



SOCIAL EUROPE A MANIFESTO

Colin Crouch

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Preface

The coronavirus (Covid-19) pandemic has radically changed both the daily lives of people everywhere and the dilemmas facing policy-makers. But, despite its dramatic novelty, it reinforces rather than transforms existing confrontations over the direction of social and economic policy. Precisely because it has destroyed so much, it creates spaces for innovations from all sides of those confrontations. We stand at one of those historical moments where choices are made that will shape our lives for decades to come. Who will control that moment?

Viewing the case optimistically, combating the virus has made us all aware of our mutual dependence and the need of humans for co-operation, from the local levels of neighbourhood support that flourished during the lockdowns, to publicly provided health services, and on to the seamless web of global collaboration that characterises scientific research. We have seen that certain large and important needs—such as a sudden mass need for protective equipment, ventilators and other medical devices—cannot be met by markets unaided by government action. This has reinforced a lesson we were already learning through the need for change and innovation to reorient economies to face the climate-change crisis. We also became aware of the vital role of occu-

pations often looked down on and even despised as low-skilled and low-paid: nurses and care workers, refuse collectors, security guards, seafarers, delivery drivers, shelf-stackers in supermarkets and many others. Shall we therefore use this moment to rediscover our dependence on collective action of many kinds, our need for co-operation across communities and nations, and the immorality of a social order that values people only according to their performance in the market?

Or will the moment be controlled by those arguing that the coronavirus shows the need for us to retreat into hermetically sealed communities and nations, viewing ‘foreigners’ as bearers of disease and abjuring all moves for sharing and co-operating with others? Will the depth of the economic crisis with which Covid-19 has left us become a reason to dump all social policy, redistribution, labour and human rights, as well as any measures to combat environmental disaster, and concentrate on getting back to profitability at any price?

These are familiar confrontations, already entrenched before Covid-19 struck. Behind the former scenario stand social democrats, other egalitarians and believers in collective endeavours, and environmentalists. Behind the latter are ranged xenophobic nationalists and the believers in unrestrained markets and minimal social policy. As Philippe Pochet¹ has demonstrated, responding to the aftermath of the pandemic does not indicate one clear direction for Europe, but some starkly contrasted alternative scenarios. The pandemic has intensified and rendered starker the choices that these confrontations present rather than introduced anything new.

This short text shows what is needed if the EU is to be an instrument for the former, humanitarian and optimistic scenario, a return to the idea of Social Europe. (As Silja Häusermann and Jane Gingrich² have argued, the lessons of the coronavirus for social policy are for the reinforcement of known welfare-state strategies, not a radical reinvention.) This is a manifesto in the classic sense, in that it makes a plea and demonstrates the general direction of an approach. It is not one in the

more modern sense—presenting a shopping-list of policies. Only political parties can do this, though specific policy ideas will emerge from the discussion.

It is necessary at the outset to consider the obstacles standing in the way of a revived social Europe. Overcoming these will be the theme of the next section.

They comprise, first, the two hostile political forces of neoliberalism and xenophobic nationalism. These represent, in their different ways, the opposed forces of selfishness and exclusion that are the pessimistic messages of the crisis. A second obstacle is the electoral weakness of social democracy, the political force which has historically been the main champion of co-operation and inclusion and of the social-Europe project. Without such a strong political force to back them, ideas in themselves can achieve little.

The campaign for social Europe needs to establish a broad consensus but at the same time it has to remedy the error of the earlier, ‘third way’ model of social democracy, which took too benign a view of the state of contemporary capitalism. The second section therefore considers what steps are necessary to bring EU policy-making back from its neoliberal turn. This includes reviewing the grounds for intervening in markets that are accepted in much economic theory, as these provide the basis for seeking a wide anti-neoliberal coalition.

The third and longest section addresses the most urgent issues that now need to be pursued by a revived social-Europe strategy: combating environmental damage and climate change, reforming globalisation, regulating financialised capitalism, reducing material inequalities and reconciling the future of work in a rapidly changing economy with workers’ needs for secure lives. The reform of globalisation and the need to care deeply about the security of workers’ lives have been further thrown into sharp relief by the pandemic. A final section summarises the case for a European social union, based on a social-investment welfare state.

ONE

The decline of social Europe and the fragmentation of democracy

Two spectres had been stalking Europe since long before the arrival of Covid-19, exercising malign influences over her society and democracy: neoliberalism and xenophobic nationalism. Neoliberalism, the doctrine that markets should rule human affairs with as little intervention from other institutions as possible, has increased inequality while encouraging obsession with the self and disregard for shared needs. It brought us the financial crisis of 2008 and discourages collective action to combat anthropogenic climate change. Xenophobic nationalism is fostering hatred among members of different ethnic groups and nations.

