EurObama
What lessons can Europe learn from Barack Obama’s victory?

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BARACK OBAMA’S victory in the United States has intrigued the political world. In difficult economic times and against the backdrop of political disillusionment with the Bush administration, he managed to capture and mobilise the American electorate in new ways. Many voters took part in an election for the first time and Obama’s supporters formed a movement the President can now build on.

It is therefore unsurprising that European parties are trying hard to emulate Obama’s success. Yet the public discussion misses analytical depth in Europe. In this issue, we take the debate onto a new level. Experts from Washington think tanks as well as Europe analyse the Obama experience and suggest what European parties could learn, paying attention to the different politics on both sides of the Atlantic.

In the second part, we focus on the upcoming European parliamentary elections and related issues, in particular Social Europe. PES Group chairman Martin Schulz puts forward his policies for a more social European Union and Christian Kellermann and Andrej Stuchlik examine the EU’s social policy competencies and describe how a new mix of national and European welfare measures could be achieved.

This issue also contains two very special articles. First, Nobel Prize Winner George A. Akerlof and Yale Professor Robert J. Shiller in their contribution reassert the necessity of an active government role in managing animal spirits – a term John Maynard Keynes introduced to explain non-rational behavior in the economy.

The second special article is a statement by SPD Vice-Chairwoman Andrea Nahles and British MP Jon Cruddas on the challenges European social democracy faces today. Ten years after Tony Blair and Gerhard Schröder published their joint declaration for a European ‘Third Way’, the Nahles-Cruddas paper is an invitation to debate the future of European social democracy. It can be discussed on the dedicated website www.goodsociety.eu.

Last but not least, we have updated the design and the website of Social Europe Journal. We hope you like the changes and find our new internet platform useful. Our articles can now also be debated on www.social-europe.eu, so please make your views heard!
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To understand how economies work and how we can manage them and prosper, we must pay attention to the thought patterns that animate people’s ideas and feelings, their animal spirits. We will never really understand important economic events unless we confront the fact that their causes are largely mental in nature.

It is unfortunate that most economists and business writers apparently do not seem to appreciate this and thus often fall back on the most tortured and artificial interpretations of economic events. They assume that variations in individual feelings, impressions, and passions do not matter in the aggregate and that economic events are driven by inscrutable technical factors or erratic government action. In fact, as we shall discover in this book, the origins of these events are quite familiar and are found in our own everyday thinking.

We started work on this book in the spring of 2003. In the intervening years the world economy has moved in directions that can be understood only in terms of animal spirits. It has taken a rollercoaster ride. First there was the ascent. And then, about a year ago, the fall began. But oddly, unlike a trip at a normal amusement park, it was not until the economy began to fall that the passengers realised that they had embarked on a wild ride. And, abetted by this obliviousness, the management of this amusement park paid no heed to setting limits on how high the passengers should go. Nor did it provide for safety equipment to limit the speed, or the extent, of the subsequent fall.

What had people been thinking? Why did they not notice until real events – the collapse of banks, the loss of jobs, mortgage foreclosures – were already upon us? There is a simple answer. The public, the government, and most economists had been reassured by an economic theory that said that we were sage. It was all OK. Nothing dangerous could happen. But that theory was deficient. It had ignored the importance of ideas in the conduct of the economy. It had ignored the role of animal spirits. And it had also ignored the fact that people could be unaware of having boarded a rollercoaster.

Traditional economics teaches the benefits of free markets. This belief has taken hold not just in the bastions of capitalism, such as the United States and Great Britain, but throughout the world, even in countries with more established socialist
‘Keynes appreciated that most economic activity results from rational economic motivations – but also that much economic activity is governed by animal spirits’

governed by rational actors, who ‘as if by an invisible hand’ will engage in any transaction that is to their mutual economic benefit, as the classicists believed. Keynes appreciated that most economic activity results from rational economic motivations – but also that much economic activity is governed by animal spirits. People have noneconomic motives. And they are not always rational in pursuit of their economic interests. In Keynes’ view these animal spirits are the main cause for why the economy fluctuates as it does. They are also the main cause of involuntary unemployment.

To understand the economy then is to comprehend how it is driven by the animal spirits. Just as Adam Smith’s invisible hand is the keynote of classical economics, Keynes’ animal spirits are the keynote to a different view of the economy – a view that explains the underlying instabilities of capitalism. Keynes’ claim about how animal spirits drive the economy brings us to the role of government. His view of the government’s role in the economy was very much like what we are told in the parenting advice books. On the one hand, they warn us not to be too authoritarian. The children will be superficially obedient, but when they become teenagers they will rebel. On the other hand, these books tell us not to be too permissive. In this case they have not been taught to set proper limits for themselves. The advice books then tell us that appropriate child rearing involves a middle road between these two extremes. The proper role of the parent is to set the limits so that the child does

traditions, such as China, India, and Russia. According to traditional economics, free market capitalism will be essentially perfect and stable. There is little, if any, need for government interference. On the contrary, the only risk of major depression today, or in the future, comes from government intervention.

This line of reasoning goes back to Adam Smith. The basis for the idea that the economy is essentially stable lies in a thought experiment which asks: What do free, perfect markets imply? The answer: If people rationally pursue their own economic interests in such markets, they will exhaust all mutually beneficial opportunities to produce goods and exchange with one another. Such exhaustion of opportunities for mutually beneficial trade results in full employment. Workers who are reasonable in their wage demands – those who will accept a wage that is less than what they add to production – will be employed. Why? If such a worker were unemployed, a mutually beneficial trade could be arranged. An employer could hire this worker at the wage she requires and still have some spare output for a larger profit. Of course some workers will be unemployed. But they will be unable to find work only because they are engaged in a temporary search for a job or because they insist on pay that is unreasonably high – greater than what they add to production. Such unemployment is voluntary.

We do believe, like most of our colleagues, that Adam Smith was basically right regarding why so many people are employed. We are also willing to believe, with some qualifications, that he was essentially correct about the economic advantages of capitalism. But we think that his theory fails to describe why there is so much variation in the economy. It does not explain why the economy takes rollercoaster rides. And the takeaway message from Adam Smith – that there is little, or no, need for government intervention – is also unwarranted.

The thought experiment of Adam Smith correctly takes into account the fact that people rationally pursue their economic interests. Of course they do. But this thought experiment fails to take into account the extent to which people are also guided by noneconomic motivations. And it fails to take into account the extent to which they are irrational or misguided. It ignores the animal spirits.

In contrast, John Maynard Keynes emphasised the importance of animal spirits. In his view the economy is not just...
The watered-down version of The General Theory gained almost universal acceptance in the 1950s and 1960s. Yet this reduced version of Keynesian economics was also vulnerable to attack. During the 1970s a new generation of economists arose. In their critique, called the New Classical Economics, they saw that the few animal spirits that remained in Keynesian thought were too insignificant to have any importance in the economy. They argued that the original Keynesian theory had not been watered down enough. In their view, now the centrepiece of modern macroeconomics, economists should not consider animal spirits at all. So, not without a little irony, the old pre-Keynesian classical economics, without involuntary unemployment, was rehabilitated. The animal spirits had been relegated to the dustbin of intellectual history.

This New Classical view of how the economy behaves was passed from the economists to the think tankers, policy elites, and public intellectuals, and finally to the mass media. It became a political mantra: ‘I am a believer in free markets.’ The belief that government should not interfere with people in pursuit of their own self-interest has influenced national policies around the globe. In England it took the form of

‘The belief that government should not interfere with people in pursuit of their own self-interest has influenced national policies around the globe’
fields; why others financed those purchases; why the Dow Jones average peaked above 14,000 and a little more than a year later fell below 7,500; why the US unemployment rate has risen by 2.5 percentage points in the past twenty-four months, with the end of this rise not yet in sight; why Bear Stearns, one of the world’s leading investment banks, was only (and barely) saved by a Federal Reserve bailout, and why later in the year Lehman Brothers collapsed outright; why a large fraction of the world’s banks are under-funded; and why, as we write, some of them are still tottering on the brink, even after a bailout, and may yet be the next to go. And we know not what is yet to come.

The idea that economic crises, like the current financial and housing crisis, are mainly caused by changing thought patterns goes against standard economic thinking. But the current crisis bears witness to the role of such changes in thinking. It was caused precisely by our changing confidence, temptations, envy, resentment, and illusions – and especially by changing stories about the nature of the economy.

These intangibles were the reason why people paid small fortunes for houses in corn-

Thatcherism. In America it took the form of Reaganism. And from these two Anglo-Saxon countries it has spread.

This permissive-parent view of the role of government replaced the Keynesian happy home. Now, three decades after the elections of Margaret Thatcher and Ronald Reagan, we see the troubles it can spawn. No limits were set to the excesses of Wall Street. It got wildly drunk. And now the world must face the consequences.

It has been a long time since we discovered how it was possible for a government to offset the rational and irrational shocks that occur to capitalist economies. But as Keynes’ legacy and the role of government have been challenged, the system of safeguards developed from the experience of the Great Depression has been eroded. It is therefore necessary for us to renew our understanding of how capitalist economies – in which people have not only rational economic motives but also all kinds of animal spirits – really work.

The idea that economic crises, like the current financial and housing crisis, are mainly caused by changing thought patterns goes against standard economic thinking. But the current crisis bears witness to the role of such changes in thinking. It was caused precisely by our changing confidence, temptations, envy, resentment, and illusions – and especially by changing stories about the nature of the economy.

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World Wide Webbed: The Obama Campaign’s masterful Use of the Internet

JUST AS PRESIDENT Barack Obama has shaken up the status quo in his first 100 days in office, his campaign overturned old formulas about how to win the presidency. The Obama campaign did not focus only on battleground states, but instead charged into states that previously had been solidly Republican turf. With a historic economic collapse unfolding during the final months of the election, a crucial number of swing voters voted, not necessarily for Obama, but against the Republicans and the Bush administration, and in the process transformed the ‘Red vs. Blue’ political map. In the post-WWII period, American voters have tended to throw out the incumbent party every eight years, so at this stage, no political analyst can say if this transformation will prove to be deep and wide or is merely a temporary changing of the guard. But no question Team Obama has, to some extent, rewritten the campaign playbook, and future campaigns will be measured against this trendsetter.

One of the winning campaign strategies masterfully deployed by the Obama campaign was its use of the internet. More than any other previous campaign, the Obama campaign showed the tremendous mobilising and fundraising potential of a comprehensive internet strategy. Some are saying that Obama’s use of this still relatively new medium will change American politics the way John F. Kennedy’s use of television did. But it remains to be seen if a less charismatic candidate without a wind of change blowing through an electorate buffeted by economic crisis can replicate Obama’s success.

Nevertheless, what the Obama campaign accomplished using the internet was stunningly impressive. Despite the United States lagging in broadband access compared to Europe or Japan, both in terms of the number of people with fast, affordable broadband access and the speed of the connections, the Obama campaign used the internet to organise his supporters in a way that in the past would have required an army of volunteers and paid organisers on the ground. This not only helped him in the November election against the Republican nominee John McCain, but was probably the decisive factor in his Democratic primary contest against Hillary Clinton. Both the Clinton and McCain campaigns used the internet to reach voters, but Obama mastered the medium early and exploited it...
The Obama campaign centrally involved the internet from the very beginning

brilliantly. Indeed, it is not an exaggeration to say that without the internet, Barack Obama would not have won the Democratic primary, and would not have been elected President.

