

# Social Europe

Volume One



# SOCIAL EUROPE

---

VOLUME ONE

HENNING MEYER   MARK BLYTH   SHERI BERMAN  
BO ROTHSTEIN   SVEN STEINMO   COLIN CROUCH  
STEVE COULTER   LÁSZLÓ ANDOR   MARIA SKÓRA  
BRANKO MILANOVIC   JÜRGEN HABERMAS



Copyright © 2019 by Social Europe Publishing

An imprint of Social Europe Publishing & Consulting GmbH

All rights reserved.

No part of this book may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without written permission from the author, except for the use of brief quotations in a book review.

ISBN ebook 978-3-948314-01-9

ISBN paperback 978-3-948314-00-2

## CONTENTS

About the Authors	v
Foreword	vii
1. The Crisis of Globalisation	1
2. Politics, Pessimism and Populism	14
3. "Us Too!" The Rise of Middle-Class Populism in Sweden and Beyond	19
4. Why the Left Must Resist Wanting a Piece of the Xenophobic Action	25
5. Click Here for the Brave New World of Work	30
6. Social Resistance in Hungary	35
7. Politics in Poland: Eternal Duopoly or Refreshing Breeze?	43
8. Does the European Union Generate External Instability?	48
9. "New" Perspectives for Europe	53

## ABOUT THE AUTHORS

**László Andor** is Senior Fellow at the Foundation for European Progressive Studies and Head of Department of Economic Policy at Corvinus University (Budapest). He was European Commissioner for Employment, Social Affairs and Inclusion 2010-14.

**Sheri Berman** is a professor of political science at Barnard College and author of *Democracy and Dictatorship in Europe. From the Ancien Régime to the Present Day* (Oxford University Press).

**Mark Blyth** is Professor of International Political Economy in the Department of Political Science at Brown University and a Faculty Fellow at Brown's Watson Institute for International Studies.

**Steve Coulter** is Head of Communications at the European Trade Union Institute and a Visiting Fellow in the European Institute of the London School of Economics and Political Science.

**Colin Crouch** is a Professor emeritus of the University of Warwick and external scientific member of the Max Planck Institute for the Study of Societies at Cologne. He has published within the fields

of comparative European sociology and industrial relations, economic sociology, and contemporary issues in British and European politics.

**Jürgen Habermas** is a German sociologist and philosopher.

**Henning Meyer** is Editor-in-Chief of *Social Europe* and a Research Associate of the Public Policy Group at the London School of Economics and Political Science as well as a Visiting Fellow at the Centre for Business Research at the University of Cambridge.

**Branko Milanovic** is a Serbian-American economist. A development and inequality specialist, he is Visiting Presidential Professor at the Graduate Center of City University of New York (CUNY) and an affiliated senior scholar at the Luxembourg Income Study (LIS). He was formerly lead economist in the World Bank's research department.

**Bo Rothstein** is Professor in Political Science at University of Gothenburg.

**Maria Skóra** is a sociologist and economist, interested in social policy, feminist economics and local community studies. She works as a senior project manager at *Das Progressive Zentrum*, a Berlin-based political think tank.

**Sven Steinmo** teaches Political Economy at the University of Colorado, Boulder.

## FOREWORD



| Henning Meyer

Europe is entering a crucial political year—yet again. When the current President of the European Commission, Jean-Claude Juncker, took office he talked about the ‘last-chance Commission’ reflecting the huge challenges that the unresolved Eurozone crisis and high levels of unemployment posed at the time.

Five years later the situation is not much better. The Eurozone is still in need of reform but not in perpetual crisis anymore. Unemployment pressures have eased somewhat even though in many places joblessness, especially amongst the young, is still a huge problem. But within the last Commission fell the fateful Brexit vote in the United Kingdom and the election of Donald Trump in the United States. The European Union is under immense pressure—from inside and out.

At this crucial juncture, Social Europe strives to publish in-depth analyses of Europe's political and economic problems and propose constructive reform proposals for a European unification process that has not just stalled but kicked into reverse gear.

In cooperations with the Dutch artist Daniël Roozendaal we also redesigned our publication to reflect the current situation. This volume of Social Europe is dedicated to the European visionary Jean Monnet as European vision is needed more than ever. But Monnet's portrait includes elements of François Boucher's classic painting *The Rape of Europa* to show the contested nature of Europe's future.

As always, we have brought together a group of leading thinkers to ponder some of the most urgent topic on Europe's agenda. We hope you enjoy reading their contributions.

A handwritten signature in black ink, consisting of two distinct parts. The first part is a large, stylized 'H' followed by 'j' and 'e'. The second part is a more fluid, cursive signature that appears to be 'Meyer'.

| Henning Meyer, Editor-in-Chief

ONE  
THE CRISIS OF GLOBALISATION  
CONVERSATION WITH MARK BLYTH



| Mark Blyth

TOWARDS THE END OF 2018, Henning Meyer, editor-in-chief of Social Europe, spoke to the expert on international political economy Mark Blyth, about the crisis of globalisation, populism, Brexit and other political disasters waiting to happen. This is an abridged version of their exchange.

**Henning Meyer:** Mark Blyth, thank you very much for joining me today to discuss the crisis of globalisation and what political and economic consequences it might have. Let me ask you the first question. Basically, do you think there is a crisis of globalisation? And if there is one, in your opinion, what are its main characteristics?

Mark Blyth: It's always a tough one. I hate using the word 'crisis', because I've been doing this stuff for about 30 years now, and

when I went to graduate school I read books about crisis. Then we had a crisis. Then we had another crisis. A crisis of this and a crisis of that. There's a danger that the term becomes meaningless. So I will try and put it in a slightly different cast.

Capitalism itself is usually quite a robust system. That is to say, it can not only deal with shocks—it can sometimes benefit from shocks, depending on the type of shock. What's happened since 2008 is not the type of shocks that you're robust to, nor do you benefit from. You have a giant real-estate bust, which tends to then accumulate, through the banking sector and the bail-out of the banking sector, into a series of public debt bail-outs, which then leads to greater fragility on that side.

The entire financial sector on the private side, whether it was corporates through corporate debt markets or whether it was consumers through consumer debt, are extremely levered. Wages aren't growing, which is the real big problem. Inequality has literally never been higher in many cases. And we're finally waking up to the fact that there's an environmental crisis that is very, very serious and is going to hit us much sooner than we thought.

I look at it this way. We have 15 years to solve and really make a dent in a joint crisis. That joint crisis is one of the environment and one of inequality. And the two of them are linked. If we do that then we could be in a much better place. If we don't do that, this is the [most] serious challenge that capitalism as a model has faced since its inception.

**What you're saying is there has been, obviously, some very severe instability at the heart of the capitalist system, and what is described as a crisis of globalisation is basically just a political expression of that crisis of capitalism?**

Yes, but there's also something specific about globalisation. Earlier

in my career I spent a long time thinking about economic ideas and how they spread. I'm hardly the only person that's puzzled over the spread of neoliberalism, but the more that I think about it now the less that I think about neoliberalism as a set of ideas and more of a set of practices. Those practices are to liberalise, integrate, privatise, otherwise knock down barriers to competition, etc.

When you do this with what were essentially national labour markets and national financial markets that were relatively closed—let's say homogenous states that looked the same, made the same stuff and occasionally traded with each other but kept their finances separate—once you change that, through the practices of neoliberalism, and you become one big market in the [Polanyian] sense of integrated finance and capital movements etc, a couple of interesting things begin to happen.

The first one is labour's ability to command its share of the surplus declines to zero. The strike becomes a meaningless weapon. Strikes decline to function—like to zero—in the western world. And you get prolonged wage stagnation, because essentially all the surplus goes to capital. There's no reason for it not to. So labour's ability to push up wages goes to zero.

But there's also something interesting that's happening in financial markets and product markets at the same time. It's like the second-order effect of neoliberalism. Which is the following. We dumped about 17 trillion dollars—yen, euros and everything else we could get our hands on—and we're continuing to do so in Europe through QE-type programmes, through central banks, because of the financial crisis. And the weird thing is there's no inflation anywhere. In fact, Europe is still deflating. It hasn't hit its 2 per cent target in almost a decade. So there's no [structural] inflation, despite a massive, absolutely unprecedented monetary injection. That's also weird.

Then think about the third section, which is competitive product markets. Think about the price of a computer. Think about the price competition going on in all sectors. If you look at words called 'mark-up' and 'margin data' across firms, what you find, particularly in the US but not exclusively, is that if you're a digital monopoly you're making 50 per cent to 60 per cent profits. If you're a small or medium-sized firm and you're in global competition, your margins are tiny, your profits are tiny and you're very resistant to push[ing] up wages, because that literally could drive you out of business.

Add this all together and you've got a very, very strange world that we haven't experienced before. One in which you're going to have [structurally] low interest rates because there's no inflation to combat. Then you've got a world in which labour markets [can have] full employment but it does nothing for wages, which means sustaining and perhaps making worse the inequalities that are already there. Then in product markets you have a winner-takes-all dynamic, whereby quasi-monopolists get monopoly rents and everybody else [gets to return to perfect] competition.