The destructive nature of both—and the urgent need for the assertion of their opposites, recognition of shared common interests and international co-operation—has been laid bare by the struggle with the coronavirus. Coping with disasters of this kind requires strong and well-resourced public-health and other collective services, with spare capacity to respond to crises, as well as citizens willing to restrain their own activities for the common good. Neoliberalism permits at best minimally resourced public services and has encouraged in us a self-regarding philosophy of *se sauve qui peut*. Nationalists regard such issues

as contagious disease as amenable to solutions within state boundaries, while the researchers who accumulate evidence, and pursue tests and vaccines, work as always in the borderless global community of science. In the early stages of the pandemic it was right that many governments moved to impose new checks at borders, temporarily suspending the Schengen agreement. It is only at national frontiers that necessary controls over the movement of people can be readily imposed—as the Italian government found when it tried to separate its northern regions, by far the most heavily affected by the virus, from the rest of the country. But this temporary need must not become a permanent preference—as indeed many governments, corporations and people demonstrated as they sought early opportunities to resume contacts again.

Neoliberalism and nationalism are natural enemies: neoliberalism is the main ideology propelling globalisation, the force that is producing the economic and cultural mingling among peoples which nationalists find so offensive. But they are coming together in a cynical alliance, together threatening to become the dominant force in public life—not only in Europe but in many other parts of the world.

Two elements bind them. The selfishness encouraged by neoliberalism chimes well with xenophobia's rejection of expanding circles of human co-operation. Even more cynically, if politics becomes a game of competing, non-cooperating individual nations, there can be no political action at transnational levels—the only levels at which the much-needed regulation of capitalism, rejected by neoliberals, can be achieved. A further factor uniting these two forces is that they both emanate from the political right, though from different parts of it. Neoliberalism emerges from the anti-egalitarian, economically liberal right; nationalism comes from its socially conservative component.

Together, neoliberalism and xenophobic nationalism promise a world of unchecked and intensifying environmental damage; of increasingly antagonistic and ugly relations among people and nations; and of growing inequality produced by the power of vast corporations,

engaging in dangerous financial risks and subordinating the interests of consumers, workers and the general public to their imperative to make profit for their shareholders, far beyond the reach of 'sovereign' nation states.

This combination could become the dominant force across Europe. It is today the most powerful alliance in Hungary and the United Kingdom, it has appeared for periods in Austria and Italy and, outside Europe, in Australia, Brazil, India and the United States.

Neoliberalism had already become so apparently popular by the 1990s that its most significant opponents—Europe's social-democratic parties—started to accept many of its tenets. One consequence was that they were unable to reap any harvest from the global financial disaster of 2007-08, produced by neoliberal deregulation. Instead xenophobic nationalists were able to point the finger at all established parties, as constituting an 'elite' purportedly responsible for the disruption of ordinary people's lives which the crisis engendered. Similarly, today we find important elements in many parties of the left arguing that the only way to counter xenophobic movements is to adopt parts of their agenda and develop the left's own version of national isolationism.

Is it really impossible to contest these two baleful movements other than by imitating them? Selfishness and hatred are very powerful human motivations and naked appeal to them resonates with many people. But there is evidence all around us of people who act unselfishly, who prefer to work in productive peace with others rather than hate them, for whom co-operation and inclusiveness are virtues rather than objects of scorn, who do not regard 'foreigners' as creatures to be kept at arm's length, or who simply fear moods of incipient violence or just enjoy the variety that a multicultural society brings to their lives. If such people constitute majorities, then the struggle against neoliberalism and xenophobia is far from hopeless. The task is to find a constructive political articulation for these majorities. Two slogans, both curiously emerging from the UK—that neoliberal template and leader of Europhobia—

encapsulate what is needed: *Better together* (used to great effect in the campaign to prevent Scottish independence, but not unfortunately in the Brexit referendum) and *Hope not hate* (a campaign to combat the wave of hate crime and abusive speech on ‘social media’ that has accompanied Brexit).

If the right is tempted increasingly to rally behind the banners of neoliberalism and xenophobic nationalism, the burden of confronting them is a duty of the left and centre—at its broadest a term which embraces social democrats, socialists, greens and social (as opposed to neo-) liberals. In addition, however, many moderate conservatives and neoliberals are extremely uncomfortable with the turn that the right is taking. We must be alert to opportunities to build the broadest possible coalitions against the twin menace, especially as it uses the pandemic to justify its strategy. There is a serious danger that, if this is not achieved, a determined minority of the hard right will triumph over a fragmented majority ranging from the centre right to the left.