The Big Mo: Internet Mobilisation and Social Networking

In the primary season, both the fundraising and the mobilising potential of the internet provided key advantages for Obama. His campaign started from scratch early in 2007 with few resources and little name recognition, but the internet helped him connect to his core supporters in cost-effective ways. Many of his campaign’s early efforts were low-overhead strategies that utilised free resources. His nimble use of the internet helped him overcome the huge initial lead of Hillary Clinton in both fundraising and perceived viability. He was able to get more local volunteers on the ground in key states earlier than the Clinton campaign, which was especially important in smaller states and caucus states. And his early success soon generated a wave of small-size campaign contributions which eventually gave him a crucial advantage in campaign organisation and advertising over the Clinton campaign, which also raised a large sum of money but mainly from large donors.

Veteran campaign strategist Joe Trippi, who ran the Howard Dean campaign for President in 2004, says, ‘the tools [for elections] changed between 2004 and 2008. Barack Obama won every single caucus state that matters, and he did it because of those tools, because he was able to move thousands of people to organize.’

With a charismatic leader out front, the Obama campaign especially was able to connect with young people, roughly 18 to 29 years old, the cohort known as the millennials, who will outnumber the baby boomers by 2010. Young people were attracted to him by his early opposition to the war in Iraq, as well as his personal ‘audacity of hope’ story, allowing him to mobilise their energy and passion. Says Chris Hughes, the Obama campaign’s director of online organising, ‘the community that elected Obama raised more money, held more events, made more phone calls, shared more videos, and offered more policy suggestions than any in history. It also delivered more votes.’

The Obama campaign centrally involved the internet from the very beginning. BarackObama.com featured constant updates, videos, photos, ringtones, widgets, and events to give supporters a reason to come back to the site. More than any previous campaign, they took advantage of the still-developing interactive Web 2.0 tools and their social networking capabilities, deploying them as a vehicle for generating excitement among a vast online community. When he officially declared his candidacy in February 2007, his campaign launched MyBarackObama.com, a social networking site in which 2 million profiles and 35,000 volunteer groups eventually were created, and 200,000 off-line events planned. Later that spring, the campaign took over a grassroots Obama fan page on MySpace with 160,000 followers. It created Obama profiles on a dozen social networks, from BlackPlanet to AsianAve. On Facebook, Obama fan groups eventually grew to 3.2 million supporters. These are staggering numbers, an extraordinary level of engagement, especially among the youth.

On MyBarackObama.com, Obamaniacs could create their own blogs around platform issues, send policy recommendations directly to the campaign, set up their own mini fundraising site, organise an event, even use a phonebank widget to get call lists and scripts to tele-canvas from home. All the campaigns also used something called ‘online behavioural targeting’, but Obama’s team was more effective. When a prospective voter navigated to one of the candidate’s sites, a ‘cookie’ or internet tag, was placed in that user’s web browser. That cookie could identify the types of sites the user visited afterward, helping inform which political ads were served up to the user. Before,
candidates had to rely on stereotyping large swaths of voters and making TV spots to suit. But in the 2008 election they were able to literally formulate an ad campaign for each individual voter. Obama's campaign was smart about segmenting its supporters, crafting different methods of communication for each group. With younger voters, for instance, they made use of text messaging; for older voters, they sent short, concise emails. With an email or a text every few days, people were kept abreast of the latest news and talking points without the costly expenses of TV ads or direct mailings.

Andrew Rasiej, founder of the Personal Democracy Forum, a website that explores how technology is changing politics, says, 'if you think about the fact that they have cell phone numbers, emails, blog comments, donations and MyBarackObama profiles and so forth, they have multiple levels of data about their supporters. Let us say they then take that data and mash it with voter files, for example. They find someone who visits BarackObama.com every day, has given them $10 a month for the last few months, has offered their mobile phone number, has voted in Democratic primaries for the last 12 years. That is probably someone who would be willing to volunteer for them.' And out goes an email and text message to each individual about volunteering, with specific locations near their home or work. With online campaigning, Rasiej says, 'you can see where you get traction, and then reinvest, based on data.'

### Making Your Own Media Machine

The Obama campaign also masterfully used the World Wide Web and its emerging video capabilities for promoting its own message, for rebutting criticisms, and for circumventing the monopoly of the mainstream media in defining candidates. The first inkling of the ability of the web to grab attention for the Obama campaign was revealed rather innocuously in June 2007 when an independently-developed YouTube video of ‘I got a crush on Obama’ was posted by a buxomly clad Obama Girl, eventually garnering 12 million views. It was a huge sensation that drew attention to his campaign early on.

That was just the first example of the Obama campaign as well as his millions of supporters taking advantage of YouTube for free advertising and message broadcasting. The ‘Yes We Can’ mashup by the Black Eyed Peas’ will.i.am, starring a handful of his famous friends, cost the campaign nothing and became a viral hit. The Obama campaign’s own YouTube channel turned out 1800 videos by election day, reaping 110 million views. Joe Trippi argues that those videos were more effective than television ads because viewers chose to watch them or received them from a friend instead of having their television shows interrupted.

'The campaign's official stuff they created for YouTube was watched for 14.5 million hours’ Mr. Trippi said. ‘To buy 14.5 million hours on broadcast TV is $47 million.’ Yet the Obama campaign paid next to nothing for that widespread exposure on the web.

The internet also let people repeatedly listen to the candidates’ own words in the face of attacks. Instead of being at the mercy of Fox News and its spin zone, Obama could react nearly instantaneously and have more impact on the public discourse. There was no better example of this than the controversy over Obama’s friendship with the Reverend Jeremiah White. While Obama’s opponents found ways to make sure that Reverend Wright’s incendiary words kept surfacing, people could watch and re-watch Mr. Obama’s speech on race. They could forward links to their own friends and associates. Eventually nearly 7 million people watched Obama’s 37-minute speech on YouTube, and the mainstream media reported on it in part because it became such an internet sensation.

‘[The Obama campaign] leapfrogged the mainstream media by producing content that they knew would get distributed for them once it was uploaded’, says Arianna Huffington, creator and publisher of HuffingtonPost.com.

There has also been a sea change in fact-checking, with citizens using the internet to find past speeches that prove a politician wrong and then using the web to alert their fellow citizens. The John McCain campaign, for example, originally said that Governor Sarah Palin opposed the so-called bridge to nowhere in Alaska. Says Ms. Huffington, ‘online there was an absolutely obsessive campaign to prove that wrong’, which they quickly did, causing the McCain campaign to backtrack, making them look foolish. ‘In 2004, trust me, they would have
gone on repeating it, because the echo chamber [of the mainstream media] would not have been as facile', says Ms. Huffington.

HuffingtonPost’s ‘Off the Bus’ team of 10,000 citizen journalists caught candidates saying things that embarrased them later, even Obama when he made his ‘guns and religion’ remark at a private fundraiser. When Obama disappointed his supporters with a Senate vote in July 2008 on a wiretapping and surveillance law, many supporters led a revolt on MyBarackObama.com, prompting the candidate to write a long blog post explaining his position. Obama also assigned staffers to monitor and respond to comments posted on the campaign’s website. After a sort of cyber-catharsis of complaints, the controversy died down.

With the internet, critics and citizen journalists are everywhere. Now, says Ms. Huffington, ‘there is no off-the-record fund-raiser’. Adds Mr. Trippi, ‘this medium demands authenticity, and television for the most part demanded fake. Authenticity is something politicians have not been used to.’

**Internet Fundraising and Small Money Donors**

Team Obama’s use of the internet also allowed him to become a fundraising juggernaut. He raised more money than any US presidential candidate in history, a mind-numbing $750 million. In a single day following vice presidential candidate Sarah Palin’s speech at the Republican convention, an alarmed Democratic base donated an eye-popping $10 million to the Obama campaign. Just from mid-October to election day on November 4, he raised $104 million. Online donations totalled $500 million, twelve times as much as John Kerry raised through online fundraising in 2004. But unlike previous big fundraising candidates, most of his money came from small donors, the vast bulk of that in increments of $100 or less. Obama’s fundraising capabilities gave him a massive lead over John McCain in the money race to carry his campaign message to voters.

The use of the internet in political campaigns has grown exponentially in a short period of time. The Obama campaign was not the first to use the internet, and many of the techniques and tools it deployed, such as Web 2.0, are still relatively new. Howard Dean’s 2004 campaign was groundbreaking in its use of the internet to raise small amounts of money from hundreds of thousands of people, and Mr Dean was the first Democratic presidential candidate to use the internet to mobilise his supporters through his Blog for America. Republican strategists and operatives also have not ignored the internet. Michael Turk, the Bush-Cheney e-campaign director in 2004, says that the Republicans were able to mobilise their supporters through a combination of email lists and internet ‘data mining’. They identified potential Republican supporters in every precinct around the country, using technology which predicts voter preferences on the basis of commercial data on car ownership, magazine subscriptions, and the like. And then they sent their campaign volunteers detailed instructions on who to visit, including local maps of the area and walking routes, and issues that each potential voter was likely to be most concerned about.

The Obama campaign clearly learned from these previous efforts, and then took them to a newer, more sophisticated level. A short four years later in 2008, the internet tools already had morphed, as have the strategies they allow. As the internet tools continue to develop, so will the campaigns. Deploying all the many tactics used in his insurgent campaign, Barack Obama won the Democratic Party caucus in Iowa on January 3, and then beat Hillary Clinton in 13 of 22 states on Super Tuesday.
February 5, 2008. Over the next month, with his legions of mobilised supporters, he racked up win after win in Democratic primary states, putting together a lead that was insurmountable when Clinton finally won a few important primaries, especially in Ohio, later in the primary season.

On August 23, Obama announced the selection of his running mate Joe Biden via text message, then he took that momentum and rolled it into the presidential election against Republican nominee John McCain. By election day, more than 1 million people were signed up for the campaigns text messaging programme, each receiving 5 to 20 targeted messages per month. The final days before November 4 saw the Obama campaign sending daily emails and texts exhorting supporters to vote with friends, participate in phone drives, and volunteer at campaign events near the supporter’s home. They even offered a contest in which last-minute donors could be selected to attend Obama’s election-night party. And on election day itself, every battleground state voter signed up for Obama alerts received at least three text messages.

With its internet-based campaign strategy, Team Obama transformed his early fledgling campaign into a steamroller that rolled up one of the most impressive presidential victories in decades. Barack Obama’s campaign was successful at converting online geek activism into real-world organising, including political rallies, videos on YouTube, and most important, donations and votes. By using interactive Web 2.0 tools, Mr. Obama’s campaign changed the way politicians can mobilise supporters, raise money, advertise to voters, defend against attacks and communicate with constituents.