That seems, in a very abstract sense but in a very real sense, to characterise a world we haven't been in before, and the consequences of thinking through that world are quite profound.

**You're basically straddling the Atlantic. Do you see any significant differences in how this pans out in the United States and how it pans out in Europe? What would you say is maybe specifically characteristic of the United States and what is a European thing?**

Well, let's start with the fact that Europe still has significant welfare states and welfare transfer. If you look at Ireland, for example, which is a very small unrepresentative country admit-

tedly—because it basically lives off American FDI stocks and them being a trans-shipment point into Europe—but Ireland has a very high pre-tax Gini [inequality] coefficient [yet comes] amongst the lowest when they do post-taxes.

So government policy matters and Europe still has policies. It actually wants to do something on climate change. It's finding out the distributional politics of that: [in] France in particular [they] are more tough than we thought. But there's effective governance and an attempt to basically deal with these agendas.

In the United States you have a governing class which is utterly in denial about the challenges that it faces. So in a sense what you see in the United States is the most accelerated version of these pathologies. If you don't even accept that global warming and the consequences of climate change are real, it's very hard to do anything about it.

That's a big difference that we have at the moment between America and Europe. But at the same time 30 per cent, I believe, of Germany's electricity is still produced by coal. Poland is somewhere around the 60 per cent mark. We're all talking a good game, but very few of us are walking a good game.

**You also mentioned some of the big tech companies. As these tech giants spread they are using, basically, their quasi-monopoly power in one sector to muscle into another. In the United States there's a discussion about what big-tech company is going to disrupt healthcare next year, because that's a big share of GDP that is utterly inefficient in the United States. Market segmentations that used to shield or at least structure competition seem to be disappearing. At the same time you have the user-network effect, that gives these tech giants a big advantage to use these disappearing boundaries to go after all**

sorts of different market segments—or what used to be market segments. The inequality tendencies that are not least the result of this, are they likely to get worse before it gets better? Or what kind of policies do you think need to be implemented in order to address these issues?

Well, this is where Europe once again has disappointed, unfortunately. The whole point of [the General Data Protection Regulation] (GDPR) wasn't about data protection. It was essentially scaring Facebook and Apple and the rest of them into paying some taxes—basically saying: 'If every time that you switch on your platform you have to click through 12 screens of approval you know you're going to lose 80 per cent of your users. Most of your business is data accumulation from your users.' Particularly on the Amazon and Facebook side of things. 'So you really need to wise up and play ball.' It seems that, with the intervention of the Dutch and the Estonians and a few others who love tech, that's gone by the wayside. We're going to have some nominal taxation and they're going to be able to continue doing what they want.

The truly damaging thing here with these companies is what they do to innovation. If you're running a start-up company here—I was talking to someone yesterday about exactly this—the ambition for their company is to be annoying enough to be bought by Amazon. Then Amazon will do what they did in the 1930s with critical technology, such as beryllium and others at that point in time for steel. Which is you simply put them on the shelf and you don't roll them out, because you don't want the competition to ever [get an edge].

This is all market preservation and killing innovation by buying it and putting it on the shelf. This is exactly what monopolists do. Now, we're meant to know what to do with this. It's called bust them up. But there seems to be no political will to do this.

I heard a very good presentation by an economist the other day, who came up with a theory. The question is: what is the difference, say, between the current crop of internet or technology giants and the first ones? After all, Facebook wasn't the first social network; Google wasn't the first search engine—nobody talks about AltaVista anymore. He came up with the idea that the difference is not just user-network effects but the underlying data. Basically, if you're just sitting on the biggest pile of data the marginal costs of innovation are actually reduced by such an extent that it becomes completely inefficient and demoralising for your competitors to even think about competing. That then stifles innovation, because it's concentrated in the monopoly power.

I would agree with that. I would go [further]. What exactly is the fuel for these corporates? It's our data. And we give it up for free because their platform is free, so we use their platform. Very simple then. Charge for the platform. Make them charge for the platform and then watch their users drop off. Or have a free version versus a pay version. Alternatively, even better, get people to individually license the use of their data to these firms. We auction off the digital spectrum to telephone companies. Why don't we auction off our personal data? Basically give the data on a ten-year lease that's revocable.

There are lots of things we could do. We just simply choose not to. There's the real commonality just now in governance. This is the bit that's truly disappointing.

The quality of political capital of the governing classes has just been eroded, and it's very clear to see why. There's no money in it. What you do is you jump into a party. You become well known for a couple of years. You then get some expertise. You parlay that [into a] selling opportunity with the private sector. Then you jump

ship and work with the private sector. So there's a huge governance failure, which I think is to do really with the quality of politicians that we have.

**What can be done? If you wanted to come up or start with a policy agenda to address some of these issues, what would you do?**

The one thing we want to do is not do that. Here's why.

In a sense, what we've run across the world during the globalisation era is a kind of meritocracy. A meritocracy is people like you and people like me, and people who are slightly different from us but nonetheless went to the same universities and studied the same courses. We get to run everything and we become the technocratic class. The technocratic class really has nothing to do with the rest of society. We send our kids to the same schools. We read the same newspapers. We have the same social habits. We're a kind of transnational class. I was part of this. I saw it emerging.

Now, you've got everybody else who lives a very different life, where wages aren't rising. The real-term costs are going up. The politicians are telling them 'There's no inflation' but it seems that the cost of everything nonetheless is going up for them in real terms. And there's a disconnect between the two.

Now, go back to the story about globalisation and how it emerged. The first thing neoliberalism did, in a sense, was to globalise labour markets and thereby render labour's ability to command its share of national income obsolete. Then you have that product-market effect, and it [eats through product] markets. In a sense what happened was all of the little cartel structures, corporatism in Germany—let's think product-market coalitions, all that sort of stuff, that kept the national economy insulated, all the little rules

about who could buy your stocks on the stock market etc—all of that was stripped away.

Once all that was stripped away and everything really did go global, then you've got a question as to what happens to the political-party structures. Because what made all those little labour-market cartels and cushy arrangements possible, what made all those product markets safe for domestic companies and all the rest of it, were the political classes that mediated that post-war compromise—that were based everywhere on either a two-party system, Labour and Conservative, or a majoritarian coalition system of the type that you have in Germany.

Now you've destroyed the labour-market cartels. You've destroyed the product-market cartels. You've globalised everything. What's the point of the existing parties? They don't really have one. They were there to stabilise structures that no longer exist. Which is why they're strangely clueless about what's going on.

So the thing we don't want to do is to say: 'Well, let's hand it over to the technocrats. Let's get some policies. We will have some policies.' This was the 2016 [US] election. Senator Clinton had hundreds of policies. They were all ranked. You could see the R[andomised C[ontrol] T[rials] that they were scored against to prove that they worked. And we could just add them together and that was a platform. Except it's not—because what people are crying out for is a vision, a reason to believe in something.

What they actually want is someone to explain to them why, if global warming is so important, they have to pay through their wallets, through a diesel tax, when people that own yachts seem to get off scot-free. What they need is somebody to explain to them why it is that inequality has got so out of whack and our politics is run by the very people who are sitting at the top of the pile pulling

the strings of the politicians. They're not stupid. We think they're reading 'fake news'. They're not. They're just looking for an alternative account, because they don't believe a word that comes out of our mouths anymore.

So until we actually get over the fact that the post-war party system is dead—[that] populism is the new normal—and we somehow reconfigure political action to basically create new parties and new structures or renovate old parties, and move forward with a much more progressive agenda ... Then we can talk about policies. Just simply going 'What are we going to do in terms of policies?'—we tried that in 2016. It was a disaster.

**And the institutional structures of existing parties are not really accommodating. How would you reform parties? What would they need to do? Mainstream conservative, mainstream social-democratic parties are under pressure everywhere. What would you recommend they should do?**

Well, the first thing that they should do, to quote—I think it was Planck, the physicist, that said this—'Society evolves one funeral at a time.' Let them die. I think you've got to start from scratch. When I had to give a speech at the SPD [Stiftung] in 2016 I said: 'You are two electoral cycles from extinction.' And I think I was exactly right. You might get three. But they're dead. So there's no point in trying to renovate something that's dead.

What you can do is you can do what Corbyn did, although he's not doing much with it, which is to take the dead husk of the Labour Party, in a kind of free-leveraged buy-out—take it over, build a whole new membership and then run it from the inside out. Until you assemble [in Germany] some kind of red-red-green coalition, you're not going to stand in the way of the nationalists [in *Alternative für Deutschland*].

**What do you think will happen once populists are in government? Look at Italy right now.**

Yes. This is the really interesting one. When the Italian thing came up I said: 'Look, here's your real problem. It's not this government. It's what happens when this government fails.' Because at the end of the day what populism has going for it is the notion of sovereignty. Chris Bickerton, a political scientist at Cambridge, had a really nice observation about this. There's a book he did a few years ago called [European Integration: From Nation-States to Member States]. Sovereign states have their own printing press. They can devalue. They can default. They can do all these things. Once you join the euro you can't. It's off the table. Essentially, you enjoy the backing of the ECB, who will back your sovereign debt and thereby backstop your credit markets, so long as you play by the rules. Hence the importance of rules in the system.