For many years moderate conservatives have seen themselves as the principal guardians of the rule of law and constitutional rectitude. In several countries—Hungary, Poland, the UK, until recently Austria and Italy and, outside Europe, the US—their association with the practices of the far right is destroying that reputation. In all those states and some others it is falling to the liberal left to be the prime defenders of orderly government, in what seems at times to be a losing battle. Moderate conservatives have to decide which company they prefer to keep. Will Christian democrats, in particular, see opportunities for a revival of religious politics in the illiberal Christian movements dominant in Hungary, Poland and the US, or in Pope Francis’ inclusive egalitarianism?

Policies embodying values of co-operation and inclusiveness need to be pursued at all levels of politics, but the European level has particular importance. It is only through action here that these values can be given real practical effect. This will not be easy, as the European polity reflects

and magnifies the fragmentation already taking place within individual countries. The EU's claim to be the prime embodiment of peaceful cooperation and integration is being undermined from within by the rise of xenophobic national parties and governments, and by the union's own reluctance to challenge these forcefully. Understanding this fragmentation is therefore an essential step to progress.

The fragmentation of democracy

The 20th century bequeathed to us the democracy of large organised blocs. In most of western Europe these blocs, based on class and religious identities, took the form of large social- and Christian-democratic parties, sometimes further sub-divided, accompanied by smaller liberal and some other forces. The blocs were originally rooted in struggles over who had the right to be admitted to citizenship. Individuals could usually understand to which class (or sometimes religious group or ethnicity) they belonged, because they were being excluded from citizenship by virtue of an imposed social identity or they were included in a limited citizenship and encouraged to identify themselves against members of other, excluded, groups. These exclusions were usually defined in terms of property ownership, but that tended to coincide with income groups, which corresponded fairly closely to membership of occupational categories, which were in turn linked to communities and organisations—and hence to classes. This *ensemble* of attachments conveyed a political identity, as parties engaged in the struggle became embedded in distinct communities. Broadly, the political right became defined as the representative of all included groups seeking the exclusion of outsiders—the left the reverse. Members of religious and ethnic minorities vulnerable to exclusion often allied with the left, even if their class identity would place them on the right; members of religious and ethnic majorities might identify with the right, even if their class position put them on the left. Many people came under conflicting pressures from these processes, some identifying with minor parties which avoided the central dichotomy.

Once formal universal citizenship was achieved, these invidious distinctions were no longer employed in open conflict, but memories of the past continued to confirm the party loyalties they inspired, albeit fading. Meanwhile, employment in the industrial activities that had shaped the classes of much of the 20th century was declining, while jobs grew in various post-industrial services sectors. People working in these have class positions, but not ones that have been defined and given political meaning by involvement in citizenship struggles. Party loyalties based on religious identities have suffered a similar fate, as European societies have become secularised and the churches have relaxed their earlier political stridency.

Political identities have become shallower, less rooted in conflicts that relate shared life experiences to political inclusion or exclusion. Voting has become an experience closer to consumer activity, responding to advertising, rather than the expression of deeply felt social solidarities. Voters change parties more often, or are less inclined to vote at all, and new parties have emerged responding to different concerns. Today's citizens are in general less amenable to being fitted into large hegemonic organisations, and less likely to have deeply embedded loyalties, than their parents. The big blocs of our inherited parties are fragmenting into a kaleidoscope of varying and temporary allegiances and alliances.

It is difficult for the big bloc parties to accept this and they see their decline as avoidable failure. Naturally, they aspire to return to their former positions. But what is happening is the passing from one era to another—it is no one's 'fault'. As has long been the case in Dutch and Danish politics, governments increasingly consist of varying coalitions among groups of parties. The European Parliament itself is an excellent arena for such a politics, as across its 27 member states there are many forms of parties, appearing in diverse domestic coalitions, and the parliament is virtually bound to present a particularly complex kaleidoscope.

Throughout western Europe these changes present challenges to the old bloc parties. Conservative and Christian parties suffer from the declines, first, of an authentic, business-owning *bourgeoisie*, in favour of an indistinct managerial hierarchy, and, second, of the religious identities which had given these parties their appeal to a mass public. They retain another base, however: their association with the wealthy and successful enables voting for them to be a badge of self-assigned success. Parties of the left, historically associated with the poor and weak, bear the opposite badge. Their decline has therefore been steeper.