**President Obama: The First Internet President?**

Since winning the election, Team Obama has continued to utilise the many internet tools and resources that helped get him elected. The Obama administration is applying them to the earliest stages of governing and shaping policy, as well as to maintaining its connections to its supporters.

Even before taking office, the newly-elected Obama administration began drawing on internet tools to lay the groundwork
for an attempt to restructure the US health care system. They launched a new website, Change.gov, and in December 2008 Obama’s point person on health care launched an effort to create political momentum in a conference call with 1,000 invited supporters culled from 10,000 who had expressed interest in health issues. First they posted a simple 63-second video on Change.gov, posing the question, ‘what worries you most about the health care system in our country?’ That triggered 3,700 responses, including personal tales of medical hardship. The subsequent cyber-conversation was interactive, allowing individuals to reply to one another and rate responses with thumbs up or down. The Obama technology gurus then built a ‘word cloud’ showing the 100 most frequently used words in the responses.14

That was the first attempt by the Obama team to harness its vast and sophisticated grass-roots network to shape public policy. Some see this as a potentially new force in American politics. ‘When Congress refuses to go with his agenda, it’s not going to be just the President’ they oppose, says Mr. Trippi. It will be the President and his huge virtual network of citizens.

‘Just like Kennedy brought in the television presidency, I think we are about to see the first wired, connected, networked presidency’, says Mr. Trippi.15

Reed Hundt, former chairman of the Federal Communications Commission and Obama technology advisor, says that the forthcoming administration will have a commitment ‘to have our entire democracy include every-one and through these tools [like Twitter and text messaging] be able to share information in a rapid way and have ideas shared from below.’16

‘This is the beginning of the reinvention of what the presidency in the 21st century could be’, said Simon Rosenberg, president of the Washington DC based think tank NDN. ‘This will reinvent the relationship of the President to the American people in a way we probably have not seen since FDR’s use of radio in the 1930s.’17

While Barack Obama has generated much excitement about the future of a wired democracy, some are wondering whether his success can be replicated, or if this was a once in a generation phenomena. The success of the Obama campaign was driven in part by the collision of two unique phenomena: first, the charisma of the candidate himself with a message that appealed especially to young people, and second, a technology that young people have mastered more than anyone else.

The millennials are more wired into the new media and online social networks than any other demographic, and Obama tapped into that youthful sense of hope and optimism.

‘Barack Obama is three things you want in a brand’, says Keith Reinhard of DDB Worldwide, a global advertising agency. ‘New, different, and attractive. That is as good as it gets.’18

Or perhaps the Obama story is partly about the success of a new form of ‘leadership’. Obama, through his inclusive website and his lofty rhetoric, reinforced the notion that everyone is included and that his movement is actually a conver-sation to which everyone is invited.

Some are saying that Obama epitomises a new way of thinking called ‘adaptive leadership’ – while a boss puts forward a specific plan to be implemented and everyone is expected to follow, an adaptive leader works with constituents to devise a plan together. He gets people to do things on their own, through inspiration, respect, and trust. Obama has tapped into this vein by inviting voters in with his ‘Yes We Can’ slogan. ‘Change will not come if we wait for some other person’, he said on Super Tuesday, ‘or if we wait for some other time... We are the hope of the future.’

Beyond all the hype about the messenger, the message or their methods, what is clear is that the ongoing development of internet tools is having a tremendous impact on political campaigns. In a sense, the internet has become a ‘steroid’ of politics – a candidate does not dare not use it, and use it well, because if your opponent is able to marshal its potential, you will be up against a mobilised, well-financed army. No doubt candidates in future elections will be using internet tools that have not yet even been developed. And when the right candidate with the right message comes along, tapping into those internet tools will allow that campaign to become a powerful political force.
Endnotes

1 Strategic government investment has played a key role in Europe and Japan catching up with and finally surpassing the United States in internet access and high-speed broadband availability. As recently as 2001, the percentage of the German population with high-speed access was only half that in the US, and in France less than a quarter. By the end of 2006, both countries had far surpassed the US, and America was ranked 21st in digital opportunity, just behind Estonia. Across Europe, high speed connections are less expensive and lightning fast compared to those in the US, with French broadband connections more than 30 times faster for a fifth of the price.


SUN TZU WROTE that, ‘strategy without tactics is the slowest route to victory. Tactics without strategy is the noise before defeat.’ Obama and his campaign internalised this maxim. They combined a political strategy that focussed on a singular narrative and open organisational structure with modern tools to maximise fundraising and voter mobilisation. The critical difference between their campaign and that of either Hillary Clinton or John McCain is that while perfecting the use of these new tools – particularly online – they stuck ruthlessly to their strategy and instilled a level of trust in their supporters which is rarely seen in politics. Progressive parties around the world need to understand which lessons apply to them, but be wary of adopting the technology without a corresponding message or degree of trust.

Cast your mind back to a chilly February morning in Springfield, Illinois over two years ago when Barack Obama announced his candidacy for President of the United States:

'[I] know that the ways of Washington must change … Let us be the generation that ensures our nation's workers are sharing in our prosperity … that ends poverty in America … that finally tackles our health care crisis … that finally frees America from the tyranny of oil … This campaign must be the occasion, the vehicle, of your hopes, and your dreams.’

Compare this with his acceptance speech 633 days later:

‘Change has come to America… For even as we celebrate tonight, we know the challenges that tomorrow will bring are the greatest of our lifetime – two wars, a planet in peril, the worst financial crisis in a century … There is new energy to harness and new jobs to be created; new schools to build and threats to meet and alliances to repair … And what we have already achieved gives us hope for what we can and must achieve tomorrow.’

As Paul Begala described it at a recent conference organised by the Center for American Progress, ‘Obama’s announcement speech had great fidelity with his acceptance speech.’ This is rare in modern politics where the trials and tribulations of 24 hour media and a near two-year campaign conspire to push candidates off course. Instead, Obama stuck unyieldingly to his message, staying steady rather than responding to every external attack.

The electoral strategy had a similar stability. To win the primary, Obama had to knock the ‘inevitable’ candidacy of Hillary Clinton off course by winning Iowa and then ensure that the contest did not end in early February on Super Tuesday. As a result, the Obama campaign spent the majority of its time and money before that first caucus in the Hawkeye State while Clinton focussed on the bigger states such as New York, California and Florida (which ended up forfeiting its right to take part in the primary election in any case).

Alongside these unwavering aspects, the campaign’s success was driven by
the level of trust bestowed upon its supporters. Even before Illinois’ Junior Senator had announced his candidacy, his campaign had set a course to ensure that the organisational tone and style matched the campaign message. In the words of David Plouffe: ‘We ensured that volunteers were as close to the campaign as the campaign management.’

‘Respect. Empower. Include’ was the mantra of the campaign and the three words could be found on colourful handmade posters decorating the walls of every Obama regional office in the country. In the words of volunteers Karin Christiansen and Marcus Roberts these core values meant that, ‘at a minimum [the campaign] helped mitigate the usual tensions and frictions of campaign life while at best they inspired volunteers to do that extra canvass round, ask friends and families to join them, and even make those small donations that funded the campaign juggernaut.’ Ensuring that the treatment of volunteers was steadfast in its commitment to these principles was the part of the strategy that did most to create the biggest ‘get out the vote’ operation of all time. The organisational principles behind the slogan are set out in Box 1.

Obama’s tactics were essentially of old fashioned variety – grassroots mobilisation, canvassing, and saturation advertising – but driven by an extremely modern set of tools. It is critical for progressives to understand where the use of the internet fitted into the list of contributing factors to Obama’s victory. As Paul Tewes, the mastermind of the insurgency in Iowa described it, ‘message and organization won the campaign; technology served it.’

That said technology played a more decisive role in improving the efficiency of the campaign operation than had arguably been the case in any previous election cycle. For example, Obama raised $687 million with nearly three-quarters raised online from 4 million people; 13 million people signed up to receive regular emails; and countless neighbourhood events and campaign operations were organised through the social networking tool, MyBarackObama.com. In essence, because the candidate and his message were so strong, the campaign was able to capture the unprecedented enthusiasm of his supporters and garner them to donate that extra dollar and knock on that extra door.

Progressive parties must understand that Obama’s success and the level of enthusiasm that were generated will be hard to replicate. Some may think that the task is to adopt the best ideas, practices and technologies used in the US and bolt them on to how party politics and campaigning is currently carried out. But believing that this is a

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**Box 1: Obama’s Organizational Principles**

1. Horizontal not vertical. Everyone in the campaign at every level should have ability to make decisions, offer input.
2. All politics is local. On the ground knowledge/relationships/politics usually trumps HQ theory.
3. Accountability breeds discipline. Set goals, educate organization on why, ask for feedback – then hold it accountable.
4. It takes a big army to build/service a massive army. A massive volunteer organization requires a big paid organization.
5. If you build it they will come. People need a place to gather/come together. Offices everywhere allows community everywhere.
6. Keep turf clear, keep relationships clear. Do not confuse the volunteer organization with multiple relationships to the paid organization.
7. Let volunteers have a say in their own campaign. While certain tasks will be asked of everyone, people are not robots.
8. Organize as teams/as community. Working together is empowering and uplifting.
9. They join because of the candidate, they stay because of the staff. Volunteers should be respected, empowered and included.
10. What lives online must first live offline. Technology should serve the organization, not the other way around.
11. Always, Always, Always… Ask people’s opinions, listen to their thoughts/needs, say THANK YOU.

Source: NewPartners Inc.
purely technocratic challenge would be to fail. Parties must instead understand that to emulate Obama they need that victorious mix of trust and technology. New tactics and techniques are not enough if you do not combine them with a deep-seated shift in the nature of the campaign. What set Obama’s candidacy apart from that of either McCain or Clinton was that the harmonics were right: the pitch of ‘hope’ and ‘change’ was consistent with the tone of using modern online tools.

In line with this, a new book, *The Change We Need: What Britain Can Learn From Obama’s Victory*, published in Britain by the Fabian Society argues that, ‘the facilitation of a new movement politics by the Labour Party should go deeper: it should change more fundamentally not just how the Party competes for election but also how it is organised and how it mobilises support. Thus, while Obama’s election provides opportunities for Labour, it also poses a huge challenge to which the party must respond.’ The book sets out five principles that the Labour Party must adopt including removing all barriers to participation and enabling channels for debate and dissent.

Although the historical, cultural and institutional issues facing other progressive parties around the world will be different, and each unique organisation will have to think carefully about how it adapts, many of the necessary reforms will be similar. But letting go so that supporters can self-organise or opening up policy discussions to the public is anathema to many progressive parties who have struggled to keep their structures from being over run by left wing extremists. Permanent party structures will therefore resist some of these changes.

But the risk of inaction is greater still. Obama opened a Pandora’s Box of political participation. As an Economist poll showed, people around
Progressive parties must understand that Obama’s success and the level of enthusiasm that were generated will be hard to replicate

the world cheered on Obama by a factor of more than five to one. The world watched when he stood on the east steps of the Capitol to make his inaugural address. But this vicarious excitement will now be hard to suppress as the global citizenry demands similar electoral campaigns in their own countries. In a world where people have the ability to comment at any time anywhere on anything from the news to their latest book purchase, political parties will be ignored if they do not develop this kind of environment for their supporters.

