silent, invisible, individual discontent of the majority into audible outrage and action that can't be ignored.« She then provides a list of Twitter, Facebook, and Internet addresses (*spinelligroup.eu* or *wemove.eu*), NGOs, and organizations like the International European Movement (EMI), the Union of European Federalists (UEF), and describes programs such as »Don't Touch my Schengen« or groups like »The Young European Collective« with its initiative of giving every young person in Europe a free Interrail ticket for his or her 18th birthday.

In the wake of Brexit, the election of Donald Trump, and the openly anti-EU policies of Vladimir Putin, Europe's condition has become more fragile still. The writer Reinhold Vetter concedes that Evelyn Roll has her heart in the right place and sees the necessity of mobilizing pro-Europeans, but he finds fault with the conceptual thinness of her article. He also accuses her of underestimating the »differences in cultural and historical consciousness« among the EU member countries. For the time being, regional and national mentalities will not change even though certain problems – such as the refugee crisis – can no longer be solved at the level of the nation-state. Vetter adds that, thus far, the idea of the EU as a community of values is just a fiction. Member states violate those values. And since the sanctions mechanisms do not have much effect, one has to ask whether anyone really wants to have a community of shared values: »If the answer is yes, then shouldn't we treat states that flout those values more harshly – perhaps with financial consequences or expulsion from the community? I believe the answer is yes.«

I have my doubts about this. For one thing, it is hard to imagine that countries like France or Germany would ever be punished if they themselves were censured for failing to live up to certain EU standards or guidelines. For another, a frontal assault via sanctions will only strengthen the resolve of the ruling group to defend itself, while driving new supporters into its ranks on account of their injured

national pride. Finally, this sort of stigmatizing of unregenerate governments could stimulate a desire among the affected population to secede from the EU.

Doing nothing is equally unthinkable. The EU's behavior must be both firm and supple. Former Federal Chancellor Gerhard Schröder once told me that for him the EU was a »pedagogical institution,« that compelled him to keep his own national interests in check. But what pedagogical lessons should apply in this case? Should they be the negative ones: the paddle, the dunce cap, and suspension from class or school? Or should they try to set a good example through encouragement, patience, aid, refinement, and positive efforts in behalf of the insubordinate kids just starting school? To that extent a *pospolite ruszenie* for Europe would not be entirely wrong-headed.

Still, the crucial step in this business is not so much to influence the Euroskeptical groups but rather to reach out to the entire societies of the affected countries so they will not see the EU as an alien power. This point should be emphasized almost in prayer-wheel fashion vis-à-vis the Euroskeptical governments, while at the same time initiatives should be taken to strengthen the opposition forces that advocate European positions inside the country. Even in a Europe moving at different speeds and displaying variable geometries, the point cannot be to expel the »insubordinate ones,« but rather to keep their options open, so that they might one day finally rejoin Europe.



Adam Krzemiński

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Frank Vandenbroucke

Solidarity in the Monetary Union

Challenges and Opportunities

We live in an age of uncertainty and fear, politically and economically. Can the European Union, as a beacon of openness in the world, provide its citizens with more prosperity while diminishing their uncertainty? How can the Union, open and integrated as it is, be a true community of flourishing welfare states? When I use that expression, I am not referring to a European welfare state embedded in a federal European superstate. I envisage a union that becomes a holding environment for successful national welfare states. We should not become entrapped in the wrong debate about sovereignty! In this essay I focus on one aspect of the challenge: the completion of the Economic and Monetary Union.

All monetary unions except the Eurozone are »insurance unions«: not only do they centralize risk management with regard to banks; they also centralise

unemployment insurance. Monetary unions either opt for a general, centralized unemployment insurance scheme (as in Canada) or they streamline unemployment insurance and provide support when the need is high (as in the USA, which combines centralization and decentralization in unemployment insurance). This is rational for two reasons. First, risk-pooling enhances resilience against economic shocks hitting individual American states (or individual Canadian provinces). Second, insurance systems create an »externality«: a state or a province that properly insures itself also helps its neighbours. Think about vaccination, which also creates »externalities«: By getting vaccinated, individuals not only protect themselves from infectious diseases but also the people with whom they come into contact. Hence, it is rational for governments to make vaccination compulsory and to subsidize it.

A monetary union is at a higher risk of contagion than a mere common market. Therefore, it does make sense for the members of a monetary union to agree on a set of minimum requirements with regard to the stabilization capacity built into their national social and economic systems. Which minimum requirements – comparable to mandatory vaccinations – should apply? From a preventative perspective, fiscal prudence is a first requirement: member states must not accumulate too much debt because that reduces their ability to incur additional debt during a downturn. However, fiscal prudence can be only a precondition; welfare states must have an in-built »automatic« stabilization capacity to cushion economic shocks. Unemployment insurance is very effective for stabilization: it kicks in only when people lose their jobs, which makes it crucially different from other social benefits (or, from a universal basic income).

The stabilization effect of unemployment benefits depends on their generosity and their coverage. Hence, a »compulsory vaccination« programme against instability would include minimum requirements with regard to the coverage and the generosity of unemployment benefits in the Eurozone member states. Do they cover all employees or do large groups remain uninsured, as was traditionally the case in Italy (which explains why the stabilizing role of unemployment benefits is so limited in that country)? Are they generous enough, yet not so generous that they might create incentives for idleness? For national social policies, unemployment benefits are the metaphoric camel's nose: whether they generate resilience, i.e. whether they function as an effective shock-absorber without negative side effects, also depends on general features of labor markets and the quality of activation policies. The stabilization capacity of welfare states is diminished when labor market segmentation leaves many workers poorly insured against unemployment, or when jobs that give no access to the social insurance system proliferate. Poor labor incentives, on the other hand, lead to long-lasting scarring effects of unemployment. In other words, a »vaccination programme« to stabilize national welfare states entails a cluster of principles for good labor market policies.

It is no coincidence that vaccination is not only compulsory in many countries, but also subsidized by the state. Economic theory teaches that goods with positive externalities should be subsidized. Indeed, in the Eurozone, it would be rational to supplement compulsory minimum requirements with regard to the quality of

national schemes with budgetary support when they need it. Access to a temporary subsidy to keep the national »vaccine« affordable and a compulsory vaccination program would go hand in hand. The best technique to achieve this is mutual insurance: mutual insurance would create a fiscal union of a special kind, which is politically easier to obtain than a full-fledged budgetary union with a common treasury. The EU would not develop a federal budget such as those in the US or in Canada, but a relatively small insurance premium could have the same stabilizing impact.