There are further complexities in this story. First, left parties have had gains to compensate in part for the decline of the industrial working class. Public employees, once a small group granted privileges by ruling classes to secure their loyalty, have become a mass workforce. Their incomes loom large in public budgets, creating increasing hostility towards them among conservatives and economic liberals committed to low taxation. Increasing numbers now ally with the left. More generally, there is evidence that people working in people-related services activities, whether public or private, are likely to hold liberal, inclusive social views more likely to be supported by left than by right parties. Employment of this kind tends to increase as technology replaces more and more jobs that do not need personal contact.

Secondly, women have increasingly fought against continuing limitations to their full citizenship, a phenomenon strengthened by the fact that they constitute a clear majority of middle- and lower-level positions in post-industrial occupations, particularly public and people-related services. Historically women were more likely to vote for conservative parties than those of the left, partly because of their generally stronger attachment to religion and lower involvement in the paid workforce. Secularisation and changing occupational structures are combining to turn women towards the left, indeed becoming its new vanguard.

Thirdly, as economic, social and cultural contacts among nations have grown, including considerable migration across national boundaries,

the national limitations to so-called ‘universal’ citizenship, and the definition of those persons who should be included in a particular political community, have been thrown into question. The nation-state can no longer be the ultimate level of achievement for citizenship and democracy. At the same time, internationalisation provides major opportunities for parties of the right to launch new campaigns for social exclusion—attempting to rally all members of the core national identity, irrespective of their class, in hostility to immigrants and sometimes other ethnic minorities and to engagement with transnational organisations such as the EU.

The first two of these complexities favour the political left, though not necessarily traditional social democracy. The third favours the right, though not in its moderate forms.

The countries of central and eastern Europe (CEE) lack the west’s long history of major bloc parties. Therefore their political structures have for several years anticipated the future the west is now experiencing. Rather than they gradually gravitating towards established western models, the opposite is taking place. Their struggles for citizenship, in the first part of the 20th century similar to those in western Europe, became pre-empted by a state-socialist form that interpreted equal universal rights to mean equal absence of rights. Voting for a single socialist bloc party became more or less compulsory. Campaigns for a genuine citizenship during the state-socialist period had to be clandestine and could therefore establish little mass appeal, more extensive protests being quickly and ruthlessly suppressed.

At the end of the 1980s, a rapid disintegration of the old system gave no time for movements to develop deep roots in the population at large. Attempts after 1990 to establish something like western parties were disappointing, failing to reach far beyond the small groups of brave fighters for citizenship against the socialist regimes. Successful, though still temporary, parties were more likely to be organised around indi-

vidual wealthy men, brought together in fragmented coalitions to form governments.

Then, starting with *Fidesz* in Hungary and followed rapidly by *Prawo i Sprawiedliwość* in Poland, politicians began to discover the potency of nationalism and xenophobia in countries long subordinated to various forms of foreign rule and containing important ethnic minorities disliked by the dominant national ethnicity. Jews had mainly been eliminated from these societies by the Nazi genocide, but the idea of Jews as hated outsiders often survives their actual disappearance as a driver for xenophobic forces. Such parties, often but not always combining nationalism and other forms of social and religious conservatism with neoliberal economics, have rapidly become popular.

These developments present problems and opportunities for most established political families. Some conservatives are tempted to return to the nationalism and reactionary forms of Christianity to which most of them had recourse in the inter-war years—but which had led them to their fatal association with Nazism and fascism. Liberals, in their neoliberal guise, are tempted by the deregulation of the global economy that would follow a retreat from transnational economic governance, but fear the consequent return of protectionism and declining international trade. Meanwhile, their more general liberalism cannot accept the new drive to return to social exclusion.

Some on the socialist and social-democratic left are tempted to reassert the sovereignty of the nation-state, the level at which most of its achievements—the welfare state, systems of organised industrial relations—have been made, but at the cost of abandoning its historical commitment to openness, inclusion and internationalism. Given that the main theme of this manifesto is the advancement of a social-Europe agenda, a theme belonging mainly to social democracy, I shall concentrate on its problems.

The problem for social democracy

The political left has historically been defined by a commitment to equality and the elimination of barriers to it, and therefore support for constantly increasing inclusion into citizenship rights. Its ultimate intentions transcend national and ethnic boundaries to include solidarity with the whole of suffering humanity. If the term ‘progressive’ is to have any political meaning beyond a vacuous bias in favour of ‘modernisation’, it must refer to that idea of gradually expanding inclusion. But the goal has problematic implications. These were long shielded from us by the existence of the nation-state as the practical limit of feasible aspirations—the national could be presented as the universal. Even then, social-democratic governments, especially in the Nordic world, have long tried to give reality to the wider ambition through generous programmes of aid to poor countries, welcoming asylum policies and active participation in international organisations.