National elections are not warfare but Sun Tzu’s maxim is still relevant. Political parties around the world cannot decouple Obama’s strategy from his tactics. While modern technology cannot and should not be ignored, if the message and organisation do not complement the network potential of the internet, political parties will fail to follow Obama’s success. And in changing the way we run our campaigns, we can learn from a pacifist too. As Ghandi said, ‘we need to be the change we wish to see in the world.’

Endnotes

1 Remarks by Paul Begala at Center for American Progress conference, March 9, 2009.

2 Remarks by David Plouffe at Center for American Progress conference, March 9, 2009.


6 See http://www.economist.com/vote2008/?mode=leadershipboard
POLITICAL PARTIES PERFORM important roles in European societies. Parties are institutions in which citizens with similar political views organise, develop political programmes and actively participate in the political process. They are vital for democracy because parties offer the most clear-cut political choices that are put to the electorate. Parties are also recruitment organisations, through which parliamentarians and members of government are sourced. Even though the latter functions are important, the general effectiveness of parties is closely linked to the first characteristic: their societal embeddedness – the main channel between a party and citizens. And in this respect, political parties have been declining dramatically.

The demise of political parties is not a new phenomenon. Since at least the 1980s, parties in all established European democracies have suffered massive membership losses to the point where they only retain a very limited capacity to engage citizens. The societal anchor of political parties is seriously threatened. Vernon Bogdanor wrote in 2006 that ‘the story of the rise and fall of the mass political party is one of the great unwritten books of our time’. So why do I pick this rather old problem up again in 2009? Not because I want to write the obituary of the mass political party but because we can now see where the development of political parties might lead us. This potential new future became apparent during the US Presidential campaign.

Additionally to his remarkable personal qualities, Barack Obama – during the Democratic primaries, the Presidential campaign and now even as sitting President – has been extremely successful in using new communication technologies to connect directly with citizens. Through the use of social networking tools, online video messaging and almost real time updates on what was happening on the campaign trail – and by making many of these tools available to his supporters too – he was able to create a community that was not only prepared to vote for him but willing to organise and campaign on the local level. He was able to create a political movement he can now build upon.

The construction of this movement was above all possible because new communication techniques offered a way of being actively involved in the campaign for change. But if you look behind the technical tools you notice

‘Barack Obama’s campaign was able to recreate old – rather than create new – characteristics that traditional European parties, especially left-of-centre parties, have lost over the years: a sense of community and belonging’

Henning Meyer
Head of the European Programme at the Global Policy Institute (London Metropolitan University) and Managing Editor of Social Europe Journal
that Barack Obama’s campaign was able to recreate old – rather than create new – characteristics that traditional European parties, especially left-of-centre parties, have lost over the years: a sense of community and belonging.

Let us take the oldest social democratic party in the world as an example: the German SPD. When the party was founded in 1863, its backbone was educational leagues founded to educate workers. The cultural and community aspect was therefore not just a by-product but very much the founding principle of the party. Being a social democrat was not a question of membership in an organisation but rather a way of life. The identity of the party was reinforced by the large variety of social democratic newspapers and publications that contributed to this distinct culture. The cultural underpinnings of political parties were also evident elsewhere and it seems that it has been especially this attribute, that used to provide the closest link to society, that has declined most dramatically in recent decades.

It was argued that because of social and ideological changes in societies in the second half of the twentieth century, mass parties – rather homogenous constructs – developed into catch-all parties that attempted to integrate the diversifying political views and social backgrounds of citizens under the umbrella of the same party. Today, many parties look like what political scientists call ‘professional-electoral parties’. Such parties are organisations that have a highly centralised leadership and are focussed on winning votes and offices. They have largely abandoned the cultural heritage of traditional political parties. ‘Professional-electoral party’ is also the closest typology for US political parties, which are practically committees to fight elections without much activity between ballots. They are very candidate centred and lack organisational leadership.

So what is new that could show the way political parties could go from here? What has changed during the Obama campaign? In a nutshell, Barack Obama has managed to recreate the community aspects of old mass parties and integrate them into a professional-electoral party. In the contemporary context, however, culture does not mean a certain way of living but rather being part of a community based on a charismatic political leader, new political ideas and a desire for grassroots activism. The creation of this new culture in the Obama campaign has only been possible by the use of new media. So after it has transformed the economy and the way we communicate with each other, is the information, communication and technology (ICT) revolution now fundamentally changing the political process too? I think there are strong arguments in favour of this and Barack Obama’s success is evidence.

What does this mean for European parties? The socio-economic circumstances and ideological believes of citizens have indeed changed dramatically since the foundation of early European parties, political activism has however not disappeared. The success of single-issue movements such as Greenpeace, Amnesty International and the Globalisation critics of Attac clearly shows the enduring desire for political activism. Some of these movements have even grown into political parties in their own right, for instance the German Greens or – with a rather different political agenda – the UK Independence Party (UKIP).

So the first ingredient – desire for political activism – is still there. But how can it be used? European parties have tried for decades to open their structures to social movements and to use societal activism for their party purposes. They have all been largely unsuccessful so far because their strategies were unclear and their own structures often too rigid. Waking up to the potential of new technologies and
‘Early attempts of online campaigning in Europe have shown that it is very difficult to build mass participation in a political online campaign if there is not an appealing political figure at the top’

the experience of the Obama campaign however makes it a necessity to try again – and to try harder. After all, the only alternative seems to be further decline. Initial steps to use new technologies have been taken but more needs to be done. Europe in general is clearly behind the US in terms of internet integration in everyday life including politics. But this can also be an opportunity for the party that comes up first with a successful mix of technologies for the European context.

The second ingredient is political ideas that can capture and motivate people. The current economic crisis has opened a window of opportunity for a new politics. There is a vacuum of ideas since the promise of prosperity facilitated by unfettered markets collapsed with the international banking sector. This void has not been filled yet. In Barack Obama’s case the simple promise for change was enough to create his movement. This was however only possible in the narrow window of opportunity at the beginning of the economic crisis and in the specific context of US politics. If his movement is to become sustainable he needs to bring in new positive ideas. President Obama has understood this and has kept the close link to his followers even after assuming office. The way in which he encouraged living room discussions about his economic stimulus package across the US was a remarkable move and combined the desire for activism with political content. The sense of belonging and potential for activism created by a ‘I received an email from the President’ moment should not be underestimated.

The last ingredient in the mix is charismatic leadership. Early attempts of online campaigning in Europe have shown that it is very difficult to build mass participation in a political online campaign if there is not an appealing political figure at the top. Parties as such seem to be rather inappropriate vehicles for such campaigns. Identification becomes much easier if people are involved. So if the European political culture develops in the direction set out in the United States, it is likely that politics becomes more personalised and centred around political ideas represented by certain politicians.

Political parties have been declining for decades without finding a way to stop their downfall. The ICT revolution is here to stay and has already transformed many areas of our lives. The Obama campaign in the US has broken new ground and is certainly an important example to watch. But the question is how these developments can be worked into European party politics. A simple ‘copy and paste’ will not work. But the revitalisation of political culture and activism using new technologies is the most promising opportunity on offer to change the fate of political parties. Given the alternative, it is certainly worth trying.
EUROPE HAS BEEN a fascinating idea of peace, stability and social justice. After decades of unstable balance of power systems, disastrous conflicts and two World Wars, a new era in Europe’s history began when the European Coal and Steel Community (ECSC) was established. The idea ‘to create peace through integration’ became a reality. Following decades of war, battlefields and deep wounds, the peace project ‘Europe’ arose. Overcoming the fear of war and opening borders between Europe’s nation states was the dream of millions of people, which came true. Through the voluntary transfer of sovereignty from nation states to a supranational institution, an integration process started which over the years has evolved further and further. From the 1950 Schuman Plan – the beginning of the integration process – to the 1958 Treaty of Rome, which laid the foundation stone of the single market, and eventually to the single currency, the ‘monetary non-aggression community’ reached a degree of integration, which, if one pauses for a moment, is amazing. The number of member states has expanded from the six founding states – France, Germany, Italy, Belgium, Luxembourg and the Netherlands – to currently 27 member states. Core principles like peace, freedom, democracy, prosperity and social development were extended to Spain, Portugal and Greece after the fall of their dictatorships; later, after the end of the Cold War, these principles were also adopted by the former Warsaw Pact states. The eastern enlargement of the EU eventually ended the artificial division of Europe through the ‘Iron Curtain’. A war between the EU member states is unthinkable today.

For decades, Europe was a project widely supported and accepted. Europe’s citizens wanted Europe because it brought peace, economic prosperity and social progress. They are still in favour of European integration but they have started setting conditions for further support of the European integration project. These conditions must be incorporated into the political process. Europe’s success story had always been that the economy and social security are two sides of the same coin – until the 1990s when the neoliberal spirit began dominating the EU Commission and national governments. Since then the motto has been ‘deregulation’. Instead of social stability, strategies for deregulation and profit increase have governed the implementation of the single market.

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tions prevent growth and lead to lower wages; longer working hours and the lack of workforce participation in company decision-making, on the other hand, foster growth and higher wages. But employment and trade union rights are not cost factors. They are vital to our economic success as they contribute to motivating employees, improving the quality of jobs, promoting social harmony and fostering workforce participation in company decision-making. Economic growth does not mean anything if it benefits only some. The EU’s social divisions have to be overcome in the coming decades.

Europe is governed by centre-right governments and it is badly governed. 19 out of 27 heads of governments are from the centre-right and send conservative and neoliberal commissioners to Brussels. Whilst the economies of the EU member states have been harmonised, the welfare states have remained national. Now the balance between capital and labour is threatened. As a consequence social inequalities grow – on the one hand profits rise, on the other hand real wages fall. In the view of many people, instead of helping people coping with the risks and challenges of globalisation the EU has turned into a henchman for the globalised economy. Europe’s citizens rightly demand that the EU should not only consider the interests of the economy but strengthen social rights and foster active employment. We – the European social democrats – therefore focus on a Social Europe and putting people first.

For a Social Europe
We want to create a European economic model that puts people and not the market in the centre of attention. The single market is the precondition for growth and employment. Economic growth, however, can never be an end in itself but must contribute to prosperity for everyone. We want to amend the Economic and Monetary Union (EMU) by an equally important social union in order to include political and social rights in the European Single Market. The different national traditions of the European social model should be respected; at the same time, however, binding regulations and minimum standards should be established: We propose a European social progress pact with joint European goals and standards for social and education expenditures based on the economic ability of the member states. Furthermore, every EU legislation should be assessed according to its social consequence for the citizens in Europe. With the proposal of a European pact against wage dumping we want to achieve that decent minimum wages are guaranteed in every member state. We campaign for the inclusion of a social progress clause in EU legislation. Also, we want a review of the ‘Posting of Workers Directive’. In Europe the principle of ‘same wages and labour conditions for the same employment in the same place’ must hold true. The rights of employees, in particular the rights of European works councils, must be strengthened in order to guarantee employees’ participation in economic decision-making processes. A new European Commission will only be politically supported by European social democrats if it obligates itself to take into account social impact assessments when developing European legislation. The EU will regain the trust of its citizens and create enthusiasm for the European project if it reveals again its social side.