How should this be organized? Several proposals have been published. These proposals typically imply that member states contribute to a common fund that disburses money to member states that have to contend with a significant increase in unemployment. A research consortium led by the Centre for European Policy Studies (CEPS) examined different variants of a European Unemployment Benefit Scheme. The complexity of setting up a genuine European Unemployment Benefit Scheme, even if it only complements existing national schemes, should not be underestimated. Moreover, any European scheme should exclude permanent transfers in favor of certain member states and avoid a structural redistribution of resources between the countries: it should instantiate a pure insurance logic, covering risks that affect all countries participating in the scheme to the same extent. My conclusion from this research is that it is easier to meet these conditions and to implement such a scheme, if it takes the form of »re-insurance« of national insurance schemes, rather than being a genuine European unemployment benefit scheme, that would create European benefits for individual European citizens. The re-insurance model operates with budgetary transfers between a European fund and member states (rather than with transfers to individuals in member states). If a member state were confronted with a significant increase in unemployment, the European fund would provide financial support for the unemployment insurance system of that member state. Therefore, we speak about the »re-insurance« of the national insurance scheme. Re-insurance is an established practice in the private insurance sector. An insurance company organizes »re-insurance« when it insures the overall risk of other insurance companies; thus, the latter companies can remain financially viable even when they are confronted with a major disaster that forces them to pay out so much money that their very existence is threatened. Compared to the organization of a genuine European unemployment benefit scheme, re-insurance of national unemployment insurance schemes allows more flexibility and offers more scope to mitigate the risk of institutional moral hazard (I return to moral hazard below); it is also less complicated.

In a sense, the rationale for Eurozone re-insurance is simple: prevention is better than cure. Although a degree of solidarity has developed within the Monetary Union since the crisis, it only came about after difficult intergovernmental negotiations. Solidarity was not *ex ante* rooted in the European fabric, it occurred *ex post*. This has two drawbacks. Organizing solidarity *ex post* implies *ad hoc* negotiations about burden sharing and conditionality, which easily leads to conflict and polarization between governments and their electorates. *Ex post* solidarity is also more expensive than *ex ante* solidarity if the latter has a preventative impact. This certainly applies

to economic stability: Since economic swings are driven by expectations, the expectation of a shock-absorber doing its job is in itself a way of preventing severe shocks. With a view to resilience, risk-reduction and risk-sharing reinforce each other.

Analytically, the argument for risk-sharing is compelling, although careful thought must be given to the technical issues involved in its implementation. Politically it remains an uphill battle. Solidarity is always intrusive. If the aim of European solidarity is to contribute to stabilization, a logical corollary is that the stabilization capacity of the national socio-economic systems must be adequate. Maintaining (and, in some countries, reinforcing) the stabilization capacity of national systems becomes the self-evident political *quid pro quo* for organizing European support. Moreover, the possibility that member states that benefit from European support for their unemployment insurance system might become »lax« with regard to the activation of the unemployed and (re)employment policies at large, generates an obvious risk of moral hazard. We should not become totally obsessed with moral hazard. Moral hazard is unavoidable in any context of insurance. If you're obsessed with moral hazard and want to eliminate the faintest possibility that it might arise, you'll never be able to organize insurance and reap the benefits of collective action. On the other hand, we should not be dismissive about moral hazard: we should address it, and find solutions to minimize it. One option would be to reduce the risk of moral hazard by introducing financial mechanisms. A European re-insurance scheme could be based on the degree to which short-term unemployment in member states deviates from its historic (national) profile, so that long-lasting structural differences between countries don't have an impact on whether or not re-insurance kicks in. High thresholds for intervention can guarantee that the fund only intervenes in case of severe shocks. Next to financial mechanisms, moral hazard also could be reduced by establishing minimum requirements concerning the quality of the member states' activation and employment policies. If these minimum requirements are effective, more room would be created for a powerful insurance mechanism. For solidarity to be effective, it needs to be somewhat intrusive.

Pursuing convergence in basic issues of employment and social policies is a well-known challenge in the EU: the *European Youth Guarantee* can be seen as a good example of »quality assurance« with regard to national activation policies for young people. However, this approach remains relatively soft and partial. The *European Pillar of Social Rights*, launched by the European Commission, is a huge opportunity to revamp and broaden that approach, and to give it more bite. The Commission's outline of the Pillar includes principles on unemployment insurance, with regard to both activation and the quality of the benefits. It also refers to the need to give all workers access to social insurance. Hence, there is an intrinsic link between the debate on the European Pillar of Social Rights and the debate on Eurozone stabilizers. Social democrats must engage with this debate.

(For a discussion of the differences between a re-insurance scheme and a genuine European unemployment insurance scheme, see Frank Vandenbroucke: *Automatic stabilizers for the Euro area and the European social model*, Tribune, Notre Europe, Institut Jacques Delors, September 22, 2016. For a broader discussion of the

Eurozone's social dimension, see Frank Vandembroucke: *Structural convergence versus systems competition: limits to the diversity of labour market policies in the European Economic and Monetary Union*, ECFIN Discussion Paper, 2017.)



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What's Left of the Euro-crisis

Controversy over the reform of the economic and monetary union

Relief about lower unemployment in Spain, an unexpectedly high primary surplus in Greece, and a solid, if unspectacular outlook for economic growth in the Eurozone as a whole has misled many observers to check off the euro-crisis as a problem solved. That is all too understandable: After seven damn years of crisis, leaders in the economy, politics, and media no longer have much interest in reconvening the same old conferences among the same old antagonists, whether between debtor and creditor nations or between the solvent core and the crisis-prone periphery. In response to improving conditions and rising prices, here in Germany demands have been directed at the European Central Bank (ECB) to terminate the phase of zero interest rate policy and other cheap-money policies. In light of the challenges posed by Brexit, right-wing populism, Islamist-inspired terrorism and the inability to find an internationally sustainable way to deal with refugees, the EU would like to return to normalcy at least where the currency union is concerned.

Yet this is a very German view. It is shared by the broad public, since the crisis narrative disseminated by the federal government since 2010 has sought to assign blame to and censure the indebtedness of other countries. Likewise, it has portrayed Germany's economic situation throughout all those years as bad enough, yet as extremely stable in comparison to that of its neighbors. The situation in the crisis countries is different; there is only very limited political will in other EU states to take on new joint projects such as the strengthening of defense capabilities unless and until the leftovers of the euro-crisis have been laid to rest. We are reminded regularly of their existence by unresolved banking problems, whether in Italy or even with Deutsche Bank, the recurring quarrels over Greece's alleged failure to adhere to guidelines from the last bailout, fear of market panic over right-wing populist electoral triumphs, and the still miserable economic and labor market data in many European countries (despite whitewashing interpretations of those data).

Unfinished homework

There are plenty of homework assignments that spell out in detail what has to be done to overcome the euro-crisis, but some of these assignments remain unfinished, while others have been set aside or nearly forgotten. Scholars have not been inactive in the field, having delivered wide-ranging volumes full of reform ideas. Some of the latter even have found their way into European politics. The previous European Commission developed a schedule of reforms (a »blueprint«) in 2012. Then came the joint report prepared by the President of the European Council, the Eurogroup, the ECB, and the European Commission, which recorded in detail the instruments that were supposed to be used to streamline the Economic and Monetary Union (EMU) so that it might weather the next crisis more successfully than it did the last one. Almost nothing was put into effect; all of the talks among member states concerning bigger reforms petered out. Since 2015, Commission President Jean-Claude Juncker has made an effort to revive the reform debate. Up to this point, the so-called Five Presidents' Report is the last comprehensive account of the »leftovers.« Both the *White Paper on the Future of Europe*, published in March, 2017, and a »reflection paper« on the deepening of the monetary union (May, 2017) take the Five Presidents' Report into account.