But those rules really don't work for large, consumption-based economies like France or in particular Italy. They work for the ones that can globalise their supply chains through eastern Europe, and then sell their stuff to the rest of the world and suck in demand from abroad. That's Germany, the eastern Europeans and some of the north. So you have a real north-south split on this.

The populists come to power in Italy. They may even come to power in France. They're going to find out unless they leave the euro there's not much they can do. But if they leave the euro they will destroy probably somewhere in the region of 40 per cent of national savings while trying. That's not a good option. So you've now got people in charge who said: 'Screw them all. We will change everything.' And they're not going to change anything. What does that do to democracy and people's faith in democracy?

The constraints are in many cases not just confined to the national circumstances. Even though the initial expression might lead to a populist government of sorts, without actually triggering a cataclysmic event they won't be able to do very much about these issues.

Right. What happens is in electoral cycle one, since the crisis, whoever was incumbent gets thrown out and whoever was the establishment opposition got in. In electoral cycle two the establishment opposition, who is now the government, is voted out. Half the time the old establishment incumbents in 2008 got back in but then had to share power with populists. Or populists themselves massively increased their vote share, typically eating away at [the] centre-left. Run the next electoral cycle. You will have more populism. More collapse of the centre-left going on, because it won't be able to reconfigure itself in any important way.

More of these people will get into power and they will fail. And I really worry about that, because when they fail we could say: 'Well, good, because they're all idiots and they've got stupid policies.' Yes, but what does that do to the public's faith in democracy? Because they're basically saying: 'You can vote for the radical alternatives and you still don't get to change anything.'

**So you've given up hope that there is some way to reform, not just party structures—party structure is just a function—I mean reform the political economy, which is basically the constraint on many of these issues?**

I think that it can be done if there's activism to try and do it—if basically remnants of the progressive forces actually realise that unless they hang together they will definitely hang apart. And we're really at that moment. Germany is the classic example for this again. If you had done red-red-green six or seven years ago we

could have been in a completely different space now, but it wasn't done. If you can reconfigure that now you can offer an effective opposition to AfD, but if you can't then you won't, because the SPD is dead. And that's a choice that's facing lots of countries.

This is not a counsel of despair. I have zero faith in the incumbents. They've had 10 years to fix it. They resuscitated the system with a massive liquidity injection. Didn't change anything. And it turns out the world has changed and those structures don't fit anymore.

Humans are incredibly adaptive, and when we're faced with crises, as we are—environmental and inequality—there can be various responses. Just now what we see is the exclusionary nationalist response but that doesn't have to be the only one. We are totally masters of our destiny here.

My point is this: if you're waiting for a bunch of superannuated, septuagenarian social democrats to save your arse start looking elsewhere.

TWO  
POLITICS, PESSIMISM AND POPULISM

BY SHERI BERMAN



| Sheri Berman

THE RISE of right-wing populism is probably the most pressing problem facing Europe today. Many analysts, including myself, have linked the rise of populism to the decline of the social democratic or centre left. Many traditional social democratic voters now vote populist; social democracy's embrace of a "kinder, gentler"

neoliberalism opened a policy "space" populists filled with welfare-state chauvinism; and social democracy's fading electoral fortunes have rendered majority left government and, in many European countries, any stable majority government impossible, making it more difficult to solve problems, increasing dissatisfaction with democracy and support for populism further.

But beyond these connections lies a more fundamental one: the

loss of a sense of the possible social democracy injected into post-war liberal democracy.

Social democracy was the most idealistic, optimistic ideology of the modern era. In contrast to liberals who believed “rule by the masses” would lead to the end of private property, tyranny of the majority and other horrors and thus favored limiting the reach of democratic politics, and communists who argued a better world could only emerge with the destruction of capitalism and “bourgeois” democracy, social democrats insisted on democracy’s immense transformative and progressive power: it could maximize capitalism’s upsides, minimize its downsides and create more prosperous and just societies.

Such appeals emerged clearly during the inter-war years, when democracy was threatened by populism’s more dangerous predecessor—fascism.

In the United States, for example, FDR recognized that he needed to deal not merely with the concrete economic fallout of the Great Depression, but also with the fear that democracy was headed for the “dust heap of history” and fascist and communist dictatorships were the wave of the future. This required practical solutions to contemporary problems as well as an ability to convince citizens that democracy remained the best system for creating a better future. As Roosevelt proclaimed in his first inaugural address:

---

Compared with the perils which our forefathers conquered because they believed and were not afraid, we have still much to be thankful for... [Our problems are not insolvable, they exist] because rulers have failed... through their own stubbornness and... incompetence... This Nation asks for action, and action now... I assume unhesitatingly the

leadership of this great army of our people dedicated to a disciplined attack upon our common problems... The only thing we have to fear is fear itself.

---

### Swedish Model

A similar dynamic played out in the other center-left success story of the era—Sweden. Recognizing the danger from the unstable minority governments that plagued the country during the inter-war years, the growing power of fascism, and the Great Depression, the social democratic party (SAP) developed a new view of the relationship between the state and capitalism, culminating in its famous championing of “Keynesianism before Keynes.” Like Roosevelt they offered voters concrete solutions to contemporary problems as well as a commitment to creating a better world. During the 1932 election campaign a party newspaper, for example, declared “Humanity carries its destiny in its own hands... Where the bourgeoisie preach laxity and submission to...fate, we appeal to people’s desire for creativity...conscious that we both can and will succeed in shaping a social system in which the fruits of labor will go to the benefit of those who are willing to [...] participate in the common task”. The party paired this economic appeal with a promise to turn Sweden into a “*Folkhemmet*” or “people’s home”—a country where the “barriers that...separate citizens” would be eliminated and there would be no “privileged or neglected, rulers or dependent, plunderers and the plundered.” The result was that whereas in countries like Germany and Italy fascists appeared politically active and ambitious, in Sweden the SAP became known as the party with exciting plans for creating a better world.

After 1945 social democratic parties broadly accepted the policies

championed by Roosevelt and the SAP. Ironically, the success of these policies in stabilizing capitalist democracy led many to begin viewing the left's job in technocratic rather than transformative terms. This trend culminated in the late twentieth century with leaders like Blair, Clinton and Schroeder who believed transformative projects were passé or even dangerous and that the left's goal should be managing capitalist democracy better than the right. The dangers or at least downsides of this were recognized by Blair himself who remarked in a 2002 speech that "sometimes it can seem as if it [politics had become] a mere technocratic exercise...well or less well managed, but with no overriding moral purpose."

When times are good, such a politics can suffice, but when they are not, a widespread belief that governments are unwilling or unable to change the status quo leads to dissatisfaction with democracy. This, of course, is where populism comes in.

Populism peddles a politics of fear—of crime, terrorism, unemployment, economic decline, the loss of national values and tradition—and asserts that other parties are leading their countries to disaster. Surveys make clear that populist voters are extremely pessimistic: they believe the past was better than the present and are extremely anxious about the future. But pessimism has infected Western societies more generally. A recent PEW survey for example revealed that even though growing percentages of European citizens view their country's economic situation as dramatically better than a decade ago, this has not translated into greater optimism about the future. Indeed, in many European countries the "experience-expectation" differential has grown: in the Netherlands, Sweden and Germany, for example, approximately 80 percent or more say the economy is doing well, but less than 40 percent believe the next generation will be better off than

their parents. These views reflect a troubling reality: particularly in times of change and uncertainty, people's views are shaped more by emotions than rationality. Recognizing this, Roosevelt, the SAP and earlier social democrats understood that for the center-left and democracy more generally to thrive, what was needed was not merely practical solutions to contemporary problems, but also an optimistic vision to counter the dystopian one offered by populists.

During the postwar decades social democracy provided just this. Against communism and liberalism they argued that people working together could use the democratic state to make the world a better place. The problems of the 21st century are different in form, but they are not different in kind. What is needed is a combination of pragmatic policies that can address challenges like economic inequality, slow growth and disconcerting social and cultural change as well as an ability to convince citizens that liberal democracy provides the most promising path to a better future. The rise of politicians as different as Trump, Corbyn and Macron makes clear how desperate many citizens are for leaders who insist that politics matters—that change is possible if the will is there. If centre-left parties cannot respond to that yearning, voters will turn to other parties that do—with potentially dire consequences for the fate of liberal democracy.

THREE

“US TOO!” THE RISE OF MIDDLE-  
CLASS POPULISM IN SWEDEN AND  
BEYOND

BY BO ROTHSTEIN AND SVEN STEINMO



| Bo Rothstein



| Sven Steinmo

THE RECENT PARLIAMENTARY election in Sweden stunned observers around the world. Up until now Sweden was often thought of as holding the moral high ground due to its relatively open borders, its extensive welfare state and its commitment to high levels of economic and gender equality. Today, however, this country is disparaged as “just another country” now that an explicitly anti-immigrant party, the Swedish Democrats (SD), has reached 17,5 percent of the votes.