For Employment and Ecological Progress
We need a joint European policy for growth and employment now that people in Europe have to face a financial crisis with unprecedented challenges, such as a rise in unemployment, an increase in the cost of food and fuel, a decline in people’s purchasing power and growing risks of poverty.
The European Single Market and the Economic and Monetary Union are the bases to preserve our competiveness in the globalised economy. Yet, the pressure of the global market on our social standards grows. Besides worldwide trade with capital and goods, there is now global competition between services and labour. In order to prevent a ruinous competition between EU member states, we demand a better coordination of economic and financial policies: For example, we propose a common corporate tax rate and the taxation of Europe wide acting capital companies.

We will need to give priority to employment in Europe. For this reason we suggest a European future plan for employment in order to scrutinise all European programmes whether they secure and create jobs in the long run. A tightened economic and financial coordination on EU level, especially in the Eurozone, can create millions of new jobs. If well-directed investments take place, about 10 million jobs could be created by 2020, particularly in the environmental and energy sector. Europe could rise to become the world’s leading innovator.

For a new European and International Architecture of the Financial Market

A blind faith in the invisible hand of the market has led us straight into the gravest economic and financial crisis since 1929. Even conservative and neoliberal politicians, hitherto supporters of deregulation, realise that the market can sometimes be the problem and politics the solution. The ideology of a free and unleashed capitalism has failed in the current crisis. Now, conservatives and neoliberals start to adopt concepts that have been represented by social democrats for a long time. The European social democrats have called for more transparency, stricter control and refined regulations of international financial markets for years. We hold fast to these demands: We want a new European and international financial architecture with precise political ‘traffic rules’. These rules must cover all financial actors. First, regulatory authorities over banks and the financial market must be strengthened, and the International Monetary Fund (IMF) must be empowered to become a central controlling and coordinating authority. Second, we will need stricter orders and transparency rules for risk management and the equity reserves of banks. Destructive short-selling must be banned and tax havens must be closed. Conservatives and neoliberals are using a left jargon in the current crisis, but in fact they are very likely to prevent structural changes. The European social democrats fight for true reforms and a new global architecture of the financial markets to prevent any repetition of the current crisis.

For a strong Europe as a Power for Peace

Europe, as the largest economy and labour market in the world, is a global player. The EU, with its enormous economic power, can make a difference in the world if it performs united and speaks with a single voice. We want to strengthen Europe’s identity as a global power for peace. The EU shall be a model for supporting peace as well as sustainable social and economic development. Through involvement of big powers, such as the US, Russia, China, and India, Europe could initiate a new era of multilateral cooperation and relaxation. A strong European policy for disarmament and arms control
must be one of our priorities. We aim to develop the European Security and Defence Policy (ESDP) and in particular strengthen its civilian component. Our long-term goal is to establish a European army, whose missions must be legitimised by parliament. The inner-European peace project has proved its worth. Now it is time to add an external dimension.

**For a Fair and Social Globalisation**

As we live in an age where nation states and societies work together more closely and inter-linked, many countries face obstacles in their ability to act. Especially the financial crisis and climate change reveal that we are living in a time of global responsibility and shared vulnerability. The basis of a globalised world is the interdependence of economies and societies. State boundaries have become permeable for people, ideas and money. On the one hand, many positive effects result from that. On the other, permeable boundaries give way to threats like international terrorism, the spread of weapons of mass destruction and regional conflicts which may also affect Europe.

The major question is now how to tackle the darker sides of globalisation. No country will be able to solve global problems on its own. The European Union will be a necessary instrument to cope with the global challenges of the 21st century. The EU consists of 27 member states with almost 500 million inhabitants. Its economic power represents one quarter of world trade and economic performance, and it is the world’s biggest single market. The EU is an important actor on the international stage and can enforce common interests much better than nation states could do on their own. In the realm of climate change, the reorganisation of international financial markets, the fight against poverty or against international terrorism, the EU can and must act according to the motto ‘united we are strong’. We want Europe to campaign for reforms of the central international institutions, especially the United Nations, the IMF and the World Bank, in order to strengthen their legitimacy and capacity to act. The EU can be actively involved in globalisation processes. It is a huge chance but also a huge responsibility for the EU. As an answer to globalisation, we want a strong, economically successful and social Europe.

**Europe Strong and Social**

The European Parliament elections on June 7th will decide which direction Europe is going to take. What kind of Europe do we want? A Europe of free capital interests or of social welfare? Conservatives and liberals want a Europe which puts free market and competition above all, even above people and the environment. In times of economic and financial crises we witness every day that radical market ideologies have failed. In the new century, we will need a Europe which combines social justice, environmental policy and economic success. We need a Europe which is not ruled by the short-term logic of financial markets but by a long-term social and democratic logic.

If the EU were to reveal her social side, people, in particular the young generation, would become enthusiastic about European projects again. Although young Europeans favour the European Union and almost two-thirds of them support the EU membership of their respective country, the participation of this group in European elections is the lowest compared to other age groups. The EU seems too far detached from daily life and seems to have no understanding for their sorrows and needs. A priority for social democrats will be to create opportunities for young Europeans to participate in political processes and to seek exchange with them. Today’s 75 million 15 to 25-year-old Europeans will live in the future Europe and create the European future. Via internet and new
social networks, which are exciting and hitherto unknown forms of engagement for voters, a true interactivity and exchange with young voters in particular can take place. More and more people use YouTube, watch the podcasts of the PES parliamentary group, read blogs and news in forums or add social democratic delegates to their friends on Facebook.

In order to initiate a new European direction and to give the EU a more social future we will need to hold a parliamentary majority on the national and European level. We must achieve to get across what we stand for in Europe, and what others stand for. People like to connect manifestos to personalities. That is why parties focus on candidates in the election campaign. In light of the economic and financial crisis, Europe’s value has become more visible. People sense that many conflicts and problems cannot be solved by nation states alone and that Europe is able to solve these problems.

We now have the chance to provide social justice, fair work conditions, wages and consumer protection. We must implement new rules for global financial markets, which tame capitalism. Our ambition is to turn this election into a signal for a strong and Social Europe of the future – and that means to shift Europe in a left direction.

‘People sense that many conflicts and problems cannot be solved by nation states alone and that Europe is able to solve these problems’
Europe at a Turning Point

Europe is at a turning point. Our banks are not working, businesses are collapsing and unemployment is increasing. The economic wreckage of market failure is spreading across the continent.

But this is not just a crisis of capitalism. It is also a failure of democracy and society to regulate and manage the power of the market. At this moment of crisis we reject the attempt to turn back to the business as usual of unsustainable growth, inequality and anxiety economics. But we recognise too that there is no golden age of social democracy to go back to either.

The future is uncertain and full of threats; before us lie the dangers of climate change, the end of oil and growing social dislocation. But it is also a moment full of opportunities and promise: to revitalise our common purpose and fulfill the European dream of freedom and equality for all. To face these threats and realise this promise demands a new political approach.

On the tenth anniversary of the Blair–Schroeder declaration of a European Third Way, the Democratic Left offers an alternative project: the good society.

This politics of the good society is about democracy, community and pluralism. It is democratic because only the free participation of each individual can guarantee true freedom and progress. It is collective because it is grounded in the recognition of our interdependency and common interest. And it is pluralist because it knows that from a diversity of political institutions, forms of economic activity and individual cultural identities, society can derive the energy and inventiveness to create a better world. To achieve a good society based on these values we are committed to:

- restoring the primacy of politics and rejecting the subordination of political to economic interests;
- remaking the relationship between the individual and the state in a democratic partnership;
- creating a democratic state that is accountable and more transparent, strengthening our institutions of democracy at all levels including the economy;
- enlarging and defending individual civil liberties;
- reasserting the interests of the common good, such as education, health and welfare, over the market;
- redistributing the risk, wealth and power associated with class, race and gen-
order to create a more equal society;
• recognising and respecting differences of race, religion and culture;
• putting the needs of people and the planet before profit.

The foundation of the good society is an ecologically sustainable and equitable economic development for the good of all. There are no short cuts or ready-made blueprints. Instead, based on these values and aspirations, we will take each step together and in this way we will make our world a better place to live in. As Willy Brandt said: ‘What we need is the synthesis of practical thinking and idealistic striving.’

Learning from Experience
In June 1999, Tony Blair and Gerhard Schroeder, the Prime Minister of Britain and the Chancellor of Germany, published a joint declaration of European social democracy. Their statement brought together the ideas of the British Third Way and the German Neue Mitte. They claimed that this new model of social democracy had found widespread acceptance: ‘Social democrats are in government in almost all the countries of the union.’ Today the reverse is true. Social democrats are out of government in almost all the countries of the union.

The historic stage of social democracy associated with the Third Way and the Neue Mitte was a response to the long period of right wing dominance that had taken hold following the economic crisis of the 1970s. A new historic stage of capitalism had emerged, destroying the post-war welfare consensus and establishing a new consensus around neo-liberal values and a free market economy.

The electoral successes of the Third Way and Neue Mitte were tempered by compromises and limitations. Neither New Labour nor the SPD were able to build lasting coalitions for transformational change. In the 2005 election both parties had millions fewer votes than in 1997 and 1998 and both have lost out in local and regional elections. Substantial numbers of traditional working-class supporters have lost faith in New Labour and the SPD as the historical advocates of their interests. Many abstain from voting while an increasing minority identify with other parties who would claim to represent their interests, such as the leftist ‘Die Linke’ in Germany, and – of greater concern – the fascist BNP in Britain. The institutions and cultures of the working class that sustained Labour and the SPD through the 20th century have either disappeared or lost their social vitality.

The Third Way and the Neue Mitte models of social democracy uncritically embraced the new globalised capitalism. In doing so they underestimated the destructive potential of under-regulated markets. They misunderstood the structural changes taking place in European societies. They believed that a class-based society had given way to a more individualised, meritocratic culture. But the new capitalism has not created a classless society. Under market-led globalisation the economic boom created unprecedented levels of affluence but Third Way politics were not able to prevent it from dividing societies. After a decade of social democratic government, class inequality remains the defining structure of society. Success in education and life chances in general continue to depend on family background.

The era of neo-liberalism was always going to end in self-

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equal individuals in multicultural societies, and as citizens of Europe. We must build political institutions that create a sense of belonging in a just society, and we must reach out to the rest of humanity by creating democratic forms of global governance.

The ideal of a better, fairer and more open world resonates among millions of people who are searching for new ways to live together. It is a hope expressed in global and local social movements, countless single-issue campaigns, community actions, pressure groups and a multitude of informal individual engagements with political, charitable and social issues. The task of the Democratic Left is to develop the idea of a shared common good through argument, collective political action and campaigning among the people.