So far, Juncker has not had much luck with his initiatives. The reason is that two rigidly opposed and highly controversial viewpoints concerning the causes of the euro-crisis and the lessons to be learned from it in revising the EMU architecture have been causing gridlock. The crisis of the last few years reignited an old dispute from the early days about the most economically sensible way to shape the monetary union. At that time – as today again – there was a standoff between those who advocated self-regulation by free-market forces as their organizing principle and those who preferred a more ambitious, Community-level steering of the political economy. Two distinct economic paradigms lie concealed beneath the controversy.

Those who advocate the objectives of a »stability union« emphasize the efficiency of market mechanisms and consider the state, when it acts as an economic policymaker, to be a risk to the monetary union. Under an »ordo-liberal,« monetarist approach, the main goal is to keep inflation low and the currency stable. So as not to jeopardize those objectives, the state's fiscal policy must be subordinated to clear and binding rules. Decision-making and accountability are located on the same plane. This means that every country is individually responsible for any deviations from the relevant body of rules; joint liability for undesirable developments must be excluded, it is claimed, because otherwise false incentives would be given, and the disciplinary workings of market reactions would be set aside. By contrast, advocates of a »fiscal union« regard the machinery of a monetary union as inadequate to counter market failure and to even out asymmetries within the currency area. From a Keynesian perspective the state and the central bank play crucial roles in alleviating economic crises. The advantages of monetary union – controlling currency speculation and fluctuations – allegedly are offset by the disadvantages that arise when a country enters the currency association: the relinquishment of and restrictions upon national instruments of economic policymaking. These macro-economic

costs of monetary integration somehow must be held within limits. Assuming that uniform monetary policy will prevail, the way to overcome the disadvantages would be to establish instruments of fiscal policy at the Community level to compensate for economic shocks that affect member states differently.

In the Treaty of Maastricht, the founding document of the EMU, the advocates of the stability perspective won out. Their triumph is attested clearly by several clauses: a central bank the primary responsibility of which is to maintain price stability, the budgetary rules laid down in the body of the treaty and the stability pact, and the no-bailout principle. From that time forward, the top-priority task was understood to be the evolution of the Eurozone into an optimal currency area by increasing factor mobility and trade ties. The exponents of fiscal integration were able to counter this market-oriented logic of competition only by enacting a battery of toothless, rather ineffective »soft law« instruments, including economic-policy guidelines, macro-economic dialogue, the ten-year strategies of Lisbon, and »Europe 2020.«

When the time arrived to analyze the shortcomings of the monetary union, the euro-crisis did not lead to a meeting of the minds between the two perspectives. The stability unionists maintain that the austerity program and the intensification of supervision over national budgets accorded well with their theory. By contrast, the European Stability Mechanism (ESM) and the plan for a complete banking union through the establishment of transnational liability principles reflected more closely the goals of the fiscal unionists. The main bone of contention continues to be the question of whether the symptoms of crisis should be laid at the doorstep of poor policymaking by individual states or attributed to the systematic incompleteness of the EMU architecture. But where there is no agreement on the causes of the crisis, it is hardly likely that there will be a consensus on more thoroughgoing reform measures.

Defenders of the status quo dominate

A group of European states, led by Germany and Finland, but also including Estonia, Lithuania, the Netherlands, and Malta, is demanding a stepped-up pace in the enforcement of deficit and debt rules and a more stringent implementation of national structural reforms, reinforced by sanctions. Help in carrying out this plan could come from direct, treaty-based agreements between each member state and the EU, as well as the appointment of a European finance minister who would supervise the enforcement of the rules but lack a political mandate. As far as the banking union is concerned, the stability camp, in particular, is opposed to the planned scheme for common deposit insurance. And, in Germany, there are some fairly advanced ideas concerning ways in which the no-bailout principle and market discipline again could be given fuller application via a bankruptcy law for states. The elements of this program should not be surprising; in many respects they are based on the experiences of managing the crisis of the past seven years. In the last analysis, the governments of the countries mentioned here are defending the status quo of the EMU design from the 1990s. Hence, they have only slight interest in discussing the leftovers of the euro-crisis. It is often said of Angela Merkel that she wants to

»muddle through«; but in truth that approach follows a thoroughly rational strategy of preserving ordo-liberal principles in the construction of the monetary union.

There is also a group of euro-states centered on France and Italy that is dissatisfied with this situation. It also includes Spain, Portugal, Belgium, Luxembourg, Slovenia and Latvia, as well as – with some minor reservations – Cyprus, Slovakia, Ireland, and Austria. They are considering proposals that would promote deepened fiscal integration: a complete banking union, the creation of a Eurozone budget, joint debt management, and closely coordinated economic policies aimed at generating growth and investment. The central elements of these proposed instruments, designed to equip the EMU to handle future crises, would be transnational liability and better political governance within the Eurozone. But the devil is in the details: There is little clarity about the shape, scope, and reach of these instruments. Whereas the governments of Italy, Spain, and Portugal would gladly set in motion all of the measures noted above as soon as possible, other countries are more hesitant. They do not agree on whether they should aspire to implement such steps as European unemployment insurance, a European fiscal capacity, convergence of economic and social policy, or even the strengthening of currently existing procedures for overseeing macro-economic imbalances. Countries in this camp unanimously favor the long-range goal of a fiscal union, which explicitly presupposes a political union as well, but they have differing ideas about the best way to get there.

No wonder the stability unionists dominate – or suppress – the debate about how to handle the leftovers from the euro-crisis. It is easier to defend the ancien régime of the EMU than to take the revolutionary road of lobbying for Community policymaking, the relinquishing of some sovereignty, and transnational risk-sharing – especially since the prestige of European integration is at stake and the public might not be receptive to revolutionary changes. The fuzziness of their substantive proposals attests to the difficulties facing the fiscal unionists. Now that Emmanuel Macron is the president of France, the controversy will gather renewed momentum. If he is able to unite the camp of fiscal unionists, and if political forces in Germany are more receptive to his plans after the coming elections to the Federal Parliament, a new campaign in favor of the fiscal completion of the monetary union might even succeed.



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There Are More Than Five Scenarios

How real democracy in Europe might come about

Politically, at least, 2017 has not been a bad year. Norbert Hofer and Geert Wilders were stopped in their tracks; meanwhile, in France, Emmanuel Macron won the presidential election and now voters have awarded him a big majority in parliament. So the EU is finally able to breathe freely: The worst is over, especially against the backdrop of a Donald Trump, who has served as a negative example. But do these events mean that Europe can sit back and relax? Hardly, since it is an urgent matter to revitalize European democracy, and currently the discussion about that topic is picking up steam. One reason to think so is the outcome of the recent British elections to the House of Commons, which did not give the green light for a hard Brexit and in fact expressed unmistakable doubts that have now called into question the whole idea of Brexit itself. Another reason to think that democracy has gotten onto the agenda is furnished by the wording of several party programs such as those of the NEOs (New Austria and Liberal Forum), the Greens, the Free Democratic Party and the Pirates. Looking ahead to upcoming elections in Germany and Austria, they are demanding clear commitments to a spirited reshaping and renovation of Europe. Third, Emmanuel Macron's campaign included a pledge that the Eurozone needs to be reconfigured both institutionally and economically. Finally, a lively civil society has appeared (keyword: #pulse of Europe) that seems willing to go into the streets for Europe. And in the EU's Eastern states – Poland, Hungary, or Rumania – there are many people demonstrating for Europe. All of these indicators demonstrate one thing above all else: The reconstruction of Europe has long since become a goal of the political center, of European civil society. The process is no longer in the hands of the EU, and that is a good thing.