More recently, globalisation, migration flows and the decline of industrial society have severely challenged this stance, provoking a widening gulf between different parts of social democracy’s support base. Its new constituencies among public and other people-oriented service workers, and more generally the populations of thriving multicultural cities, have embraced a transcendence of national boundaries and a general welcome to ever more inclusion. But important parts of its original constituency among male manual workers in manufacturing and mining—today increasingly ‘formerly’ engaged in manufacturing and mining—have felt very differently. Globalisation, immigration and the growing presence of women in employment seem (mistakenly) to threaten their jobs; immigration and participation in international organisations threaten both a sense of local community and pride in national independence. Social democracy’s two constituencies are moving in opposite directions.

During the 1990s and 2000s many parties, adopting the ideas of the so-called Third Way, sought to resolve this dilemma by wholeheartedly

embracing the new, open-minded constituency and ignoring the problems of the old industrial working class. Given a need to choose between the two, this could be justified both practically and ethically. Practically, the new constituency provides the left with an educated support base which is growing and tends to work in the more dynamic sectors of the 21st-century economy. Ethically, the outward-going outlook of this constituency is more compatible with the left's long-term commitment to inclusion and internationalism.

This choice in turn bequeathed new problems, however, again practical and ethical. Practically, although the old working class continues to decline, it is impossible to form social-democratic majorities without it. Ethically, although many members of this class are today inclined to share the interests of nationalist elites in seeking to exclude outsiders from sharing the good things of life, its own deprivations continue to claim the attention of any decent leftist politics, especially as decline brings bleak prospects.

For some on the far left, the hapless decline of the old working class seems to offer opportunities, the final arrival of the immiseration of the proletariat Marx believed would lead to a socialist revolution. But this is not what is happening. When people believe that history is passing them by, they do not embrace bold, forward-looking causes but turn to narrow, defensive movements which promise to exclude challengers to whatever precarious advantages they retain. Hence not only the xenophobic right but also the neoliberal right, promising low taxes, thrives in such circumstances. People confronting decline can embrace forward-looking and open-hearted values only if they can see their families and communities as part of an optimistic future. Support for xenophobic movements is weakest in cities with distinctly modern advanced manufacturing and services sectors, or that are simply sufficiently large to present workers with a diversity of work opportunities.

The coronavirus crisis has sharpened the choice between these alternative ways in which working people can respond to a serious deteriora-

tion in their living standards. Which will triumph: the lessons learned about the value of neighbourliness and mutual interdependence, and the urgency of reducing the market's inequalities, or a narrow-minded concern to preserve as much as possible of the previous way of life through intensified social exclusion? The biggest danger is that a new form of national socialism, the ideology of Nazism, will emerge: co-operation and collective action, yes; social inclusion and egalitarianism, no.

I have defined the current confrontations with neoliberalism and xenophobia primarily in terms of values. Hardened politicians will regard this as naïve, and point to interests as the primary motivations of voters' allegiances. But if philosophy and political science know well how to distinguish values from interests, as also emotion from reason, everyday life is not so simple. We usually like to see, or at least to present, pursuit of our interests as having some moral quality. The act of voting in mass democracy itself requires a desire to take part in a collective affirmation of values, as an individual vote has virtually zero practical effect. Indeed, the expressions of selfishness and hatred that I have attributed respectively to neoliberalism and xenophobia themselves contain strong moral elements. Neoliberal rejection of redistributive taxation and the public provision of services relies heavily on the argument that being poor usually implies fecklessness and a failure to work hard, justifying the self-defined 'hard-working' rich and middle-income groups in keeping hold of their money.

Even hatred often has a moral base. The history of the world's great religions is full of actions of extreme violence, perpetrated in the name of sacred values. Whatever our true motives (if we can ever determine what these are), people and especially political leaders feel a need to present their actions in a moral light. Led by Viktor Orbán in Hungary, the leaders of xenophobic nationalist movements stand for the assertion of traditional Christian, conservative values against materially motivated, amoral liberals and Muslims. They even propagate the conspiracy theory of the extreme right that 'liberals' are trying to

Islamise the Christian world. When Matteo Salvini was Italy's minister of justice he was not content with harshness against Muslim refugees seeking to escape to Italy; he would frequently kiss the crucifix and the rosary in public.