The growth in SD’s popularity is truly phenomenal. Whereas the party received just 160,000 votes in 2006 and 350,000 in 2010, in the latest election the party got over 1.1m votes. Despite the fact that all established parties denounced them, every major media outlet dismissed them, and virtually every significant polit-

ical and cultural personality heaped scorn on the SD, they are now the third largest party in the country. So: what lies behind this fundamental transformation of the Swedish political landscape?

There are two common explanations for the rise of the Sweden Democrats. The first points to an underlying racism in Swedish culture. The second argues that globalization has led to increased inequality and a more insecure jobs market. Certainly, there is a racist core at the center of Swedish Democrats. But it seems quite improbable that racism in Sweden has increased so dramatically in such a short period. Indeed, recent surveys of the Swedish electorate do not indicate that xenophobia or racism have increased. On the contrary, though there is always a risk that those who have racist values choose not to report them in surveys, most suggest that the level of xenophobia has been quite constant in recent years. Simply put, something that is constant cannot explain a change.

It is also doubtful that globalization, or the increase in the number of insecure jobs and/or working outside the labour market, can explain the SD's success. Given the extensive reach of the Swedish welfare state since the establishment of the famous Rehn-Meidner model in the late 1950s, Swedish workers have been remarkably adept at adapting to changes in the international economy. Indeed, a keystone of Swedish economic success in the post-war years has been the fact that the economy has remained almost completely open to international competition.

In fact, the largest and most dramatic structural changes took place during the period from the 1950s to the late 1980s, not in the last decade. In those years, large industries from shipbuilding to steel, small medium-sized agriculture and most of the clothing industry were fundamentally restructured and, in some cases, eliminated. Yet no party was founded to represent the displaced.

Moreover, according to recent Swedish labour market statistics, the unemployment rate is declining and the proportion of insecure workers in the Swedish labour market has not increased significantly over the past 15 years. Again, a constant cannot explain a change.

## Immigration

What has changed, of course, is the massive increase in the number of immigrants and refugees that have entered Sweden in very recent years. This relatively small country with less than 10m inhabitants has accepted over 300,000 refugees since 2014. For comparison, neighboring Norway and Denmark admitted 49,000 and 45,000 respectively. If Britain had received as many refugees as Sweden in proportion to its population it would have taken in 1.8m. Given that the United States' population is over 32 times that of Sweden, had it taken an equivalent proportion of refugees it would have accepted 9m!

But pointing to this data does not, in itself, fully explain the remarkable rise of the Swedish Democrats. We suggest, instead, that the surge in SD support signals a deeper and more fundamental issue in modern Swedish democratic politics. Like the common "racism" and "globalism" explanations noted above, the argument that the rise of the SD is simply a result of a sudden rise in immigration ignores a more basic dilemma facing Sweden and many other countries today – a democratic deficit.

The more basic problem is that the established parties have been deaf to the preferences of their own citizens. Even while popular opinion polls indicated significant dissatisfaction with these policies, all seven established parties supported the so-called, "open door," policy. Indeed, the Swedish political and cultural elite has

been essentially unanimous in support of former Conservative Prime Minister, Fredrik Reinfeldt's famous "open heart" policy. Anyone who questioned this policy – from within the established parties, the media, or academia – was instantly tagged as reprobate or racist and pushed to one side. Swedish voters who wanted a somewhat more moderate refugee policy (perhaps something like that followed in Norway or Denmark) had no party to turn to – except the Sweden Democrats.

### Identity Politics

Instead of blaming voters for their regressive attitudes, we suggest that the current backlash witnessed in Sweden, and elsewhere, is tied to a deeper problem that can be understood as a new version of the politics of "identity." No student of Swedish politics over the past several years can fail to have noticed that the focus of political discourse has changed from one of supporting universal and broad-based policies based on the principle of equality to homing in on the rights of various minority groups – not least various immigrant groups – but also religious and sexual minorities. The reality is that for traditional, middle and working-class citizens, this discourse, and the policies that flow from them, are perceived as undue favouritism to specific groups that stake a claim to being different. Whether they realize it or not, this claim challenges the collectivist idealism of classical Social Democracy.

In our view, the electoral outcome we have just witnessed in Sweden (and similar trends in other countries) should be seen as a kind of backlash identity politics. Just as various minority groups want to be recognized and wish to honour and protect their specific identities, we suggest that "average" ethnic Swedes, Norwegians, etc. also want to honour, and protect, their identities.

The rub is that Swedish (and other) elites simply did not see this coming because they do not share the traditional identity held by so many working and middle-class citizens. Instead, today's political, social and economic elite has become internationalized – having lived or studied outside their home country, often speaking several languages – they are comfortable in a multi-cultural milieu. “Average” citizens, however, are much less familiar or comfortable with the many changes they see ongoing in their society. This is not because they are necessarily racist (though some surely are). Nor is it necessarily because they feel their jobs have been taken away by ‘outsiders’ (though many certainly do feel this way). More importantly, these citizens see the remarkable and significant influx of people who do not fit their image of the traditional Swede as a challenge to their sense of self. This fact is exacerbated by the open disrespect that the political and cultural elite too often displays for these attitudes.

### Self and Others

Today, many ‘average’ citizens believe that their identity as traditional Swedes/Norwegians/etc. is neither appreciated nor valued by their nation's intellectual and political elite. They may feel that this internationalized elite doesn't even really respect the traditional vision of Ola Nordmann or Elsa Svensson. In short, this election should be seen a backlash produced by a quite basic human emotion – “my story matters” – more than a product of racism or economic challenges.

For sure, the success of SD can in part be explained by racism or the effects of globalization on the labour market. Certainly, the massive increase in the numbers of asylum seekers helps explain the sudden surge in the SD's vote share. But it is our contention that beneath these explanations are shortcomings in the estab-

lished parties' way of working and their strategic mistakes. We both personally support progressive social and immigration policies and believe that these policies are morally right and will benefit the country in the long run. But it is obvious too that the strategy of labelling the majority that voted for SD as "insecure" or morally deficient (or deplorables to use Hillary Clinton's terminology) is a serious political mistake because it denies average citizens their sense of self-worth.

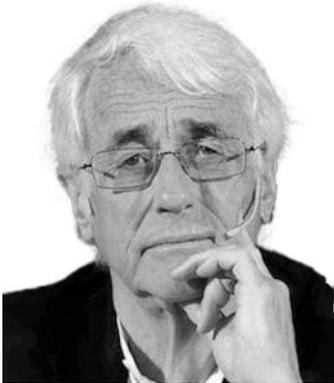
The irony is that the very identity politics that has been so favoured by the elite in Sweden and elsewhere may be increasing the sense of identity of the majority of their own citizens. The result, then, is that they turn to parties that claim to respect that identity.

*This article was originally published in Swedish by Dagens Nyheter.*

FOUR

WHY THE LEFT MUST RESIST  
WANTING A PIECE OF THE  
XENOPHOBIC ACTION

BY COLIN CROUCH



| Colin Crouch

SINCE 2008 THE left around the advanced world has dreamed of a popular uprising against the neoliberal elite that brought us the financial crash. Now that uprising has come, but it has been almost entirely captured by a far right mobilizing hostility against immigrants, the European Union, other forms of international co-operation, globalization and foreigners in

general.

While the left wants to swing public anger against class targets, some are asking whether it cannot gain some vital added traction by tapping into some of these highly effective themes: immigrants bring wages down; the EU is a capitalist club; trade with China is destroying manufacturing jobs. The top leadership of the British

Labour Party swung into unequivocal support of Brexit. In Germany a new movement, *Aufstehen*, is being launched to rally anti-EU, anti-immigrant sentiment on the left. Similar rumblings come from Denmark, Italy and elsewhere. The answer is 'NO!', for four reasons. First, xenophobia should be morally unacceptable for the left. This is not entirely straightforward. Many, probably most, historical moralities have been rooted in the shared identities of communities, norms of good behaviour being bounded by, indeed being badges of, membership of the group. This kind of morality requires clear definition of insiders and outsiders. The solidarity of labour movements was built on identities of this kind. Miners were miners, not members of a wider working class. Indeed, Yorkshire miners never thought much of Leicestershire miners – an antagonism that played out its final confrontation in the mining strike of 1984-85.

But the historical achievement of labour and social democratic parties was precisely to weld these very particularistic solidarities into wider ones – not destroying them but subordinating them within a wider class-based morality of universalism. For most of the 20th century 'universal' meant 'national'. The reason for this was an amalgam of pragmatic reasoning (the nation state was the level at which democracy could be most effectively established) and appeals to solidarities based on blood and soil. The universalist, egalitarian morality of the left stressed the former; exclusionary tendencies of the right, the latter. The precise mix did not matter much while the two could proceed in tandem, but as the nation state has lost its capacity autonomously to govern economic space, the case for insisting on the priority of the nation has leaned more heavily on appeals to blood and soil. Therefore, the right has become the main beneficiary of discomfort with a globalizing world. To share in that, the left has to abandon a universal, egalitarian morality in

favour of an exclusionary one, a betrayal of the nobility of its past.

To assert that the presence of Poles in a local labour market brings down the wages of British workers is not a socialist critique of capitalism but a cynical dog whistle. Locally visible Polish people are present in a way that the abstract idea of capitalism is not and are easier to hate.