Why? Because at the beginning of March the European Commission under Jean-Claude Juncker published a *White Paper on the Future of Europe* that introduced five scenarios for the 27, by means of which the crisis could be overcome and Europe's future made secure. Those scenarios are unsurpassed in their timidity. The document provides no answers to the questions of how the EU might get a grip on the colossal mismanagement of the banks and the euro-crisis, or how it might guide Europe in a more »social« direction. At bottom, it fails to explain how the legitimation of the EU's political processes might be improved, an issue about which the populists have been the loudest in their fulminations. Nor does it offer answers about how, for example, the EU might improve its capabilities in managing the refugee crisis. So today it is possible that the idea of Europe will be reduced to »deepened cooperation« in the area of electrical mobility.

It is questionable whether there really are even five scenarios at all. The first one reads: »Keep on doing what we have been doing.« Of course, that strategy can only work when you have stable institutions. The EU cannot say that about itself at this time. Scenario two, no less unrealistic, is: »back to the internal market.« Is the idea

here that we should undo the euro? After all, the slogan used to be: »One market, one currency.« Scenario three – »Let the willing move forward« – is not really a new scenario, since different rates of integration have been possible even under the terms of the current treaties. It's just that no one has used them before. Scenarios four and five remain to be considered: Either the member states do little together but do it right (e.g., in the areas of security and defense), or they do much more together and, obviously, they finally get it right. None of this is especially original. Also, both of them overlook the already palpable splits within both the EU 28 (soon to be 27) and the Eurozone. Thus, the call for a core Europe easily could betray the heritage of 1989. Scenarios four and five also elide the fact that currency and strategy, i.e., foreign and security policy, have a particularly close relationship, simply because wars cost a lot of money. »Currency over here, security over there«: That formula will not do. Scenario five thus involves the essential core of the EU, which the EU itself has long tiptoed around: the question of who actually is Europe's sovereign. As long as the response is that the nation-states are sovereign, Juncker's scenarios will not be worth the fancy paper they are printed on.

The demand for »European democracy«

Since output legitimacy is no longer a sure thing, perhaps it is time to revisit the EU's input legitimacy. For decades, political scientists agreed that the EU is a *sui generis* entity, that it should operate as a system of multilevel governance, and that it is neither desirable nor possible to apply classic paradigms of democratic theory (e.g., the separation of powers, equality of civil rights) to the European level. National democracy, in other words, is not a template for the EU. In the interim, however, this discussion appears to have moved to new ground. A rising generation of European think tanks has come to demand European democracy rather than more European *integration*, which marks a considerable – and more than just conceptual – shift. Current political trends also suggest that the concept of European citizenship is making inroads in the debate.

The principle of a universal, equal, and direct suffrage for all European citizens has been introduced into the conversation by a variety of sources. It is not a new idea; in fact, European federalists in the early years already held it to be one of their guiding principles. »One person, one vote« indeed would be the most significant step toward a radical re-founding of European legitimacy, if the goal is still to establish a kind of political unity in Europe that would be capable of legitimizing its economic unity.

Political science has done a great deal of research on the effects of equal voting rights on society, showing that they transcend the immediate consequences. As long ago as the early 1990s, in *Le Sacre du Citoyen*, the French sociologist Pierre Rosanvallon vividly depicted the impact that the promise of equality (proffered at the outset of every democratic revolution) has on societies. The legal principle, which then gradually unfolds its universalistic integrative power, has a symbolic effect. The citizens feel a sense of unity as members of the political collectivity. That is exactly the phenomenon that might pave the way for a new foundation of the European

body politic, which in turn is the prerequisite for any *democracy*. In many different historical epochs, the individual person's equal right to cast a ballot was always the expression of the modernization of society. And there is nothing that Europe needs more today than modernization.

The objection usually raised when the idea of equal voting rights is applied to Europe as a whole is that it would give a huge advantage to large states, especially Germany, vis-à-vis smaller states such as Luxembourg and Malta. This objection notes that the European Parliament (EP) features weighted voting according to national affiliation. Yet when it comes to voting behavior in the EP, *the* Germans are not a single homogeneous entity; moreover, the German vote would not be aggregated as it is, say, in the European Council, where there is indeed *one* German vote. In fact, the European Council is the greatest stumbling block on the road to European democracy, precisely because voting behavior is not distributed along political lines. There is some prospect that equal voting rights would produce an EP in which political criteria would trump nationality. Of course, that is exactly what the EP wants to happen. But for its part the Parliament is not the (sole) legislator. Moreover, it is not the central locus of European democracy, precisely because its members were not elected by universal, equal suffrage. In other words, Europe's sovereign, the citizens of the EU, are not represented adequately. This was precisely the reasoning of the German Constitutional Court in Karlsruhe in its famous »as long as« verdict: As long as the EP is not »properly democratic,« i.e., because the body politic from which it is composed is not equal in respect to electoral modalities, and European citizens therefore cannot be represented in accord with the principle of »one person, one vote,« legislative power cannot be handed over to the EP. That explains why, following the 2009 ratification of the Treaty of Lisbon, Karlsruhe requested the Bundestag to assume oversight functions in respect to the EP via the »Integration Responsibility Law.« If there is to be any chance that Karlsruhe will move beyond its »as long as« mode, then logically there can be no other way forward than to make the EP so democratic over the long term that there would no longer be any obstacle to granting it the prospect of full legislative rights. Thus, equal voting rights would be the first step toward European democracy!

Equal voting rights as a first step

It is by no means radical to ask for this step to be taken. The first proposal to create transnational electoral districts, in which each deputy would represent about one million votes, originated with the European federalists in the early years of the EU. They were already prefigured in the »Hertenstein Program« of 1946. Ever since the so-called European Electoral Reform Act of 1976, which made possible the first direct elections to the European Parliament in 1979, the EP has been working toward precisely the goal of equal voting rights. Likewise, since becoming a directly elected body, the EP has tried to spell out what *European citizenship* means, in material terms. The most recent parliamentary push was the Hübner-Leinen-Report, accepted by the EP in November of 2015 by a large, multi-partisan majority. It advocates a far-reaching standardization of electoral modalities across all of Europe,

including the creation of the long-sought »transnational« electoral districts. However, it lacks the most sensitive and at the same time most crucial element: »one person, one vote.« Yet it is precisely this move that would launch a leap into the full federalization of Europe, a European House of Deputies, and the opening gun in a campaign for European citizenship.