The good society is about solidarity and social justice. Solidarity creates trust, which in turn provides the foundation of individual freedom. Freedom grows out of feelings of safety, a sense of belonging, and the experience of esteem and respect. These are the fundamental preconditions for the good society. We seek a life of self-invention and self-fulfillment. This desire for self-fulfillment involves the right of everyone to achieve their own unique way of being human. But it is not the selfishness of market capitalism, because to dispute this right in others is to fail to live within its own terms. Solidarity expresses our interdependency. In a globalised world solidarity has no boundaries.

The notion of autonomy is central to a future in which people have the greatest possible control over their lives. Autonomy is not licence; it carries with it the obligations and constraints of living with others. It requires that each citizen has the resources – money, time, relationships and political recognition – to make a good life for themselves. This means the right to decent work, education and social security. The market cannot distribute freedom fairly and so a wider political community must be created in order to decide the just distribution of resources. Individual autonomy is the product of a political community. Democracy and its renewal is central to the politics of the good society.

The guiding principle of the good society is justice, the ethical core of which is equality. Each individual is irreplaceable and of equal worth. In the good society each is afforded equal respect, security and chances in life, regardless of background. Discrimination based on class, racism, homophobia and prejudice against women is outlawed and rigorously contested in culture, education and the workplace.

Framing all these values is ecological sustainability. The good society is part of the planet and attuned to its ecology. It develops ways of flourishing within the constraints imposed on it.

A fair and sustainable economy
At the centre of the good society is the individual as productive agent. Only by reorganising the system of production can we create a society of freedom and equality. The neo-liberal consensus did not deliver the individual freedom it promised. It created a winner takes all cul-
The market state and its agencies need to be transformed into a civic state that is democratised and made more responsive to individual citizens and small businesses.

The market state and its agencies need to be transformed into a civic state that is democratised and made more responsive to individual citizens and small businesses. We need to balance a strong centre with effective power at local level for economic and social development. The advocacy roles of civil society organisations and the trade unions need to be strengthened.

The primacy of politics over the financial markets has to be restored. In the banking sector a plurality of more customer focused business models must be established, which include commercial banks, mutuals, regional and community banks and credit societies, all operating on a variety of scales. We have to make sure that the banking sector is restructured and that it develops transparent and accountable forms of corporate governance. A new regulatory and supervisory framework will define the role and practice of banking and the system of executive remuneration. Only government with its democratic authority, global alliances and tax revenues can achieve the necessary level of reconstruction.

The economic crisis requires new global alliances; countries have to be established and stronger incentives fashioned for a more sustainable economy. We need to develop a new kind of economy rooted in the values and institutions of the good society. It will be one characterised by a variety of different economic structures and forms of ownership. It will make sure that workers codetermine economic decisions of their companies. From this economic pluralism we can ensure there is no going back to the globally unbalanced economic growth that led to the crisis.

We need ecologically sustainable development that meets human needs equitably and improves the quality of life of all. Climate change, peak oil and the need for energy and food security demand large-scale economic transformations. The time has come to start to discuss and then implement a new model of prosperity, which can be globalised but without leading to ecological disaster. Quality growth, meaningful work and technological progress can lead to more wealth and a better quality of life, but markets alone cannot achieve these goals. The future will demand a more active state engaging with long-term economic planning and development to build a sustainable economy.

The reform of the economy can begin with government taking services of general interest – utilities, transport, post, banks and public services – back into public ownership or placed under public control, where this is the most accountable, equitable and economically sustainable way of guaranteeing these services. New rules for markets must start working together rather than continuing the race to the bottom. We need international and European regulation of financial markets. Transnational corporations must be made subject to democratic oversight through the introduction of global economic democracy with defined rights of information, consultation and codetermination of workers’ representatives. Private ratings agencies, which have a huge influence on economic performance, need reform and supervision by public authority. The liberalisation and globalisation of capital has redistributed wealth from poor economies to the rich and increased systemic risk of worldwide economic collapse. Capital controls, the closing down of tax havens and the taxation of global financial transactions are needed to aid economic development and protect vulnerable economies.

A new industrial policy needs to map out the future priorities and needs of Europe and its national economies. Manufacturing is in decline as a share of GDP. Industrial employment is falling and wages have been stagnating. Domestic demand has been falling and in some countries the gap was filled by cheap mortgage-backed credit. That short cut option to...
economic growth is now closed. Core structures of industry have to be maintained and modernised, because they secure employment and provide a basis for the services sector.

We have depended on the global economic imbalance between the huge trade surpluses of some economies and the deficits of others. This is unsustainable and we have to rethink how regionally in Europe and globally we can have more balanced trade relationships.

Economic policy must ensure a diversity of business models and forms of economic ownership. We do not want to substitute monopoly capitalism for state monopoly. But we want markets to be regulated for the common good and the greatest possible degree of economic pluralism. Government on different levels including local states should be encouraged to raise funds on the capital markets, issue mortgages and raise funding from bonds for their own infrastructure projects.

New green markets and a renewable technologies industry need developing, both for a carbon neutral economy and for energy security. In the short to medium term the most effective solution to fight climate change is to establish a global carbon market based on a cap and trade system. In the meantime energy efficiency should be at the heart of the response to the economic crisis, as it is the quickest and fastest route to take for both job creation and emissions control. A Green Strategy needs to be developed and coordinated by governments across Europe. Advances and price reductions in large-scale renewable technologies have potential to replace carbon-intensive power-plants and nuclear. To ensure affordable warmth the energy markets and prices must be regulated and the energy companies brought to account.

The knowledge economy matters and we must focus on investment in innovation and the generation of high value added products. But knowledge and culture related economic activity must be extended beyond the limits of its current privileged zones and its demands should not be prioritised over the rest of the economy.

The market is failing to deliver high quality research and development. Organisation and product transforming and enhancing innovation require substantial initial government funding and a strong venture capital market aligned to it. Success needs buoyant, assertive and confident institutional cultures of risk taking. Such conditions do not currently exist in higher education. Instead, universities driven by commercial imperatives and performance indicators are neglecting the convivial cultures in which innovation happens and ideas and communication flow. The higher education system must be decoupled from the market and from commercial imperatives and treated as a public good.

The full potential of the services sector has to be developed, especially in the fields of education and training, and in health, care and social services.

We need a new system of agriculture, both local and global. Investment should be made in sustainable organic food system where food is produced, prepared and consumed locally and where wealth created remains within local communities.

Good work and social security
We must work for a social Europe in which people come before profits and where society asserts its interests over those of the market. This means economies that prioritise full employment, fair levels of pay, and labour market rights that guarantee good conditions and protect workers against discrimination and exploitation. It stands for social insurance against sickness, unemployment, poverty and disability, and for good value pensions in old age. Economic democracy is central to the social Europe project. A social Europe must extend beyond work to decent housing, high quality energy and transportation networks, good quality health care services, egalitarian education systems, and skills training that prepares individuals for a good life as well as good work. This agenda is a competitive asset in a globalised economy, not an obstacle to economic success.

We need a mix of cash benefits and social infrastructure to lift people out of poverty and to help stimulate demand. The tax system must contribute to a more equitable distribution of income and wealth. Low wage earners should not pay taxes. Those at the top must start paying their fair share and legislation must tighten tax loopholes and tax avoidance schemes.

Welfare policies that provide preventive approaches are important and should be strengthened, but they must not be used to disguise cuts in benefits. Fixation on personal
where large numbers are pessimistic about our future. This is because for thirty years our democracies have offered only one vision of society: that governed by markets and profit. The economic crisis is a crisis of democracy but it also provides the opportunity to revitalise politics.

Despite the disillusionment with political parties, there are extraordinary levels of political, cultural and community activism in our societies. Politics has become more individualised and ethical, and rooted in a diversity of beliefs and lifestyles. The old collective styles and political monocultures are being rejected by some. These developments are stimulating a search for new kinds of democratic political structures and cultures that are reconnecting institutions of political power with social movements and political constituencies. Community empowerment and campaigns around social justice and sustainability are becoming more vigorous.

Power must begin at the bottom and be delegated upward. We cannot create the collective agents of social change; people can only empower themselves. But we can strengthen democracy and so create the conditions for their emergence and our capacity to build alliances with them. With real power and policy making influence they can develop the ethos of democracy.

We need a new culture of freedom of information and more open access to the media. Networks and databases facilitated by the web are of growing importance in campaigning, bringing political power to account and mobilising popular

For thirty years our democracies have offered only one vision of society: that governed by markets and profit. The economic crisis is a crisis of democracy but it also provides the opportunity to revitalise politics.
opinion. Political parties remain an essential part of our democracies. They provide institutional continuity while networks are often transient. There is much to be gained by synergies between the two. For this to happen, parties will need to allow their own cultures and organisations to be opened up and democratised in the process.

We must, in the words of Willy Brandt, ‘dare more democracy’. We need to strengthen our democratic cultures by introducing electoral reform where it is needed and by increasing opportunities for active participation and deliberative decision-making processes also inside our parties. This is a precondition for strong Social Democratic and Labour parties in Europe. The time of top-down communication is over. The same is true for technocratic governments that tell people about necessities rather than persuade with reasons. People do not believe in spin-doctors anymore.

The main task in the years ahead will be to create and consolidate political trust in public life. Trust is the basis of all political and social action. It is best created by bringing people together to agree common aims and decisions, not by excluding them. It is achieved by initiating and engaging in open debate not by seeking to avoid it.

In the process of democratic renewal, nation states can and must do more, alone and together. But it is the political community of Europe that must be used if the economic crisis is to be a turning point for a new future and not a return to the failed politics of the past. The European ideal of a continent of secure citizens who all live as freely and fully as they can in sustainable and just societies is within our grasp. But it will take a leap of imagination and powerful ambition to make it happen.

**A Politics for a better Europe**

**A politics for a Social Europe**

Europe needs a ‘Post Lisbon Strategy’ that is based on the concept of ‘social productivity’. Social productivity is about social growth: increasing the social value and quality of work, accounting for the environmental and social costs of markets, and developing sustainable patterns of consumption. The wellbeing of citizens and general quality of life must be improved beyond simple numerical and monetary values. Wealth needs to be redistributed in a more equal manner. Effective regulatory standards need to be introduced to guarantee good, affordable and comprehensive public services, fair wages, good working conditions, free education for all and a human approach to immigration and global solidarity.

**The financial economy**

Our strategy for a social Europe must begin by tackling the economic crisis. By working together we will set the foundations for a Europe of greater cooperation, fairness and social justice. Member states are pursuing their own separate policies often at the expense of their EU partners. There is an urgent need for a coordinated Europe-wide fiscal stimulus. The multiplier on coordinated fiscal expansion is much greater than for any one country. In a coordinated response the tradeoff between increased debt and effective stimulus is much better for the EU as a whole than it is for any one country.

We need to introduce European-wide reforms in financial and economic governance. The regulation of financial market actors in Europe is not sufficient. A European supervisory institution can enforce adequate capital requirements, increase transparency in financial market actors’ investment behaviour and facilitate efficient information exchange between national supervisory authorities. European financial markets must become a source of stability and development in a production-orientated European economy. The emphasis on achieving shareholder value hinders capital investments in fixed assets, and thereby growth and employment.