### Hate Crime

Second, this also means that, far from stealing a piece of the right's action, all the left achieves by following it on these issues is to legitimise the far right's message, conspiring with it to tear down the boundaries that the genuine morality of universalism has over the years held the right in check. It is not chance that waves of hate crimes and violence against minorities followed the vote for Brexit, the election of Donald Trump and the entry of *La Lega* into the Italian government. The debates around these events made legitimate the denigration of immigrants and other foreign persons and institutions that had been made shameful by decades of the great recoil from everything Adolf Hitler had stood for. Hate is by far the most powerful human emotion, and politically it is the property of the extreme right. It has to be kept down, outside acceptable discourse.

Third, individual nation states cannot by themselves regulate a global economy. There are three possible responses to this. One can consider this to be fine, as the global economy is best off being beyond the reach of regulation. This is the position of the extreme neoliberal right, who can then cynically throw their weight behind the nationalistic right, because nationalism has become economically toothless, limiting itself to symbol.

A second is to try to seal the nation state off from global pressures through protectionism. This is the approach of the anti-global national-ist right and left alike. It produces a world of reduced trade, smaller, poorer economies and little innovation, with potentially hostile relations among states.

Then, one can seek to build coalitions of nation states and international organizations that can regulate global transactions. This is the approach of moderate neoliberals and social democrats. It is difficult, because it requires agreement across numbers of countries, but it is the only way of combining the advantages of global trade with good standards of economic conduct, saving social democracy's core strategy of making capitalism socially accountable. Attempts to climb aboard the xenophobic bandwagon prevent the left from developing the public opinion that is needed to support this next stage of its universalizing drive.

### The Tolerant Young

Finally, by no means all citizens are attracted by the xenophobic agenda, which rarely accounts for more than a third of voters. Decades of official hostility to xenophobia in many countries have had their effects. Also, many people dislike hate and prefer to be accepting and tolerant towards other cultures. These people, often the youngest, most educated and forward looking, are increasingly becoming a core constituency for the left. They will be the carriers of the left's universalist values, taking these to the vitally important post-national level. A left that shuns them, shuns its own future.

It has become routine for political commentators of many shades of opinion to rant against 'liberal elites', with the adjective spoken

with a sneer that increasingly clings to the word 'liberal' itself. It is against illiberal and anti-liberal elites that we need to rally opinion. Their power is growing as xenophobia spreads across Europe, the US and elsewhere. The forces of everyone on the left and centre are needed to combat them.

FIVE

## CLICK HERE FOR THE BRAVE NEW WORLD OF WORK

BY STEVE COULTER



| Steve Coulter

ROBERT SOLOW famously remarked that the effects of the IT revolution were showing up everywhere except in the productivity statistics. Other economists suggested that full exploitation of a new technology can take a long time, perhaps decades. Well, one area now clearly showing the impact of IT and automation is the labour

market.

Technology is transforming the world of work, but social democrats and others appear unsure how to respond. Progressives embrace change but want technology to benefit the many and not just the few who develop, own or exploit it. Trade unions, moreover, must confront the impact of IT and automation on work as it's the jobs and conditions of their members that are on the line. What, then, is a 'progressive' approach to the 'new' economy?

Research into the labour market impact of ‘digitalization’ falls roughly into three categories. The first tries to assess its impact on total employment by quantifying the number and type of jobs at risk. While this research is serious, albeit speculative, it has contributed to a surfeit of scare stories in the media about ‘robots taking your job’. The fear animating this is that automation and smart computer programmes will eliminate millions of jobs, condemning people to drudgery or idleness. For example, a widely-reported 2013 forecast estimated that 35 percent of all occupations were at risk. But other studies that analyse jobs rather than occupations produce much lower estimates, as job roles within occupations will likely vary rather than being destroyed outright. It is also possible that job satisfaction will be enhanced by the elimination of a lot of boring tasks.

ETUI researchers investigating digitalization accept that the world of work is changing but focus on how best to prepare. For example, the sequencing of job destruction (and creation) is critical, as the earliest innovations tend to be labour-saving rather than employment-creating, a phase which comes next as new industries emerge out of the old. Evolutionary economics can be helpful in identifying where we are in the transition to a new type of economy based on manipulation of data and sharing of productive resources—hallmarks of the knowledge economy.

We may already have passed through a turbulent ‘transition’ phase, marked by crisis and dislocation, in the development of a new economic paradigm. Now, we are moving hesitantly towards the ‘deployment’ phase. Here, new technologies may come into their own in the fight against climate change as the disruption entailed by automation provides us with a temporary window of opportunity to ‘Green’ the economy before it’s too late. The chal-

lenge for progressives is therefore to smooth the technological transition to cleaner industry while minimizing job losses.

### Quality Jobs and Middle Skills

The second area of research focuses on job quality. Here, concerns arise about how the digital transition can be fairly managed to avoid the wholesale replacement of ‘good’ jobs with ‘bad’ ones. We all know a good job when we see or do it. It is one that offers interesting, safe, and secure work at a level of compensation that permits the worker to live a decent life and participate in society. In the digital age, the definition of a bad job can be expanded to include those where humans may be subordinated to machines or lines or code, entailing a diminution of their autonomy, and quite possibly safety.

There is ample evidence of accelerating shifts in employment patterns due to the replacement of formerly well-paying factory and service jobs by robots and algorithms and the emergence of new forms of economic organisation mediating the worker-employer relationship. We are seeing a ‘hollowing out’ of the labour market whereby high and low skilled work is increasing at the expense of medium skilled work, particularly where this involves performance of routine tasks.

A baleful consequence of this is obviously a rise in inequality. But the problem goes much deeper than a change in the relative supply of good and bad jobs. Automation is moving from factories to offices as service employment gets transformed thanks to the emergence of the ‘sharing’ and ‘platform’ economies which together are radically decentralising service provision.

In the sharing economy workers compete with each other directly rather than via an employer to provide a service, such as taxis

(Uber). The concern to trade unions is that this undermines the traditional employer-employee relationships and creates a parallel labour market devoid of proper contracts, any possibility for organised wage bargaining and basic employment rights.

The platform economy, on the other hand, involves the brokering of work to freelancers in an online ‘marketplace’ for talent (Taskrabbit, Mechanical Turk). These digital platforms colonise previously informal and non-marketised spheres of the labour market. This entails a reorganisation of activities in these industries which decomposes traditional employment relationships into vulnerable self-employment where workers are denuded of their rights.

The platform and sharing economies can be a lonely, alienating place to work. They entail a labour market characterized by, on the one hand, agile firms whose owners and managers can take economic advantage of the new technologies and, on the other, the new ‘galley slave’ class of isolated, largely freelance workers.

## Remedies

The third research area ponders the scope for regulation and collective action to manage the new economy and restore the balance of power between workers and the owners of the technologies. One cause for optimism is that digitalised labour markets will be more fragmented, but also more interconnected. This may challenge trade unions to find new ways of organizing and make judicious use of the new technologies in reaching unorganised workers.

The European Commission has made tentative steps towards regulating the collaborative economy and AI, although trade unions want much more to be done. Upskilling workers by

investing in training may also help them find employment outside the collaborative and platform economies. But experts also urge a rethink of education and training policies to ensure that workers' skills complement machines rather than directly compete with them, as many education policies assume.

All is not lost for fairness at work. But let's not rely on the benevolence of the machines and algorithms, or their masters in Silicon Valley, to deliver it for workers without being prompted.

SIX  
SOCIAL RESISTANCE IN HUNGARY

BY LÁSZLÓ ANDOR



| László Andor

**THE REGIME of Viktor Orbán in Hungary had looked impregnable. But protests against the ‘slave-labour law’ encapsulated growing social alienation, with a wider European resonance.**

Hungarian politics entered a new stage in December 2018, rather unexpectedly. Following the April general elections, which produced the third consecutive constitutional majority for Viktor Orbán and his Fidesz party, expectations of an upheaval were low. But a series of demonstrations and some very unusual forms of protest at the end of the year suggested political opposition and social resistance were coming back.

Two important laws pushed through parliament in December by

Fidesz acted as if a pair of defibrillators. One is the now famous ‘slave-labour law’, an amendment of the labour code to allow extreme flexibility in employment—up to 400 hours of compulsory overtime per year and up to three years to pay for it. The second is the establishment of so-called administrative courts, which would have practically the same competence as normal courts but would function under the supervision of the minister of justice.

From the point of view of dismantling the rule of law in Hungary, the second is probably more important. It was the slave-labour law, however, which within the space of a few days energised society into action.

### Perverse Policies

It is widely assumed that the law was requested by multinational companies, or at least some of them, especially in the car industry. It was sponsored by Lajos Kósa, an MP from Debrecen, the eastern-Hungarian site of a prospective greenfield investment by BMW, which was announced in the course of 2018. Investors, including other German producers in the sector, may find the overall environment favourable but the shortage of skilled labour has increasingly caused a headache for them and for the government.