Weighted voting belongs in a second chamber, as is the case in all federal systems the world over. One would have to think through the details concerning this chamber, but it might possibly consist of representatives of European regions as the constitutive bearers of a new, post-national Europe. Regions within the EU each could send two senators to this new chamber, which would then act as a European Senate. Across the Continent, there are quite a few regions that might like to secede from the body politic of their respective nation-states, e.g., Scotland in the wake of the Brexit decision, or Northern Ireland and Catalonia, in which a referendum on independence is pending. Why not use this trend to undertake a new foundation for Europe instead of fighting it? To this end we also could directly elect a European President who would embody and promote the unity of Europe's political system. This idea already has been incorporated into the programs of many political parties.

All this sounds highly theoretical, yet it is really quite concrete. Current discussions about improving European governance, such as the one about enhancing the Union's so-called fiscal capacity (that is, the ability to generate revenue) – not to mention the calls for a »European finance minister« or a »Eurozone government« – suffer from the fact that, in the system we have now in the EU, the legitimacy for such moves is missing. Who would oversee it? To whom or what would it be accountable? In short, these demands will come to nothing as long as it is not clear to whom any such »Eurozone government« would be responsible. Ultimately, a »council of finance ministers« is very different from a parliament. That is the reason why voices have been raised – including that of Thomas Piketty – in favor of a parliamentary assembly for the Eurozone that would be composed of national parliamentary deputies in proportion to their parties' strength in their own parliaments, and then in proportion to the size of each country's population. Thus, for example, Germany would send 30 deputies from the Bundestag, while France would send 25 from its National Assembly, etc. This proposal has its attractions, since it aims to achieve the indispensable principle that *politics tops nations*, which also underlies the demand for equal voting rights. For example if such a parliamentary assembly were to vote on the level of business taxation on Greek firms, the outcome surely would be a different sample of opinions and a more sophisticated voting procedure than would be the case with just one finance minister sitting in a council with his or her counterparts from other countries. Voting would be along political lines and no longer would be aggregated according to nationality. It is also worth pondering that Germany has about 27 % of the Eurozone's population, while France, Italy, and Spain collectively have about 50 %. Belgium, Greece, Portugal, and the other countries together account for only 23 %. One can readily imagine that such a parliamentary assembly of the Eurozone would generate different decisions on the euro than the EU Council of Finance Ministers does today.

This would be a decisive milestone in the effort to transform the political system of Europe from a »union of states,« which ultimately is ruled through an indirectly legitimized EU Council, into a true European democracy in which, ultimately, only a few fundamental things matter: that the citizens are the sovereign of the political system, that all are equal before the law, that parliament makes the decisions, and that a separation of powers exists. The general principle of equality is the cornerstone of any democracy. It would be the great reformation of Europe.



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Gero Maass

Two plus two makes four

Prospects of the PSOE in the new Spanish multi-party system

European social democracy is going through a difficult phase. In the wake of the financial and euro crises, and given the high numbers of migrants, social democratic parties are beset by internal dissension and confusion. At the same time, left- and right-wing populists are nibbling away at the fringes of their electoral base. While the right-wing variant is on the offensive mainly in northern, western, and eastern Europe, in the south new, left-wing populist movements are on the verge of replacing social democrats as the principal opposition force. In Greece, they have even succeeded in turning the social democrats into a splinter group on the political margins. While their comrades in Portugal succeeded in seizing the leadership reins in a leftist alliance, in Spain, by abstaining on a key vote, PSOE parliamentary deputies ensured the return of conservative Mariano Rajoy as prime minister, even though he had led what amounted to a caretaker government since December of 2015. This decision triggered a months-long, energy-sapping struggle within the PSOE over its future course and leadership. Nevertheless, Pedro Sánchez, the party's previous general secretary reclaimed the post from which he had earlier resigned and now is bent on moving the PSOE farther to the left.

Once Francisco Franco's dictatorship came to an end, the Social Democrats and the conservative Partido Popular (PP) were constantly moving in and out of government as power alternated regularly between them. Although they frequently governed through an absolute parliamentary majority, they sometimes had to rely on the – often tacit – support of one or more of several smaller regional parties. Under their two prime ministers Felipe González (1982–1996; best electoral showing of 48.1 % in 1982) and José Luis Zapatero (2004–2011; best electoral showing of 43.9 % in 2008) the Social Democrats made a crucial contribution to the develop-

ment and expansion of the Spanish welfare state while safeguarding the interests of labor unions and securing the rights of employees. In short, during its 22 years in power the PSOE left a deep mark on Spanish democracy and society.

Initially, the Zapatero years were devoted to the successful modernization of the country's cultural and social policies. But as the international financial crisis engulfed Spain, accompanied by a self-inflicted real estate bubble, the country sank into a severe depression, which in turn evoked a series of austerity programs launched by Zapatero himself. As a result, the 2011 elections saw the party lose more than 20 % of the votes it had previously won, a huge defeat. In search of renewal, the party ran through several chairpersons and ended up in a bitter quarrel over its political course.

In 2011 the conservatives returned to power, winning 44.6 % of the vote, and tightened the screws of the austerity program. That move, coupled with high unemployment and corruption charges lodged against both of the traditional parties, enabled two new groups to gain a foothold in the party system. After the 2015 elections, the left-wing populist Podemos («we can») and the liberal Ciudadanos («citizens») transformed the two-party into a four-party system.

Meanwhile, the PP continued in office as caretaker, because the three opposition parties were unable to form an alliance. The PSOE leader at the time, Pedro Sánchez, failed in his several attempts to put together a coalition with Ciudadanos and some leftist regional parties. As a result, he ultimately had to swallow a bitter pill after his resignation: that his colleagues in October, 2016 were willing to confirm Rajoy as prime minister «for the sake of the country.» Since then Spain has been ruled by his weak, conservative minority government while the PSOE has been practicing Harakiri. In the aftermath of this fight over political coalition-building, its chair was more or less compelled to resign. The Social Democrats' transitional leadership did manage to negotiate a few concessions in exchange for abstaining on the vote that put Rajoy back in power – for example an increase in the minimum wage – but on the whole the party's star continued to fall.

Whereas the liberals would like to bite off a piece of the right-of-center political pie, on the left political pre-eminence is at stake. Although the most recent elections, held in June, 2016, kept the PSOE in second place in the Spanish political spectrum with 22.7 % of the vote (versus the 21.1 % won by Podemos), opinion polls taken in April, 2017 show the Social Democrats now in third place (20.2 %), just behind Podemos (20.7 %). The old «progressive alliance» which united an urban clientele (some of them highly educated) with wage-earners, including even some of the upper-middle class, seems to have fallen apart. The children of PSOE members and voters today tend to vote for Podemos. In 2011 about a third of that party's voter base still voted for the PSOE.

How far will the new beginning take the PSOE?