To this end we need to reform the European Central Bank and the European Monetary Union. This will improve the prospects of Britain applying to join the Euro. The mandate for the European Central Bank needs to be broadened in the form of a law which the Council and Parliament can also amend. As well as price stability the mandate should permit other social objectives where necessary. These objectives would include the prevention and reduction of unemployment, the stability of the financial system, support for other EU economic policies and monetary cooperation with outside powers.

The EU’s central budget needs to be significantly increased and it must be able to redistribute considerably more resources than at present. Alongside this reform, the Commission must have the
right, when supported by Council and Parliament, to run deficits.

The Stability and Growth Pact should be replaced by an agreement on the coordination of member state budgetary policies. Coordination and centralisation are to some extent alternatives here; the greater and more reliable the coordination, the smaller the central budget could be – but between them the two measures must make possible some control over aggregate tax and spending policies in the EU.

Employment and social security

Different national paths constitute a source of strength in the EU. To achieve a Social Europe does not mean enforcing a single system on all nations, but agreeing a set of welfare outcomes. A European minimum wage, corresponding to the national average income, would help limit the increasing wage differentials in Europe and prevent ‘social dumping’. To push forward its implementation will require an organisation similar to Britain’s Low Pay Commission with a remit for campaigning and working closely with the trade unions.

The series of European Court rulings – the Laval, Viking and Rueffert cases – have deregulated labour markets by changing the terms of the 1996 Posting of Workers Directive. This now needs reform to restore collective bargaining, workers’ rights to strike, and establish equality for posted and migrant workers across Europe.

Europe needs fair policies on taxation. Current tax competition in Europe is leading to a shifting of the tax burden from companies to individual income and consumption. This is regressive and unjust and there needs to be a harmonisation of corporate tax policy to safeguard the financial basis of national social security systems. In the medium term, the European Union (EU) should have its own financial resources, based on a European corporate tax and a European financial transactions tax. Offshore tax havens should be outlawed and corporate profits taxed in the countries where they are earned.

Energy security and sustainability

Europe must become the most ecologically sustainable economy in the world. If the US is starting a competition to become the ‘greenest economy in the world’, Europe must take part in this race because all humankind will win. We need Europe-wide green standards for power stations that adopt a series of successively tougher targets for emissions standards, which will drive the introduction of carbon capture and storage. An efficiency target for electricity generation, which is similar to that proposed for cars in the EU, would make it difficult for a government to allow the construction of new coal-fired power stations without some form of carbon capture technology attached.

Balancing the grid at an EU-wide level will reduce the need for coal and improve energy security by reducing reliance on foreign oil and gas. It will make significant cuts in carbon emissions and in the long run bring down fuel bills too. The current bilateral schemes that are being negotiated need to be extended across Europe.

Global social justice

A social Europe must work for global trade justice. The EU is still pursuing an aggressive free trade agenda. It is currently negotiating Economic Partnership Agreements with African, Caribbean and Pacific countries which pose a serious risk to the development of the countries involved. The EU’s latest ‘Global Europe’ trade strategy is trying to force dozens more countries into even more extreme free trade agreements for the benefit of big business. We need a full-scale review of EU trade policy and a new strategy that puts the rights of poor and marginalised people at its centre. Trade policy needs to be made more democratic and accountable, and include much greater sharing of information and real participation by civil society.

‘Europe needs fair policies on taxation. Current tax competition in Europe is leading to a shifting of the tax burden from companies to individual income and consumption’
European democracy
To strengthen the European democracy in the economy we should use the potential of introducing supervisory boards through European Public Companies (SEs) for stakeholders to co-determine control over the management board. The EU needs to build a European-wide civic culture, which will engage in voting, sustain its democratic institutions and subject them to scrutiny. The EU needs to trigger public debate before taking its major decisions. To respond to popular opinion the European Parliament, which is directly elected by the people, needs to get the right to initiate legislation and to elect the Commission President.

Invitation to Debate
This paper lays out the principles of the good society. But the project of the good society has to be developed by society itself, through debate and action. We therefore invite civil society, social movements, trade unions and members of our parties and those in all other European nations to discuss and further develop the ideas set out in this paper. Our invitation to debate extends to everyone who want a more socially just, sustainable and democratic Europe. This is just the beginning.

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Europe on the Way to a Social Union?

The European Commission’s ‘Renewed Social Agenda’, published at the beginning of July 2008, bears the auspicious subtitle ‘Opportunities, Access and Solidarity in 21st Century Europe’. The Agenda outlines a framework for European social policy in the areas of employment and social affairs, education and youth, health care and the information society.

However, since social policy remains the responsibility of the member states, the Commission avoids defining its policy proposals as such. At the same time, the EU sees itself in an ‘ideal position’ to pursue social policies in reaction to socio-economic change resulting from technological development and globalisation. Contemporary social policy should be ‘cross-cutting and multidimensional’, both conceptually and with regard to implementation.

In the Commission’s view, finding the right mixture of European and national decision-making is the key to a fair and efficient social policy for the twenty-first century. Thus, the Commission rightly poses the question of whether there might be scope for cross-sectoral measures at EU level and whether the instruments available to the EU ‘to support and supplement the member states should be reviewed’. This question delves deep into the EU’s current structure and touches upon its relationship with the member states. This explains the number of critical and dismissive reactions to the Social Agenda. While some believe that the Agenda does not go far enough, others criticise it for gratuitously increasing the role of the EU. No doubt, the EU’s social dimension will continue to be the subject of much political infighting.

What is EU Social Policy?
In EU member states, social policy is intended to benefit the disadvantaged, equalising chances in life and living standards within society. This includes conferring an equal start in life through education policy, but also equalising the safety nets for the main risks of life, such as illness and unemp-
ployment. On the other hand, social policy is also a potential growth factor for the national economy. Still, the scope of market intervention varies.

Then there is a second problem: in the member states the political aims of market creation and market regulation are generally on an equal footing in legal terms. ‘Market creation’ or ‘market enabling’ refers to the activities of private actors in the market, which should be protected by the state. ‘Market regulation’, in contrast, implies regulatory intervention in markets, which of course has to be justified. It is this relationship that clearly distinguishes member states from the EU. At the EU level, emphasis on the internal market and its competition principles is closely linked to the Union’s limited social powers. Although the Community’s competence in social policy has increased, particularly since the Maastricht and Amsterdam Treaties, the parallelism of European responsibility and European Court of Justice (ECJ) rulings – for example protection in the workplace – and national powers (for example, minimum wages) makes it difficult to reach compromises in the European multilevel governance system.

Third, international conditions and national starting points differ: ageing societies, various types of welfare state financing at national level – tax-based vs. contribution-based – and the increasing tax competition in the Union, as well as the detrimental effects of globalisation.

Against the backdrop of differing national traditions and institutions, forays in the area of social policy under the banner of European integration often trigger different effects in the member states. Hence, social policy at European level – particularly where it aims at harmonisation – is a highly complex political process which makes obtaining a majority (both in national parliaments and in the European Parliament) a lot more difficult. The level of complexity increases in line with the level of integration desired; ‘integration’ refers to the Europeanisation of national competencies; that is, to the delegation of these competencies to Brussels. European social policy takes shape at three levels:

1. at the substantive level, European social policy emulates the social policy of member states: national social security systems provide substantive benefits, such as unemployment benefits, for those in need.
2. at the regulatory level, the internal market requires regulation of European minimum standards, for example, in labour law and the coordination of social systems (e.g. the portability of public pension rights). These measures create a framework designed to prevent dumping and exclusion. They do not, however, result in redistribution. European legislation aims to balance adverse social effects of the four freedoms, particularly in the area of worker mobility.
3. European social policy also concerns coordination in the area of ‘soft law’. Soft law sets common objectives for member states – for example, concerning vocational training. However, these aims are not binding but merely serve as benchmarks for national governments. However, since there is no penalty mechanisms the Open Method of Coordination (OMC) is primarily used in policy areas in which the EU has little or no power.

One Union – Many Welfare Models

European welfarism in terms of Europeanisation of social policy is dependent on the common interest of member states in ceding powers to the EU. There are three factors at play:

1. the degree of homogeneity of the member states (and in particular their respective living standards)
2. the rivalry between the member state and EU levels with respect to optimum problem-solving ability
3. the policy area in question

Homogeneity (1) matters, in terms of distribution, European integration affects member states very differently, depending on their welfare regime. With regard to their economic makeup and welfare systems, recent EU members from Central and Eastern Europe seem to have only augmented the already heterogeneous EU mix. This complicates attempts to reach a common interest in further integration. In addition, transformational processes in the last twenty years or so have created a large ‘have-not’ population segment in the new member states. Although the institutional aspects of accession are almost complete, the ‘social consolidation’ phase in these countries still lags far behind.
As heterogeneous as the group of new member states might otherwise be, income convergence with the EU-15 is the principal membership aim of them all. In this connection proposals concerning social harmonisation are immediately suspected of aiming first and foremost to protect the interests of the old member states, with their presumably higher standards. At the same time, however, many recent EU member states fear the gradual (and sort of unchecked) expansion of EU competencies beyond the aims and scope of the EU treaties.

The rivalry (2) over authority has its main roots in a fundamental asymmetry between the economic regimes of the EU and of the member states: while in the latter the policy aims of ‘market creation’ and ‘market regulation’ are on an equal footing this is not the case at EU level. Instead, the EU imposes both economic and legal fetters on national welfare states. When European regulation clashes with national law the European Court of Justice tends to decide in favour of internal market legislation. Additionally, indirect integration pressure on European welfare states ultimately results from monetary and fiscal policy: for example, the Maastricht criteria imposed financial restrictions on welfare states.

At last, different policy areas (3) offer different restrictions to possible delegation and Europeanisation: The more difficult it is considered to be to manage a particular policy area only at national level and the stronger the expectations concerning a putative ‘European contribution’, the greater the incentive to delegate powers to the EU. Whereas monetary policy offers clear cut benefits of harmonisation due to external effects in a customs union, the case for unifying social policies is far less clear. What makes national welfare institutions even more resilient to Europeanisation is the fact that these institutions were considered to represent the very backbone of nation states thereby creating large constituencies.