While a labour shortage could be attributed to strong growth and low unemployment, it has been exacerbated by the policies Orbán has pursued in the last eight years. Five stand out:

- The 2012 labour code, which weakened the position of labour vis-à-vis employers, facilitated wage stagnation and boosted emigration;

- Inflated 'workfare' schemes which kept long-term unemployed people in dead-end activities away from the primary labour market or proper training;
- Allowing early retirement for women with 40 years employment, which facilitated the withdrawal of thousands of women from the workforce;
- Lowering schooling requirements for young people, favouring early school-leaving and facilitating disinvestment from secondary and tertiary education;
- Reluctance to facilitate inward labour mobility, according to the needs of the economy, and to build an adequate infrastructure for labour-market matching.

In the last two years, the government has shown some awareness of the shortage of labour becoming a bottleneck for growth. But orchestrating a U-turn on these counter-productive policies has been beyond it: it has been ideologically attached to some, while dropping others would have been just too inconvenient before the elections.

With other remedies closed off, the government is trying to make the available workforce work more. This is aggravated by a strong bias in Fidesz economic policy towards car and other vehicle production, and other labour-intensive manufacturing, in the absence of a strategy for diversified, innovation-driven development.

### Anti-Social Behaviour

The brutality of the slave-labour law, and the manner of its adoption, may be a shock for some. But Hungary has been on a course since 2010, when Fidesz came to power, of a gradual but sustained deviation from the European social model.

It was not at all obvious that Orbán would drive the country in this direction, since he achieved a landslide against the backdrop of the austerity policies—including wage and pension cuts—of the crisis years and, at least initially, attracted many former Socialist voters who expected better material conditions. But the mask slipped very quickly after 2010.

Hungary today is the only EU country without a ministry for labour or social affairs. Even the UK has maintained ‘work and pensions’ at cabinet level. Social dialogue in Hungary is one of the weakest in the EU, since the tripartite formats of the previous 20 years were abolished in 2010. Dismissals became easy and cheap in both public and private sectors.

Hungary also stands out as having the shortest duration of unemployment benefit in the EU, at 90 days. All other countries have at least six months eligibility for laid-off employees, most over one year. The social safety net for the poor has meanwhile weakened dramatically, for example by not increasing even the nominal value of child benefit for eight years, thereby increasing the risk of poverty for larger families, especially in rural environments. Homelessness has effectively been criminalised.

For Orbán, social policy has always been a threat to economic competitiveness. No wonder he was the most reluctant head of state or government to sign up to the European Pillar of Social Rights (EPSR) in 2017. Since that document became a non-binding declaration of principles only, he came on board in the end but feels no obligation to follow through. Much responsibility for welfare has been shifted to local government, where the distribution of benefits also became a tool for building political support for the ruling party.

On working time, however, EU hard law exists. Those affected or

just outraged by the slave-labour law can expect EU intervention to scrutinise whether it is in conformity with the Working Time Directive. Some experts believe it is not but it is for the European Commission to assess and indicate. If there is no agreement between the Commission and the member state, the dispute may end up at the European Court of Justice.

An ECJ case could take a very long time. But for trade-union members in Hungary, together with many resentful others, this is not purely a legal issue and not a stand-alone case. For many, this was the last straw, which is why the anti-Orbán protests erupted so spectacularly in December.

#### The Road to Riot

The outrage would not have broken out with so much anger and political inflammation without the post-election developments being in sharp contrast with the pre-election Fidesz slogan: 'Hungary performs better'. Before the April elections, the impression had been created that the Hungarian economy was performing better than many others: 4 per cent annual growth and one-off wage increases were supposed to prove that Orbán's policy was working. Since last spring, however, it has become obvious that the opposition's critique was well founded and Fidesz's economic policy was not sustainable.

After the elections, Fidesz began an adjustment policy which has left working people paying for the stabilisation and local communities losing investment opportunities. Staff have been cut from public administration, in-work benefits and housing subsidies have been withdrawn and pre-financing for planned EU investment projects has been recalled from municipalities.

The public mood was additionally soured by further revelations

about corruption on an industrial scale—including embezzlement of EU funds—and news of Romania surpassing Hungary in terms of domestic consumption, suggesting continued relative decline in the EU economic league table. Orbán has meanwhile been pouring taxpayers’ money into low-quality football in Hungary and abroad and prepared a costly official move to Buda castle—while the Central European University has been forced to move to Vienna. Workers and students thus all had reasons to demonstrate against the oppressive regime.

### Unity and Unions

The novelty in the current situation is the unity created among actors and across issues. First, a unity emerged among political parties: left-wing, centrist and moderate right (the latter today including the formerly extremist Jobbik, which in recent years has switched places with Fidesz on the political spectrum). Secondly, a unity has emerged between politicians and civil-society activists. Thirdly, and perhaps most importantly, demands for defending the rule of law have merged with demands for protecting social standards.

Of the five key demands of the December protests, two were related to working time (withdrawing the slave-labour law and reducing working hours for the police). The other three were to drop the administrative courts, to sign up to the EU prosecutor (and thus be able to protect the integrity of EU funds) and to guarantee the political neutrality of the state media. Opposition parties have committed to fight for all five claims.

The nationwide outrage, together with the understanding that in an autocratic system the political parties have limited capacity to

challenge the ruling elite, is generating a new interest in trade-union membership, potentially reversing a downward trend persistent since the early 1990s. This is an entirely new phenomenon, which has significance beyond the borders of Hungary.

### Convergence or Divergence?

As in politics, the decline of social standards in Hungary has serious implications for the rest of east-central Europe, as does the new wave of protest and unionisation. There is no 'iron curtain' any more but there remains an income gap separating east from west. If prosperity is shared, however, the underdeveloped east can converge on western models, in terms of working conditions as well as welfare states. This may take more than just a few years—but there is a big difference between converging slowly and taking an entirely different direction.

In recent years, Hungary-watchers have focused on the decline of democracy and the rule of law but the social divergence is as important as the political one. This justifies the commitment of the European Commission that the EPSR, even if non-binding, cover all member states, including those in the east. On the other hand, regarding the democratic backsliding, in the last four years the commission has focused only on Poland, disappointing those in Hungary who believed the EU would help defend democratic institutions and the rule of law. Such expectations about jointly defending social standards are much lower, but the forthcoming European Parliament elections offer an opportunity to refocus and to bring back social standards and their enforcement to the heart of the European debate.

In recent years, liberal and centre-left politicians in western Europe have been talking the talk, sometimes very intensely, about the deviant political development of Hungary. Those Hungarian workers and students who have decided to walk the walk are doing it not only for themselves and their country, but also for Europe, and they deserve solidarity.

SEVEN

## POLITICS IN POLAND: ETERNAL DUOPOLY OR REFRESHING BREEZE?

BY MARIA SKÓRA



| Maria Skóra

**WHILE THE EUROPEAN PARLIAMENT elections near, politics in Poland is at such a crux that the later parliamentary polls there will have wide reverberations.**

This month, the Italian interior minister, Matteo Salvini of the Lega, travelled in search of possible partners for a ‘European spring’ alliance—‘a new plan for Europe’—comprising similar right-wing, populist, Eurosceptic movements. On his way, he had to stop by in Poland, governed since 2016 by the nationalist-conservative Law and Justice (PiS) party, which seems a natural partner for this enterprise.

Salvini’s initiative is apparently aimed at the European elections in May 2019. In the Polish context, however, the autumn will be much more critical. In October parliamentary elections will either

petrify the ruling party's power or weaken the right-wing tide in Europe.

Last year's local elections left only two dominant actors on the political scene: the PiS, which, according to the polls, has been consistently enjoying support of 30-40 per cent, and the united opposition—a liberal bloc of Civic Platform (PO), the party of Donald Tusk, and its once-biggest rival, *Nowoczesna* (Modern), a party attracting less conservative voters disappointed with the PO. The left alternative is now nearly non-existent: the post-communist Left Democratic Alliance (SLD) came in below 7 per cent last autumn, while the new grassroots left RAZEM won only 1.5 per cent. Independent candidates from local initiatives turned out to be the dark horses, winning especially outside the metropolises. If one took these results as a proxy for 2019, one could arrive at the tempting assumption that there is a political vacuum to be filled soon.

### Battle for the Centre

Most analysts are of the opinion that the parliamentary elections will be a battle for the centre. This is particularly evident in the strategy of the PiS government, which after two turbulent years exchanged the revolutionary cabinet of Beata Szydło with a more moderate team around Mateusz Morawiecki, a technocrat acquainted with the western and domestic establishment. It's already become routine in approaching elections for the PiS to hide away its most radical and controversial figures to attract more centrist voters, who do not necessarily believe the 2010 Smolensk air crash to have been a plot by the Russian president, Vladimir Putin, or don't feel the need to enthrone Jesus as the king of Poland. As experts suggest, this ultimate clash between the PiS and the liberal bloc under the leadership of the PO can result in

two alternative scenarios. Either it will petrify the duopoly on the Polish political stage—polarising the positions into anti-PiS and anti-PO camps—or it will allow more air in, if new players win the trust of voters weary with this black-or-white status quo. But who could win these hearts and minds?