As the result of an internal ballot of party members on May 21, Pedro Sánchez was reinstated as general secretary. While he certainly did distinguish himself by proposing a left-leaning program of grass-roots democracy, he is not a second version

of Jeremy Corbyn! The economics professor, only 45 years old, embodies an attractive blend of a media-friendly demeanor, intellectuality, and authentic-sounding appeals. What is more, his resignation from the chairmanship of the party, relinquishment of his seat in parliament, and his campaign all helped him gain credibility. Now he would like to modernize the PSOE, known for its regional old-boy networks, by endowing the membership with a bigger say in party affairs, bringing greater transparency into the decision-making processes, and opening up local party offices. He has been and still is adamant in rejecting any accommodation with the conservative prime minister.

With 50.3 % of the votes cast, he won a clear victory over Susana Díaz (39.9 %) and Patxi López (9.8 %). Díaz went into the election as the favorite and was considered the candidate of the party elite: she managed to unite behind her candidacy both of the previous PSOE prime ministers, the lion's share of parliamentary deputies, nearly all the regional presidents, and the majority of the party bureaucracy. Ultimately – and in spite of all the backing she enjoyed from the powerful – Díaz, the regional president of Andalusia, won only in her own regional association. She did not strike a chord among the majority with her traditionalist slogan, »Keep it up.« She constantly conjured up the threat of »Podemization« and often referred to the lost elections when Pedro Sánchez held the chair of the party. There is no denying he took over the party at a difficult time, when the downward trend was already in full swing. Besides, her argument came back to haunt her. In the regional elections in the PSOE's stronghold of Andalusia, she won only 35.4 % in the 2015 elections (compared to 40.7 % in 2012 and the even better 50.4 % in 2004). For his part, Patxi López won only in his local association in Spain's Basque country. He tried to make a name for himself as a compromise candidate, but never really had a chance in the polarized campaign.

In the final tally Pedro Sánchez came out on top in all of the other regional associations. Even in Andalusia, the largest regional association and Susana Díaz's bastion of support (255 of the party's 1035 delegates to the party conference come from there), he managed to win a respectable share of the vote (32 %). His legitimacy is unchallenged in the wake of this clear victory, especially since 80 % of the members cast ballots in the party primary. Having been selected at the 39th PSOE Congress in June, will he now heal internal wounds, restore the reputation and vigor of the PSOE, and be in a position to replace the conservative prime minister?

Pillars of a new agenda

Closing ranks: There is reason to doubt whether the PSOE will sail back into calmer waters soon in the aftermath of the intra-party election. Even though all the players proclaim their willingness to bring the party together and the three rivals are pictured holding hands on the party's website, antagonisms have deepened during the last few months. The chair of the party's contingent in parliament, Antonio Hernandez, stepped down on the eve of the election. In October he had set the stage for the party's abstention during the vote to confirm Rajoy as prime minister. He was quickly replaced by José Luis Ábalos, Sánchez' campaign director. His first task may

be to unite the party's delegation behind the new chairman. Of 84 parliamentary deputies, only 17 are regarded as clear Sánchez backers, whereas 10 are considered to be in the Patxi camp and 50 count as Díaz supporters. Sánchez is facing yet another handicap when it comes to controlling the parliamentary contingent as well as the politically aware public: because he relinquished his seat last October, he will no longer be able to use the parliament as a political stage.

Credibility: The party has been losing members for years. The most recent tally recorded only 187,000 members. In 2014 there were around 198,000 and 10 years earlier, the party still counted 237,000 adherents. In Sánchez' view, this is a consequence of party structures that discourage participation.

Another reason for the decline is the loss of trust among the populace. In a poll that asked respondents to name the party that was most credible in resisting corruption, Podemos finished first at 25 %, while Ciudadanos was named by 19 %. The conservatives and the PSOE got just 10 % each. A different question about commitment to the renewal of Spanish democracy produced a similar result. The PSOE ended up in fourth place, behind Ciudadanos, Podemos, and the PP. Although the corruption scandals have hit the governing PP harder than the Social Democrats, the latter must overcome a series of scandals of their own that occurred mainly in certain regions in which the PSOE had long governed or still does govern.

When it comes to potential pools of voters, tensions have come to the surface. On one flank, the liberal Ciudadanos party has been eyeing centrist PSOE voters given that party's move to the left. In a poll taken by the public opinion research outfit CIS back in April, some 20 % of PSOE voters classify themselves as in the political middle. Yet, in order to win back the floating Podemos voters, the PSOE will have to tack to the left. Thus, there is great danger that the PSOE indeed could win (back) more votes on the left, while losing as many in the center.

Strategic partnership with the unions: Even the General Union of Workers (CGT), the leadership of which is actually social-democratic, has kept its distance from the party since 2008/9, not to mention the formerly communist Workers' Commissions. The two organizations are cooperating more closely now that ideological issues have receded into the background. Because they take a dim view of the effects of deregulation on labor relations and collective bargaining, they have linked all efforts at rapprochement since 2012 to the rescission of those measures.

Narrative: In mid-June the party congress outlined the first drafts of a new program for the future. The PSOE's transitional executive had entrusted this task to two parliamentary deputies: Eduardo Madina (who had run against Sánchez already in the intra-party election of 2014 and now supported Díaz) and professor of economics José Carlos Díez. In light of the results of the intra-party election, both chose to resign. Shortly thereafter, the Sánchez team presented 89 amendments strongly influenced by Sánchez' manifesto, »For a new social democracy.« Since the proposed changes were motivated by harsh criticism of global financial capitalism and ruthless austerity policies, they moved the party leftward, at least rhetorically.

There is no question that the country finally needs to adopt measures targeted above all at youth unemployment instead of staking all its hopes on restarting the

economic engine. Tourism and construction are the two most important sectors of Spain's economy. But by themselves they cannot give the country the economic push it needs to address its limited capacity for innovation, resolve daunting regional disparities, and correct distributive inequalities.

As far as the EU is concerned, the PSOE continues its well-established pro-European policy line. When it comes to the future of Europe's single currency, they – together with the conservatives – advocate entry into the transfer union and the strengthening of the Eurozone's governmental structures.

In domestic policy the issue of Catalonia has taken on new urgency. Having abandoned hope that the conservative government in Madrid would move in his direction, the Catalan regional president Carles Puigdemont has set October 1 as the date for a unilateral referendum on independence. The question is to be formulated as follows: »Do you want Catalonia to become an independent state in the form of a republic?« For years now, the economically powerful and politically increasingly self-conscious Catalan autonomous community has been striving for greater independence. Meanwhile, the governing PP has opposed any constitutional changes that might take the wind out of the sails of Catalan nationalist parties. Sánchez would be willing to include a clause in the constitution that describes Spain as a »nation of nations« and strengthens the country's federal structures. There is an urgent need to act on this matter if Spanish unity is to be preserved on a new level.

The power-sharing option: In parliament the PSOE needs to adopt a more aggressive stance toward the PP, not least in order to keep Podemos from stealing its thunder on the left. On the other hand, without Podemos the Social Democrats have no chance of coming to power. The Portuguese example shows that unbridgeable ideological differences can be put aside when rival parties agree to share power and concentrate on tasks that can be completed jointly over the short or middle term. That is a better option than abandoning the field to a conservative minority government.