Levels of European Social Policy
The EU's contribution to social policy is oriented towards the three great sets of objectives and cross-sectional tasks it has set for itself:

1. economic growth (as well as more and better jobs)
2. high level of social protection
3. equality of opportunity for all

In order to perform these tasks the EU has five main instruments:

1. the European Social Fund
2. social policy legislation together with ECJ rulings
3. the Social Dialogue
4. the Open Method of Coordination (OMC)
5. the Civil Society Dialogue

In the context of individual policy areas these instruments are assigned to three levels of social policy: substantive, regulatory and process-oriented ('soft law').

a) Substantive Social Policy
Direct substantive payments to those in need – for example, income support or housing benefit – require social security systems financed on a contribution/funded or pay-as-you-go basis. The level of redistribution varies considerably across Europe. Social benefits financed through taxation usually have a stronger redistributive effect than those financed directly by individual contributions. At European level the resources of the European Social Fund (ESF) can be assigned to this category of classic social policy redistribution, of the kind characteristic of nation states. The purpose of the ESF is the labour market reintegration of workers in the member states. In keeping with the existing Community competencies as regards the social policy underpinning of internal market freedoms the emphasis is on work and employment. This includes the financial instrument PROGRESS (Community Programme for Employment and Social Solidarity) and the only recently established European Globalisation Fund (EGF).

b) Regulatory Social Policy and the role of the ECJ
EU legislation
In contrast to redistributive social policy, the regulatory level is limited to rule-making.
No substantial financial resources are required for this purpose and consequently such measures can be pushed through far more easily in the European power structure. It is true that this aspect of European social policy is strongly under the influence of the European Court of Justice and its rulings often lead to an extension of EU powers. In the area of regulatory social policy European law sets minimum social standards and basic rights at European level, and so creates uniform framework conditions for the internal market. The treaties contain legal provisions in the areas of equal treatment of men and women in employment and work, anti-discrimination, free movement of labour, health and safety in the workplace, labour law and working conditions, as well as information and consultation of workers.

The two most important regulations in European law, and hence the supporting pillars of EU social policy powers, are those on freedom of movement and on migrant workers. Their influence extends to many other policy areas. EU regulation stops short at harmonisation, which is explicitly ruled out. Instead, minimum requirements are possible which may not infringe the systems of member states in terms of their basic principles. In this way the demarcation between the member states and the EU leads to sometimes intense conflicts.

**The Role of the European Court of Justice**

Although the market orientation of social policy has been extensively interpreted by the ECJ, the Courts’ interpretations have from time to time also led to an extension of ‘citizens’ rights’, at least to some extent. Hence, the potential conflict between national and EU law means among other things an extension of the basic freedoms, eventually against the will of the member states.

Recently, three ECJ judgments were particularly perceived to run counter national welfare autonomy: the cases ‘Viking Line’ (right to strike vs. freedom of establishment), ‘Laval’ (right to strike vs. freedom to provide services), ‘Rüffert’ (collective bargaining law vs. freedom to provide services) as well as ‘Luxembourg’ (worker protection vs. freedom to provide services). As with the former case, the interpretation of competition law with reference to public services and the (national) definition of ‘public policy’ is a further point of conflict, with the ECJ possibly favouring market enabling readings over shielding national welfare arrangements.

**The Social Dialogue**

The Social Dialogue has something of a special place in European social policy. It is laid down in the treaties and the role of the social partners is widely recognised. At the same time, the Social Dialogue provides for little in the way of substantive guidelines, but serves as a consultation forum for debate and as a procedural level between autonomous social partners. But it is not restricted to non-binding exchanges of views. Such agreements can be achieved either with the help of the Council or completely autonomously between the social partners. In the area of employment the active participation of the social partners is at the centre of the European Employment Strategy and Integrated Guidelines. A substantial point of criticism of the Social Dialogue is the imbalance between the social partners due to the employers’ de facto veto right.

**c) ‘Soft Law’**

Coordinated social policy is often designated ‘soft law’ in EU jargon, ordinarily understood in contrast to ‘hard’ legislation (of the *Acquis Communautaire*). This encompasses the Community’s numerous social policy activities that lie outside direct treaty-based competencies. At European level the OMC is the central element for policy coordination. In essence it is a settlement procedure for national policies and not a binding instrument: there is no formal transfer of powers. In the foreground is the coordination of policy objectives rather than social policy convergence. Certainly the OMC and this form of extension of EU social policy activities are attended by numerous difficulties. In terms of content, a discursive revaluation of EU social policy is taking place, but the focus is mostly on social policy that promotes competition and enhances market creation.

**European Employment Strategy (EES)**

The idea of the EES is that comparison between national labour market reforms should bring added value to the EU through the adoption of employment policy guidelines and so of policy objectives. The EES was trans-
posed into the so-called 'Integrated Guidelines for Growth and Jobs' and given an extended reference period of three years. In this way the long separate coordination processes on labour market policy, micro-economic and structural reforms and macroeconomic measures were transposed to 'National Reform Programmes' on the revised Lisbon Strategy and scrutinised in annual implementation reports. The Integrated Guidelines comprise only three categories: macroeconomic, microeconomic and employment policy guidelines. The European Commission’s ‘Communication on Flexicurity’ has been a criticised attempt to render a number of elements originating in Danish labour market policy applicable to other member states and the EU as a whole.

Social Protection and Social Inclusion
Other policy areas have been added alongside employment policy: social inclusion (2000), pensions (2001) and health (and long-term care) (2001). Subsequent to the Lisbon Strategy the EU commenced an ‘Action Programme on Social Inclusion’. After the streamlining of economic policy coordination and harmonisation with the revised Lisbon Strategy in 2005 the ‘OMC for Social Protection and Social Inclusion’ (‘Social OMC’) was also tightened up. The so-called joint report ‘Social Protection and Social Inclusion’ encompasses the policy areas of social inclusion, pensions, health and long-term care with three policy objectives:

1. elimination of poverty and social exclusion
2. adequate and sustainable pensions
3. accessible, high quality and sustainable health and long-term care

Value Added Europe – Steps on the Way to a Social Union
Competing positions to further delegate social policy to the EU are shaped by institutional and distribution policy effects of European integration: these effects are determined by the different welfare state models and a country’s respective position as net contributor or net recipient of substantive social policy in the EU and EU funds in general.

There is no prospect of a genuine European community based on solidarity with a developed substantive European social policy and, at the same time, a commitment to redistribution. But enhancement of the social dimension in Europe does not necessarily have to take place through Europe. Protecting and increasing the scope of national social policy is one way of bringing about more equity and efficiency in the EU. The formation of Europe’s social dimension through the harmonisation of national social policy institutions is ruled out by the treaties in principle. But rather the different national paths constitute a source of strength in the EU.

Not harmonisation as such, but the homogenisation of welfare outcomes must therefore be the goal of European social policy. All three levels of social policy presented here can contribute to this in their own way. However, this is conditional upon constitutional and discursive parity for both the promotion and the social embedding of the market in the European Union. To that extent the level of European governance entails a potential added value for the European social dimension.

European social policy exists in a number of areas; nevertheless, Europe is often regarded as a purely economic community suspected of being a Trojan horse for neoliberal globalisation processes. To that extent the EU’s social agenda is a first step in the right direction; however, a great deal more thought must be given to a genuine reorganisation of the European social dimension, in order to be able to counter effectively the difficulties and dilemmas of integration processes and therefore also the doubts of Europeans.

Endnotes

1 Free movement of goods, services, people and capital.

2 National standards are compared mainly by means of the Open Method of Coordination (OMC). The OMC was launched in 2000 to coordinate EU employment policy as introduced in the Treaty of Amsterdam. It is a coordination instrument for areas stretching outside EU competence. Once common aims – and common indicators – are drawn up, action plans are produced in the member states which, in turn, are assessed in the Council at the Commission’s behest. Aside from improving comparability of individual policies in the EU, the aim is to identify ‘best practices’ and thereby instigate knowledge transfers for possible political reform, or ‘political learning’ respectively.
MALTA IS QUITE UNIQUE. Although we have our fair share of problems anywhere else in Europe, few would doubt that, particularly in view of our small size, Malta offers experiences not easily replicated in other larger countries. At the same time, however, we must not allow this trait to stand in our way of maximising our potential within Europe. As a country, indeed as a people, we must learn not to have any fear to stand up and make our voices heard. It is on the basis of this that I am campaigning for ‘a stronger voice in Europe’.

When the people of Malta opted for European Union membership they did so in the belief that through membership, Malta could transform itself from the mediocrity of the past to a more vibrant and stronger European player. During the past five years, we have started to learn the ropes and get a real taste of the good and the bad of European Union membership. There can be no doubt that there is still a lot of hard work ahead of us.

It is with this in mind that I am embarking upon this new challenge in my political life. Having for the past four years represented Malta in the Committee of the Regions of the European Union (CoR), I have come to learn that the best results are achieved through networking and coalition building with other politicians from the other member states. In my work as a member of the CoR’s Commission of Economic and Social Affairs, and rapporteur on gender equality and non-discrimination, I have seen what can be done at European level to improve the situation of women and men in all EU member states. This experience, particularly given the current economic crisis that has engulfed us all, has taught me that it is in our collective best interest to cooperate with one another and strive as much as possible to seek common solutions to the problems facing us all.

Together with my colleagues in the Labour Party (Malta PL), I am contesting this election on the basis of the platform set by the Party of European Socialists (PES) under the banner ‘People First’. It is a platform for which I am fully supportive. I believe that in everything we do we need to put people’s interests first. It is also because of this that I believe that it is wrong to cut the close link that exists between the economic and the social spheres.

I am of the view that the economy is there for the service of people, and not people for the service of the economy. The current international economic crisis is putting paid to all those philosophies which glorified the false god of a free market. If we truly want the best
‘We need to fully embrace the concept of a Social Europe, a Europe in which it is people – not money – that matter’

interest of the people, we need to do everything we can to stop those who, for their often hidden interests, want to take our societies back to a time when the law of the jungle determined who moved forward and who was left behind, to a time, allow me to say, of Charles Dickens and the poor houses.

If we want to steer away from such a gloomy scenario we need to fully embrace the concept of a Social Europe, a Europe in which it is people – not money – that matter. Indeed, I believe that a new Social Europe is required to tackle the vast inequalities that currently exist by focusing upon greater European cooperation towards improving the lives of people in Europe by working for the elimination of social divides, for the creation of more and better jobs, and for a just and fair treatment of all people, irrespective of their financial clout or lack thereof, sex or sexual orientation, race, colour, or creed.

We should all aspire to a stronger voice in Europe. We must ensure a greater degree of transparency and accountability because every decision, from the big policy plans to the smallest of regulations, affects our lives directly. This means that all levels of governance, from the local to the European, must work in synergy and communicate with citizens at grassroots level.

We need to ensure that the issues that are truly on the people’s mind are being addressed by the European institutions. Such issues as better jobs, health care, education and childcare, a clean and safe environment within which to raise our children, consumer protection as well as peace and stability in the EU and globally need to be put at the top of the European political agenda. We need to have a clear political vision and translate it into feasible projects which will make a direct positive impact upon people’s lives.

My pledge is that if elected, through my work within the European Parliament, in tandem with the representatives forming part of the European Socialist family, I will strive to ensure that these issues are brought to the fore and that adequate measures are taken to address them.

It is my belief that if we truly believe in a Social Europe for all, the status quo is no longer acceptable. For instance, we need to strive to ensure that any European worker employed in another member state is employed in accordance with the same rights and conditions as those pertaining to the local employees. Only in this way can there be a truly competitive market eliminating any possibility of abuse. Only in this way can local workers have the peace of mind that their jobs will not be undermined on the basis of cheaper labour coming from abroad, whilst at the same time ensuring that any ‘foreign’ worker is not exploited or treated less favourably than the locals.

My commitment is clear. It is one based on the premise that in everything I do, I pledge to put the people first. It is a philosophy which is based on the understanding that politics is a service to the people, who ultimately are the true owners of any democratic society.
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