New actors are emerging on the Polish political scene. First, there is Robert Biedroń, former mayor of Słupsk, renowned LGBT activist and former MP. Biedroń, labelled a ‘Polish Macron’, is building new structures in the country, based on direct encounters with citizens and positive messages, openly addressing the problem of polarisation of the political arena. He offers an agenda which merges social and liberal arguments, most resembling western Greens. His so far non-existent party scores third in polls today.

Yet, as in other EU countries, Poland also experiences the rise of right-wing populism and a nationalist temper. The Kukiz’15 movement, a bizarre combination of anti-establishment and anti-vaxing seasoned with nationalist slogans, arrived in 2015 at the Polish Sejm as the third political power. Ever since—even if this fragile coalition is nowadays bursting at the seams—the potential of populist voting and the capability of populist movements to mobilise non-voters cannot be ignored.

What’s more, the nationalist faction of the coalition quickly emancipated itself, also sometimes teaming up with the governing PiS, as in the case of the centennial Independence March in November 2018 in Warsaw, when the president’s celebrations practically merged with the biggest far-right demonstration in Europe. Also, the recent nomination of a nationalist activist and MP, Adam Andruszkiewicz, as secretary of state at the Ministry of Digitalisation is a clear sign of the PiS flirting with the nationalist right. Perhaps it is learning from the Hungarian experience: it wants to

disable the nationalist movement before it becomes a serious political opponent, as Jobbik became to Fidesz. For sure, the nationalist circles will call in the big guns in May as well as in October 2019.

### Left Fragmented

Last, but not least, there is the left—weakened and fragmented, yet hopeful. These are difficult times for progressive actors all over Europe and Poland is no exception. Nevertheless, after its bitter defeat in the local elections, both the older and younger generations of the Polish left came to their senses, buried the hatchet and opened informal coalition negotiations. Should these succeed, the European elections will be the first test for this marriage of convenience. Yet this initiative is overshadowed by Biedroń and his campaign. The risk is that the fragmentation on the left will once again leave it outside the parliament.

This gradual development of the Polish political arena has recently been disrupted by the lethal attack on Paweł Adamowicz, a liberal mayor of Gdańsk for 20 years. There is evidence the murder was politically motivated. Many commentators attribute the emergence of a generally hostile atmosphere in the country, leading to this act of political terror, to the communication strategy of the PiS and its tolerance of hate speech in public. Members of the governing party never miss the chance critically to attack key figures of the opposition. Government-controlled public television has been championing this art since 2016—also intensively targeting Adamowicz, a vocal advocate of independent local governments. This tragedy may have an impact on the PiS and weaken its popularity with the less dogmatically conservative electorate, not accepting violence and fearing radicalisation.

In 2019 the stakes are high in Poland. For the PiS it is a matter of maintaining its monopoly and keeping the more radical right under control. For the liberals, it is about revenge and regaining power, lost after eight years in 2015. The new, emerging actors have nothing to lose—they can only win by mobilising voters tired of the PO-PiS duopoly. The biggest challenge, however, is that facing the left: the European and especially the parliamentary elections will be a fight for its survival on the Polish political scene.

EIGHT

## DOES THE EUROPEAN UNION GENERATE EXTERNAL INSTABILITY?

BY BRANKO MILANOVIC



| Branko Milanovic

**THE HISTORIC ACHIEVEMENT of peace within a Europe of universal norms is belied by the external instability engendered by violent and incoherent interventions.**

The European Union is justly admired for making war among its members impossible. This is no small achievement in a continent which was in a state of semi-permanent warfare for the past two millennia.

It is not only that we cannot even imagine the usual 19th and 20th century antagonists, such as France and Germany, going to war ever again. The same is true of other, lesser-known animosities which have led periodically to bloodlettings: between Poles and Germans, Hungarians and Romanians, Greeks and Bulgarians.

Unthinkable is also the idea that the United Kingdom and Spain could end up, regarding Gibraltar, in a reprise of the Falklands/Malvinas war.

Destabilised

But creating geopolitical stability internally has not, during the last two decades, been followed by external geopolitical stability along the fringes of the union. Most of the big EU member states (UK, Poland, Italy, Spain) participated, often eagerly, in Operation Iraqi Freedom, which led to the deaths of some half a million people, destabilised the middle east even further and produced Islamic State.

Then, seemingly not having learned from this fiasco, France and Italy spearheaded another regime change, this time in Libya. It ended in anarchy, another civil war, two competing governments and a UN Security Council deadlocked for years to come—since it is clear that China and Russia will not in the foreseeable future vote to allow another western military intervention.

The wars along the long arc from Libya to Afghanistan, in which EU powers participated, were the proximate cause of large refugee flows a few years ago, which continue even now. (As I have written elsewhere, the underlying cause of migration is the large gap in incomes between Europe, on the one hand, and Africa and the 'greater middle east', on the other, but the sudden outbursts were caused by wars.)

The next example of generating instability was Ukraine, where the then government of Viktor Yanukovich, having only postponed the signing of an EU agreement, was driven out of power in 2014 in a coup-like movement supported by the union. It is sure

that a reasonable counterfactual, with the same EU-Ukraine agreements being signed and without a war in eastern Ukraine and with Crimea still part of Ukraine, would have been much preferable to the current situation, which threatens to precipitate a war of even much greater dimensions.

Finally, consider Turkey, in an association agreement with the European Economic Community since 1963, and thus in a membership-awaiting antechamber for more than half a century. The initial period in power of Recep Tayyip Erdoğan was marked by pro-European policies, a desire to create an 'Islamic democracy', in the mould of the Christian democracies of Italy and Germany, and civilian control over the army. But realisation that, because of its size and probably because of its dominant religion, Turkey would never be recognised as part of Europe led Erdoğan, gradually, to move in an altogether different direction—with an almost zero chance that he would come back to his original pro-European stance.

The endless waiting period, with similarly protracted negotiations over what are now 35 chapters which need to be agreed between candidate countries and all 28 (or soon 27) members, is what lies behind the frustration with the EU in the Balkans. Long gone are the days when Greece could become a member after a couple of months (if that) of negotiations and an agreement between the French president, Valéry Giscard d'Estaing, and the German chancellor, Helmut Schmidt. The European bluff—it neither has the stick nor the carrot—albeit long hidden behind the veil of negotiations, was recently called by the Kosovo leadership, when it engaged in a trade war with Serbia. The EU could express its 'regrets' but it was squarely ignored. In the past, nether Kosovo nor any other Balkan state would have dared to defy Europe so openly.

## Slow and Hesitant

It all means that Europe needs a much better thought-out external policy with respect to its neighbours. There are already some signs that it is moving in that direction but it is doing so too slowly and hesitantly. A multilateral compact with Africa is needed to regulate migration from a continent with the fastest rising population and lowest incomes. Much more European investment—in hard stuff, not conferences—is needed. Rather than complaining about China’s Belt and Road initiative, Europe should imitate it—and, if it desires to counteract Chinese political influence, invest its own money to make more African friends. A similar set of much more proactive policies is required within the framework of the Mediterranean initiative, while military options in the region should be forsworn no less clearly than they are within the union.

When it comes to the potential members, as in the Balkans or the western republics of the former Soviet Union, interminable talks should be replaced by either special association with no expectation of EU membership or clearer, time-limited negotiations leading to membership. Both would manage expectations better and avoid the build-up of resentment and frustration.

The most important challenge is the relationship with Turkey. The EU does not have a blueprint for a Turkey after Erdoğan; nor can it offer anything to the Turkish secular opposition, as it is not clear within itself whether it wants Turkey in or out. It should be rather obvious that a European Turkey, with its vast economic potential and influence in the middle east, would be a huge economic and strategic asset. Such a Turkey would also behave differently in Syria and in Anatolia, because it would have an incentive to follow European rules.

This rethinking of the EU’s neighbourhood policy thus calls, in

short, for three things: greater economic aid to Africa, no support for wars or regime change, and much clearer rules and time-limits for membership talks.

NINE

## “NEW” PERSPECTIVES FOR EUROPE

BY JÜRGEN HABERMAS



| Jürgen Habermas

I AM INVITED to talk about New Perspectives on Europe, but new ones fail me, and the Trumpian decay afflicting even the core of Europe makes me seriously question my old perspectives. Certainly, the risks associated with a significantly changed state of the world have penetrated public awareness and have altered perspectives on

Europe. They have also directed the broader public's attention to the global context in which the countries of Europe have more or less unquestioningly felt at home so far. The perception has grown within public opinion throughout the nations of Europe that new challenges affect each and every country in the same way and therefore could best be overcome together. That strengthens, indeed, a diffuse wish for a politically effective Europe.

So, today, the liberal political elites proclaim, louder than before,

progress should be made in European co-operation in three key areas: Under the heading European foreign and defence policy, they demand a boost to the military self-assertiveness that would allow Europe “to step out of the shadows of the USA”; under the motto of a common European asylum policy, they further demand robust protection of Europe’s external borders and the establishment of dubious reception centres in North Africa; and, under the slogan “free trade”, they wish to pursue a common European trade policy in the Brexit negotiations as well as in the negotiations with Trump. It remains to be seen whether the European Commission, which is conducting these negotiations, has any success – and whether, should it fail, the common ground of EU governments simply crumbles away. That’s one, encouraging side of the equation. The other is that nation-state selfishness remains unbroken if not bolstered by misguided considerations of the new International of surging right-wing populism.