However, it is questionable whether Podemos is willing to share power. Its chairman seems animated by the idea of leaving the Social Democrats in the dust. At the most recent party congress, held in mid-February, Pablo Iglesias once again got the majority to commit to his left-populist line of »the people versus the elite.« That line locates Podemos more as a social movement from the streets than as a component of representative democracy based on parties.

From another angle, Podemos' reluctance to cooperate with the Social Democrats offers an opportunity for the PSOE to roll back Podemos – this child of the crisis and corruption scandals – one step at a time and win back its electoral base by proposing plausible left-of-center policies. Podemos will always win the competition for utopian promises. The most recent poll conducted by the newspaper *El País* (June 4, 2017) may leave the new general secretary of the PSOE feeling vindicated for the course he has chosen. While the PP's support dropped to 25.9 %, that of the PSOE rose to 22.8 %. Podemos trailed both of the traditional parties with a score of 19.2 %, while the liberal Ciudadanos polled strongly at 18.7 %.

Only if the PSOE rapidly recovers its vigor despite all the adversity it has experienced should Sánchez risk a no-confidence vote. For his part, the conservative premier has no interest in holding new elections anytime soon, because corruption scandals are once again flaring up. For the time being there is no pressing need for him to act, since he got the budget through parliament at the beginning of June, albeit only with the support of the Basque nationalists to whom he promised a quid pro quo: that the high-speed train AVE would be routed through the Basque country, too. If he manages to repeat that success next year, then he will be able to muddle through until regular elections are due to be held in 2020. But he and his party would have no real political project; their sole appeal would be the promise of stability and their desire to cling to power. They will be unable to carry out any reforms and their ability to act politically will be quite limited.



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Losing the Future

How to fight back against global inequality

Social inequality conceals a paradox. On the one hand, after two centuries the seemingly unbridgeable gulf between the »global north« and so-called developing countries has narrowed around the globe. The real incomes of a majority of the middle class, especially in Asia, have increased by around 40 %, which in some cases means that income there has doubled, as Branko Milanović elucidates in his book, *Global Inequality: A New Approach for the Age of Globalization*. Yet on the other hand, real incomes in some parts of the middle class fell. The chief victims of this decline in income and living standards were the lower middle classes in the wealthy countries of Europe, the USA, and Japan. It is abundantly clear that they are the big losers of globalization. What does this mean for democratic politics and the social integration of our societies?

Economic division and political segregation

The shrinking of the middle class is already affecting social and political trends in Europe and the United States. Support for social services provided by public agencies, especially those in the areas of education, health, and pensions, is falling; at the same time, private security services are being asked to do much more, since the wealthy prefer to guarantee the system's stability in that manner. In the United States, more labor power has been devoted to security since 1970 than in any other

country. In 2000, the proportion of employed persons engaged in this field amounted to 2 % of the total. In Germany, by 2010 some 170,000 employees worked in nearly 4,000 security services, with an upward trend. Even the supply of consumer goods reflects this increasing affluence gap: Commodity production has shifted towards luxury items, and in the real estate markets of large and middle-sized cities, ads are dominated by offers of high-priced residential properties, which may not always be luxurious, but claim that they are. Moreover, the permeability between social strata in the OECD countries has decreased. The composition of the top one-fifth of income earners remains fairly constant. According to the report »*Growing Unequal? Income Distribution and Poverty in OECD Countries*«, there is still a greater likelihood of upward than of downward mobility for the middle class in those countries. But that is not true of the lower two-thirds on the income scale. On the contrary, there is a high probability that they will slip farther down. The middle class's fear of a social descent from which they will not be able to recover is thus quite justified.

This persistent economic divide is also leading to a loss of political influence on the part of the middle classes. Democracy still works, at least in the formal sense, since there are free elections and freedom of expression, but it is impossible to overlook the fact that our societies are moving toward a plutocracy in which, as Karl Marx would put it, »the dictatorship of the property-owning class« prevails. That is a problem for democracy, though not for capitalism, which can easily do without democracy. By contrast, over time capitalism erodes democracy. It is of course old news that there is a tense relationship between capitalism and democracy, but the frictions between them have grown worse.

Since democratic procedures make it at least theoretically possible for the lower and middle classes to bring the process of globalization to a halt, the wealthy winners of globalization have an interest in suppressing democracy. According to Branko Milanović, around 80 % of Americans in the top income groups turn out at election time, whereas only 40 % of those in the bottom 10 % bother to vote. Obviously, the low-income segment of the population already has given up or else has chosen to express its displeasure at feeling unrepresented by staying home on Election Day. Meanwhile, the rich are more likely to be aware of their duty to vote and to see more to gain for themselves from doing so. In Germany, things look rather similar. Here one study showed that as many as 90 % of the top third of society indicated that they regularly vote. By contrast, in lower-income urban districts such as Cologne-Chorweiler or Leipzig-Volkmarisdorf the voter participation rate was barely 40 %. Economic divisions lead to political segregation.

However unambiguous the connection between political and economic inequality may be, one cannot fully understand the reciprocal intensification of economic and political separation without also having the cultural aspect in mind. In his *Returning to Reims* (2016), Didier Eribon explains why his working-class family, which traditionally had voted for the Communist Party, turned to Marine Le Pen. His family felt unjustly treated and unrepresented by the traditional parties, but more than that, they had the impression that there was mutual »misunderstand-

ing« (Jacques Rancière). They lacked a common language through which they – and mainstream parties – could understand one another. That remains the case. The working class and the lower middle strata have disappeared completely from the self-image of the established parties, which selectively serve the interests of their own better-educated clientele. The »precariat« is not only low-income and politically marginalized; it is also culturally invisible. And now the established parties are paying the price for their ignorance of the lower classes' plight.

According to political scientist Nancy Fraser, left-leaning politics has suppressed the critique of capitalism and devoted itself to ideas of self-actualization and the good life, a move that ultimately benefits »progressive neo-liberalism.« Lively debates take place about a wide range of topics, but matters such as precarious work situations, hyper-indebtedness, unpayable bills for medical treatment, and the shame people feel about airing such problems in public are rarely taken into account. While some people are trying the newest fusion cuisine, others – almost unnoticed – are struggling through life with precarious zero-hours contracts (in which employees work only when called and have no regular hours) and are ridiculed in the media for their jogging pants style. Once the political left turned its back on a supposedly »square« life style typified by a normal work situation, it abandoned the struggle to improve the living circumstances of the precariously employed. Thus, the way was paved for the supposed ideal of the flexible, always on-call, self-responsible independent contractor.

Identity politics and liberalism

It is doubtlessly correct that the left not only has neglected the »social, materialist question« but also, in Germany and other European countries, has been partly responsible for the turn toward neo-liberalism (keyword: Agenda 2010). But then again, Fraser's overly hasty leap to a *causal* relationship between identity politics and neo-liberalism also misses the mark. First, she attaches too much importance to »post-materialism« as the allegedly dominant strain of leftist thinking. A majority of the German population after 1968 was attracted to a post-materialist politics of values primarily because they took for granted permanent economic growth and unlimited consumer options. Second, from the internal perspective of social movements, such as ones that fight for gender equality, the question of cultural recognition is always bound up with social origins and religious-ethnic affiliation (keyword: intersectionality). Third, Fraser underestimates the real driving force behind neo-liberalism: namely, political and economic elites as well as those in the financial sector, who have created a liberal world in which the state can no longer perform even its regulatory functions vis-à-vis global market players and banks. Finally, Fraser's hasty generalizations obscure the fact that the populist right exploits cultural affiliations for its own purposes and »occupies« this field, doing so with a valence that cannot please a liberal leftist.