An important argument of the protagonists of Brexit has been that, while there would certainly be economic costs in the UK leaving the EU, it would assert the values of national pride and sovereignty, more important than material interests. A theme of their campaign in the Brexit referendum was the allegation that the supporters of membership of the EU wanted to admit Turkey to membership, to expose the UK to immigration from millions of Muslims. This tacitly echoed the Islamisation conspiracy theory, itself a distant echo of the medieval Crusades. In the current climate the left is more likely to lose by neglecting arguments from values than by insisting on them. The rediscovery of sharing, mutual help and the strength of civil society during the pandemic provide a further basis for the left's ethical appeals.

Our personal political positions are complex amalgams of material interests and moral values. There are always clear cases of people who seem to act politically in direct conflict with their material positions, such as wealthy persons who regularly vote for parties that will tax them heavily. More common are subtler links. People in jobs that mainly involve considerable human interaction are more likely to hold liberal values because work requires them to adapt to and accept a variety of human types in order to get by. Workers who know that by themselves they are economically vulnerable are more likely to support collective values and join trade unions than those who are confident they can manage by themselves. The young are more likely than the old to be worried about climate change and environmental damage, as they will have longer to live under the worsening conditions. These links are just as important in contemporary society as in the past, but the fragmented nature of our lives makes it more difficult to discern how values and perceptions of interest will relate to each other. This is a major reason

why political loyalties are fragmenting and the range of parties widening.

In this context, parties need to assert their values as their defining characteristics, and then use their research methods to identify the parts of the population to which these are most likely to appeal. In this context the core defining characteristic of social democracy has to continue to be to work for increasing human inclusiveness and co-operation in pursuit of reducing inequalities. This directly challenges the moral appeals of neoliberalism and xenophobia, but is alone unlikely to rally majorities.

If social-democratic parties are losing their capacity to form single-party governments, they must adapt to becoming part of the kaleidoscope of contemporary politics. If this is primarily about building an agenda for co-operation and inclusiveness against selfishness and hate, that should be a promising task. Greens in particular and also left-leaning liberals are the most obvious partners, but so also might be conservatives rejecting the xenophobic embrace and other minor parties seeking a similar basic agenda.

It is essential that Europe stands at its centre. In a world where so much is globally traded and where damage to the climate and biodiversity cannot possibly be contained within national boundaries, co-operation has to be cross-national and is therefore incompatible with an obsession with national sovereignty, whether of the right or the left. For the European left, this means that the institutions of the EU are central to its objectives and identity—not an add-on for placing in a separate chapter at the end of a manifesto.

TWO

Contesting the EU's neoliberal embrace

Left-wing critics of the EU point out that neoliberal assumptions are built into its architecture—if only because, as Fritz Scharpf¹ famously argued, it is far easier to secure cross-national agreement on a negative task (breaking down barriers to markets) than on a positive one (finding new institutions to supplement markets). This structurally determined pro-market bias has been heavily reinforced since the late 1990s by a more directly ideological commitment to neoliberalism in the EU's decision-making organs. As so often in national politics, European policy-makers of right and left alike tend to see markets and public-policy actions as a zero-sum game: if we want more market, we must have less social policy and *vice versa*. But the history of the 20th century shows us that the opposite is true and that the two need to proceed together.

As Karl Polanyi² demonstrated in his research on the early industrial revolution in 18th-century England, the extension of markets destroys various institutions which stabilised society, creating a need to build new ones to avoid mass insecurity and social chaos. This happens because markets operate by taking that which is profitable and throwing away what does not serve their purpose. Markets therefore

create waste—what Pope Francis called *lo scarto* in a 2018 article, for the Italian business newspaper *Il Sole 24 Ore*³, critical of contemporary capitalism. The Italian word, as well as meaning waste, carries the idea of that which is thrown away. *Lo scarto* includes human beings whose lives, or even existing ways of life, are not needed by the market, as well as the material waste we now see as environmental harm.

The tendency of unchecked markets is to wreak havoc with human lives and to make the planet filthy. On the other hand, without the creative destruction of markets we should have little innovation and society would remain poor. The intensification of markets *requires* public policy to save us from their consequences and to save markets themselves from fundamental political attack.

This is not just a matter of defence against the market. Many of its own needs cannot be provided by itself and therefore also require public intervention. Major examples are the infrastructure (physical, as in transport networks, and human, as in education and training) and regulatory frameworks that enable the economy to operate efficiently. Subject to constraints that safeguard and enhance the market economy itself, as well as protecting us from its damage, the market is a highly efficient form of economic organisation, superior to the state-centred economies which have emerged as its only serious rival. The social-democratic left seeks efficiently regulated but extensive markets rather than their suppression. This stance equips it for leading broader progressive coalitions and for new phases in the development of social Europe.