#### Nationalist Short-Termism

The hesitant progress of the talks on a common defence policy and on an asylum policy that, again and again, falls apart over the distribution question shows that governments give priority to their short-term national interests – and this all the more so, the more strongly they are exposed at home to the undertow of right-wing populism. In some countries there’s not even any tension left between empty pro-European declarations on the one hand and short-sighted, un-cooperative behaviour on the other. In Hungary, Poland and the Czech Republic, and now in Italy and pretty soon probably in Austria, this tension has evaporated in favour of an openly europhobic nationalism. That throws up two questions: How is it that, in the course of the last decade, the contradiction between residual pro-European lip-service and the actual

blockade of the required cooperation has come to such a head? And why is the eurozone nevertheless still holding together when, in all countries, right-wing populist opposition to "Brussels" is growing – and at the heart of Europe, i.e. in one of the six founding nations of the EEC, has even led to an alliance of right- and left-populists based on a shared anti-European programme?

In Germany the twin issues of immigration and asylum policy have since September 2015 dominated the media and pre-occupied public opinion to the detriment of anything else. This fact suggests a swift answer to the question about the decisive cause of the increasing wave of euroscepticism, and that suggestion may be supported by some evidence in a country which still suffers from the psycho-political divisions of an unequally reunited nation. But, if you look at Europe as a whole and especially the eurozone in its entirety, growing immigration cannot be the primary explanation for the surge in right-wing populism. In other countries, the swing in public opinion developed far earlier and indeed in the wake of the controversial policy for overcoming a sovereign debt crisis brought on by the crisis in the banking sector. As we know, in Germany the AfD was initiated by a group of economists and business people around economics professor Bernd Lucke, that is by people who feared the snaring of a prosperous major exporter in the chains of a "debt union" and who set in train the broad-based and effective polemical campaign against the threat of mutualising debt. Last week the tenth anniversary of the insolvency of Lehman Brothers recalled the arguments about the causes of the crisis – was it market failure or government failings? – and the policy of enforced internal devaluation. This debate was conducted in other eurozone member states with substantial impact on public opinion whereas here in Germany it was always played down by both the government and the press.

## Germany Alone

The predominantly critical voices in the international debate among economists, which were the voices of the Anglo-Saxon mainstream against the Schäuble- and Merkel-driven austerity policies, have been barely noted and appreciated by the business pages of the leading media in Germany, just as on their political pages the social and human costs that these policies have dished out – and by no means only in countries like Greece and Portugal – were more or less ignored. In some European regions the unemployment rate is still just below 20 percent while the youth jobless rate is almost twice as high. If we today are worried about democratic stability at home, we ought also to remember the fate of the so-called “bail-out countries”: It is a scandal that in the unfinished house of the European Union such a draconian policy which impinged so deeply upon the social safety net of other nations was lacking even in basic legitimacy – at least according to our usual democratic standards. And this still sticks in the craw of Europe’s peoples. Given that within the EU public opinions on politics are formed exclusively within national borders and that these different public spheres are not yet readily available one for one another, contradictory crisis narratives have taken root in different eurozone countries during the past decade.

These narratives have deeply poisoned the political climate since each one draws exclusive attention to one’s own national fate and prevents that kind of mutual perspective-taking without which no understanding of and for another can be formed – let alone any feeling for the shared threats that afflict all of us equally and, above all, for the prospects of pro-active politics that can deal with common issues and only do so in a cooperative mode and mentality. In Germany this type of self-absorption is mirrored in the selective awareness of the reasons for the lack of co-operative

spirit in Europe. I am astonished about the chutzpah of the German government that believes it can win over partners when it comes to the policies that matter to us – refugees, defence, foreign and external trade – yet simultaneously stonewalls on the central question of completing EMU politically.

Within the EU, the inner circle of the member states of the EMU are so tightly dependent on each other that a core has crystallised, even if only for economic reasons. Therefore, the eurozone countries would, if I may say so, naturally offer themselves for acting as pacemakers in the process of further integration. On the other hand, however, this same group of countries suffers from a problem that threatens to damage the entire European Project: We, especially those of us in an economically booming Germany, are suppressing the simple fact that the euro was introduced with the expectation and political promise that living standards in all member states would converge – whereas, in fact, the complete opposite has come to pass. We suppress the real reason for the lack of a co-operative spirit that is more urgent today than ever before – namely, the fact that no monetary union can in the long run survive in view of an ever-wider divergence in the performances of different national economies and thereby in the living standards of the population in different member states. Apart from the fact that, today, in the wake of an accelerated capitalistic modernisation, we have also to cope with unrest about profound social changes, I consider the anti-European feelings spread by both left- and right-wing populist movements not as a phenomenon which only mirrors the present kind of xenophobic nationalism. These eurosceptic affects and attitudes have different roots that lie in the failure of the European process of integration itself; they emerged independent of the more recent populist inflammation of xenophobic reactions in the wake of immigration. In Italy, for example, euroscepticism provides the sole axis

between a left and a right populism, i.e. between ideological camps that are deeply split when it comes to issues of “national identity”. Quite independently of the migration issue, euroscepticism can appeal to the realistic perception that the currency union no longer represents a ‘win-win’ for all members. The south against the north of Europe and vice versa: Whilst the “losers” feel badly and unjustly treated, the “winners” ward off the feared demands of the opposing side.

### Macron Plan

As it transpires, the rigid rules-based system imposed upon the eurozone member states, without creating compensatory competences and room for flexible joint conduct of affairs, is an arrangement to the advantage of the economically stronger members. Therefore, the real question to my mind does not arise from an undetermined either “for” or “against” Europe. Underneath this crude polarisation of a “pro” or “con” which goes without any further differentiation, there remains among Europe’s supposed friends a tacit question which so far remains untouched even though it is the key fault-line – namely, whether a currency union operating under sub-optimal conditions should just be made “weatherproof” against the risk of further speculation, or whether we should hold fast to the broken promise about developing economic convergence in the euro area and therefore develop the monetary union into a pro-active and effective European political union. This promise was once politically linked to the introduction of the EMU. In the proposed reforms from Emmanuel Macron both goals have equal value: On the one hand, progress towards safeguarding the euro with the aid of the well-known proposals for a banking union, a corresponding insolvency regime, a common deposit guarantee for savings and a European

Monetary Fund democratically controlled at the EU level. Despite diffuse announcements it is well known that the German government has been blocking any further steps from being taken in this direction – and is resisting all this up to now. But Macron is on the other hand also proposing the establishment of a eurozone budget and – under the heading “European minister of finance” – the creation of democratically-controlled competences for political action at the same level. For the European Union could gain political prowess and renewed popular support only by creating competences and a budget for implementing democratically legitimised programmes against further economic and social drifting apart among the member states.

Interestingly, this decisive alternative between the goal of stabilising the currency on the one hand and the further-reaching objective of policies aimed at containing and shrinking economic imbalances on the other hand has not yet been put on the table for a wide-ranging political discussion. There is no pro-European Left that comes out for the construction of a Euro Union which is able to play a role at the global level and, thereby, has in sight the far-reaching goals such as an effective clamping down on tax evasion and a far stricter regulation of financial markets. That way, European social democrats would first of all emancipate themselves from the convoluted liberal and neoliberal goals of a vague “centre”. The reason for the decline of social democratic parties is their lack of profile. Nobody knows any longer what they’re needed for. For social democrats no longer dare to take in hand the systematic taming of capitalism at the very level at which deregulated markets get out of hand. In making this connection I’m not in particular concerned with the fate of a distinct family of parties – although we should always remember when talking about this that the fate of democracy in Germany is historically more tied up with that of the SPD than with any other political

party. My general concern is with the unexplained phenomenon that the established political parties in Europe are unwilling to or fail to forge platforms upon which positions and options vital for the future of Europe are sufficiently differentiated. The upcoming European elections serve as an experimental design in this regard.

On one side, Emmanuel Macron, whose movement so far is not represented in the European Parliament, is trying to break up the current party groups so as to build a clearly recognisable pro-European faction. By contrast, all those groups currently represented in the Parliament, with the obvious exception of the anti-EU far right factions, are internally divided even below the actually required degree of differentiation. Not all the groups allow themselves such a widely-spread balancing act as the EPP which so far is clinging on to Orbán's membership. The mindset and conduct of the CSU-member Manfred Weber who is seeking to become president is typical of the wishy-washiness that goes with a totally ambiguous stance. But there are similar splits running through the liberal, socialist and (not least) leftist groups. With regard to at least a lukewarm commitment to Europe, the Greens might share a more or less clear position. Thus, even inside the Parliament, which is supposed to create majorities for societal interests generalized across national borders, the European Project has obviously lost any sharper contours.

### Caught in a Trap

If you in the end ask me, not as a citizen but as an academic observer, what my overall assessment is today, I'll have to admit to failing to see any encouraging trends right now. Certainly, economic interests are so unambiguous and, despite Brexit, as powerful as ever that the collapse of the eurozone is unlikely. That implies the answer to my second question: why the eurozone still