Right-wing populists seize upon all three forms of inequality. To begin with, they do indeed address the »social question,« but their economic policy approach remains entirely within the framework of existing neo-liberal parameters, aside

from a few media-savvy, protectionist exceptions such as Donald Trump. Second, they insist that they know better than anyone else who »the people« are and what they want. They use referenda and other democratic tools in a wholly instrumental spirit, in order to empower their own anti-democratic interests. Lastly, they dabble in a redefinition of cultural guidelines. National sovereignty, which due to globalization hardly exists anymore either in the economic or political spheres, is re-staged as ethno-nationalism. Assuming that the economic sovereignty of states is gone, it evidently seems attractive to establish something like cultural self-determination.

This upgrading of cultural sovereignty can be found in the platforms of European right-wing populist parties and has already been given expression at the level of the state in the plutocracies of Donald Trump, Viktor Orbán, Vladimir Putin, and Recep Tayyip Erdoğan. The distinctive feature in all of these cultural affirmations is the idea of a return to »what is our own,« with the content of »our own« being filled in with ethnic-national origins or what might be called »folkish-nationalist« appeals (Frauke Petry, head of the anti-immigration German AfD party). The underlying idea is that of cultural homogeneity and the denigration and suppression of anyone who does not fit into that scheme. The notion of cultural sovereignty is displayed in a clichéd form when, at a party event, the AfD forms its party logo out of images of miniature sausages, then drapes it over a pile of pork meat. The message is that we are neither vegetarians nor vegans. We eat pork, we're traditionalists, and we know what »the people« want! Inequality finds expression not only in the struggle over the distribution of economic benefits, but also in the battle for cultural hegemony.

Against the backdrop of the apparently unstoppable trend towards inequality, an uneasy feeling is making the rounds. For an ever-larger portion of the population, the only promise that the future appears to hold out is that their living conditions will get worse, their cultural values will wither away, and their prospects for influencing politics will decline. In his book *Ghosts of my Life*, the cultural theorist Mark Fisher suggests that we are experiencing the loss of our sense of »futuraity.« Confronted by massive inequality, we seem to lack any vision of how we might rearrange the life of society such that people could live together in peace, freedom, and equality. The Internet and new communications media have accelerated technical progress, while cultural progress has slowed almost to a standstill. Utopian ideas of creating something new, path-breaking, or alternative have been reduced to the development of new iPhones or implants that the human body is less likely to reject. The dictum of »no alternatives« certainly has been supplanted by all sorts of »change,« but the talk of transformation is part and parcel of neo-liberal power.

Left-wing politics will not extricate itself from this dead-end street simply by offering piecemeal planks in its electoral platforms such as tax cuts, hopes for environmental protection, or mini-reforms along the lines of Agenda 2010. There must be a debate on the fundamental elements of a new economic reform: about producers' cooperatives, the takeover of businesses by their employees, the distribution of profits, and new forms of money-lending by the state (instead of by banks). The tax on wealth would have to be re-instated to finance educational programs, affordable

housing, and a single, consolidated health insurance system. In this way something resembling political solidarity across classes and European borders could begin to emerge.

Political co-determination in plants, institutions, and at the European level also is in need of reform. The power of innovation in politics (and science) comes from the experimental tests run by creative individuals (John Stuart Mill calls them »eccentrics«). They may develop their ideas in cooperation with others, but not via administrative apparatuses and efficiency-obsessed boards of experts, who are far removed from reality as it is lived by ordinary people. Indeed, one might say that, to a great extent, they have become alienated and detached from that world, living as they do in a tranquilized state.

Only collective political action can instill trust that, to secure one's long-term self-interest, one should accept limitations in the short run. Such collective action, however, should not pit the legitimate interests of various minorities against segments of the economically less well-off. Ultimately, the only sure way to address people's feeling that they have no future is to carry out experimental political action in the here and now. We have no time to wait for the realization of political ideas in the distant future.



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Publisher's Information

Released for the Friedrich-Ebert-Stiftung by

Kurt Beck, Sigmar Gabriel, Klaus Harpprecht (†), Jürgen Kocka,
Thomas Meyer, Bascha Mika, Angelica Schwall-Düren and
Wolfgang Thierse

Editorial Staff

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Friedrich-Ebert-Stiftung, Hiroshimastrasse 17, D-10785 Berlin,
Tel: 0049 30 26935 7151, -52, -53, Fax: 0049 30 26935 9238,
www.ng-fh.de, ng-fh@fes.de

Publisher

J.H.W. Dietz Verlag and Successors, GmbH
Dreizehnmorgenweg 24, D-53175 Bonn,
Tel: 0049 228 184877-0, Fax: 0049 228 184877-29, www.dietz-verlag.de

Design Planning

tiff.any Ltd., Berlin

Typeset, Lithography, Printing, Production

Limberg Druck GmbH, Kaarst

To order individual copies contact

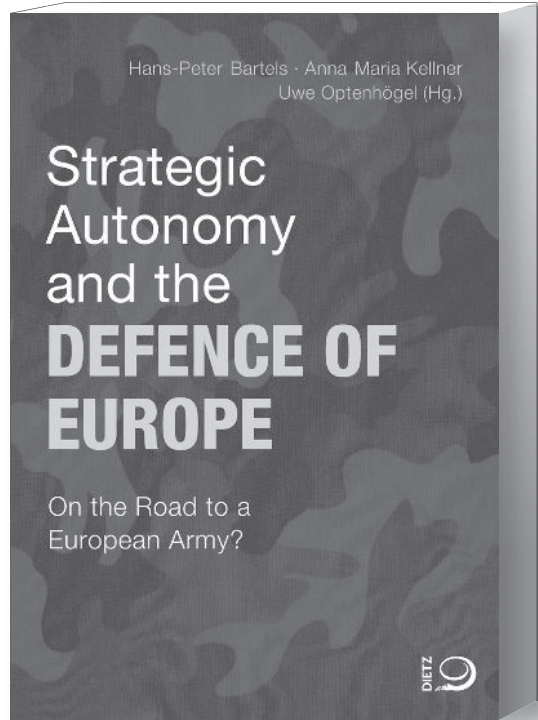
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ISSN 2194-3095

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Hans-Peter Bartels / Anna Maria Kellner /
Uwe Optenhögel (eds.)
STRATEGIC AUTONOMY AND EUROPEAN DEFENSE
On the way to a European army?

448 pages
Paperback
24.00 Euro
ISBN 978-3-8012-0498-3

www.dietz-verlag.de

Verlag J.H.W. Dietz Nachf. – Dreizehnmorgenweg 24 – D-53175 Bonn
phone +49 (0)228/184877-0 – fax +49 (0)228/184877-29 – info@dietz-verlag.de





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