The EU's record on these issues is not as negative as Scharpf's argument implies. First, EU economists' interpretation of the market order is not as extreme as that found in the US. There is strong competition policy, to ensure that competitive markets mean what they say and not the protection of monopolies, and there are major infrastructure projects, to improve transport and communications, information tech-

nology and high-skilled science. These are elements of EU policy-making that the left must support and seek to enhance.

Even more important, national politicians need to shout loudly within their countries that these are things being achieved by the EU, which can be done only through cross-national co-operation. Too often even the most ardently pro-EU politicians seek to take all credit for anything positive in their countries that emanates from the EU, blaming the union for anything negative. This is highly short-sighted and has brought us to the position where xenophobic parties in nearly every European country can treat the union as something that does nothing but impose bureaucratic rules.

It cannot however be denied that there has been a rise in dogmatic neoliberalism in the EU during the past 20 years. Before then, Jacques Delors' presidency of the European Commission, continued by Romano Prodi, seemed to accept the logic of the Polanyian argument. Delors oversaw *both* the major extension of market processes under the single-market programme and the biggest extension of social policy in its broadest sense—the social chapter of the Maastricht treaty, and the emergence of a European civil society through the commission's networks of contacts with local and regional governments, trade unions, employers' organisations and various citizens' groups. No other international trade organisation has established anything like this rapport with the citizens of its member states.

This episode was however immediately followed by the period when the apparent superiority of the Anglo-American model of unregulated capitalism and insecure labour markets, based on the priority of shareholder interests, led to panic in European capitals. National governments of various political stripes, and under their influence the EU itself, embarked on a programme of intensified neoliberalism. The accession of former state-socialist countries from 2004 brought to EU membership political leaders inclined to see social democracy and the welfare state as indistinguishable from communism. This strengthened

the neoliberal turn. Commission leaders went out of their way to stress how social Europe belonged to the past. There were few new initiatives under the social chapter and governments were pressed to reduce workers' rights.

The collapse of the Anglo-American deregulation model in the financial crisis should have signalled that much of its apparent success was due to the inflated growth of unsustainable secondary markets. To some extent this has happened. Agreement on a European Pillar of Social Rights at the EU's Gothenburg summit in 2017 saw a return to recognition of the role of social policy in European integration. It established a set of social rights European citizens should feel entitled to enjoy and committed the union to assisting member states to realise them.

This must be followed by strong substantive action if these are to be anything but empty words, but it at least marked an abandonment of the earlier rejection of the social-Europe concept. In June 2019 the European Council committed itself to *A New Strategic Agenda for the EU 2019-24*, among the four key priorities of which was building a 'climate-neutral, green, fair and social Europe'. Not only does this complete the rehabilitation of social Europe; it coupled it with environmental policies—a fundamental necessity.

One of the few positive consequences of the Covid-19 disaster has been to advance this change still further. There is widespread agreement that the original tight monetary-policy rules of the European Central Bank would be a disaster if followed now that the economies of Europe and much of the rest of the world have been devastated. There are plans for extremely high levels of public debt as well as vast state support to restore even the strongest economies to health. True, this will impose large debts on future generations, but unless we take these actions now the future itself will be bleak.

Outside the immediate field of social policy there have been more substantive moves to limit speculative activities by banks. But the reforms are not going far enough: banking lobbies are still too powerful

among EU decision-makers. A major task for social-democratic parties and their progressive allies is to take far further a programme of reforming capitalism through regulations which protect the environment and climate, as well as consumers, workers and the general public, from the negative consequences of capitalist activity. Much of what needs to be done requires action at European level, because individual countries face the problem of losing foreign investment if they encroach on business freedom.

The task will not be easy. Despite some recent signs that EU policy-makers have learned some of the lessons of the inadequacy of neoliberalism, the commission has very recently adopted the principle of ‘one in, one out’: for every new regulation adopted, another must be cancelled. Without establishing a hierarchy of regulatory priorities, this is absurd. An intelligent implementation of this principle requires an initial appraisal of existing regulations following two rules: which regulations serve a real practical purpose and which correspond to important social needs? Regulations passing these tests should not be vulnerable to such a crude calculus.

If neoliberal capitalism is to be challenged on the ground that it is rooted in selfishness rather than co-operation, we must first deal with the central contention of economic theory that the market requires individual pursuit of selfish ends to serve the public good. Classical economic theorists, unlike some of their modern political advocates, did not deny the existence of a public good. Rather, they argued, if capitalists have to seek their goals by producing and selling within markets where there is more or less perfect competition, they will have to do so in a way that satisfies consumers’ preferences. In practice, many markets are not perfect; as soon as they depart far from that standard, producers can begin to achieve their goals in part at the expense of, rather than through meeting, consumers’ interests. Further, by no means all human goals can be achieved through the market and the market can damage pursuit of these other goals if they are not protected from it.

Economic theory tries to recognise these deficiencies by accepting in principle four grounds for public intervention in markets. Two—combating imperfect competition and tackling inadequate information for customers—are designed to protect the competitive economy itself. Two others recognise that the market cannot meet all human needs: public and collective goods (such as health and education) and negative externalities. These last exist where certain by-products of a commercial activity cannot be captured within its market transactions. The menace of the human contribution to climate change has massively increased their importance. The pandemic has done something similar in making us all aware of the need to provide well in advance for potential health crises. The free market will by itself not justify major spending on personal protective equipment, expensive therapies and machinery, and testing equipment for crises that might never happen—spending therefore that might never result in a return of profit to shareholders. The areas that had most difficulty in coping with the virus were often those where provision was in the hands of private firms: care homes in Sweden and the UK; health services in general in Lombardy and much of the US.

There is a strong case for adding a fifth reason for public intervention in market forces—reducing inequality. Economists have traditionally viewed inequality positively as evidence of rewards to entrepreneurship. International economic organisations—principally the International Monetary Fund and the Organisation for Economic Co-operation and Development—have however warned that the recent growth of inequality in the US has begun to have negative economic effects. If the rich take a large share of the growth in national income, the rest of the population, and especially the bottom 40 per cent, can share in the growing expenditure on which the economy depends only by borrowing.⁴

Heavy borrowing for consumption by lower-income people was a major cause of the 2007-08 financial crisis. Capitalist economies therefore face a choice: they can have only two of the following: high inequality,

strong mass consumption, financial stability. For social democrats the answer is clear: it is high inequality that is unsustainable. Forming coalitions with other parties requires their acceptance of this choice.

The pandemic has also both intensified inequalities and elevated a long-dormant widespread concern about them. Low-paid workers have been more severely hit than higher-paid ones, as the latter are more likely to be able to have continued working from home. Workers in manufacturing and people-related services, often on moderate and low incomes, are more likely to have been unable to continue their activities and therefore to have lost income. If they were working, as in care services and rubbish collection, they were more likely to have caught the disease. Low-paid workers, especially immigrants and members of ethnic minorities, were more likely to have died from it. Further, the role of many services workers in keeping life going during the lockdowns has drawn attention to the arbitrary nature of the way in which the market rewards different kinds of work. Nurses, other care workers, refuse collectors, bus and delivery drivers earn a tiny fraction of the incomes of bankers and other senior business executives; but whose labour did we most need during the lockdowns? Neoliberalism taught us that the only measure of a person's value is what (s)he can earn in the market. For many people this now seems just wrong. For as long as that sentiment lasts—and it may not be for very long—large numbers of voters will be willing to accept higher taxation, partly to redistribute income; partly to provide better rewards for the many public-service workers involved in those key activities and partly to provide a high base of free or subsidised public services that enable people to enjoy a good even if their incomes are low.

These themes provide the basis for a broad consensus on policies to reclaim the pursuit of social Europe. We must now examine their application in more detail.

THREE

Expanding social Europe and the role of standards

The return to social Europe is urgently needed to address problems in five key areas: combating environmental damage and climate change, reforming globalisation, regulating financialised capitalism, reducing material inequalities and reconciling economic change with workers' needs for security. This last now needs to include restoring normal life in the wake of the coronavirus. These have to be addressed with the full panoply of policy tools common to both national and European levels. There is however one important one where the EU alone has exceptional competence—the setting of standards. This topic will be addressed first.

Standards are not normally at the forefront of political debate, usually being relegated to technical discussions. It is however through standards that a good deal of the regulation needed to restrain excesses of market behaviour can be achieved. The EU has become the world's leader in developing international standards for goods and services. It needs that competence to establish its own norms for the single market and it has taken this expertise to the level of wider international trade agreements. It has left the US behind in this process, with less need for international trade and generally more lax internal quality standards. Because the

EU is the world's biggest single market, many producers elsewhere include EU product standards wherever they are trading. This gives the union extraordinary power. It can use its position as the world's leading trading bloc to introduce improved standards in the trade agreements it signs with countries across the world.

Standard-setting is therefore a key political arena for reconstructing social Europe. Standards establish criteria firms have to meet if they want to sell into a particular market. They are therefore not vulnerable to the usual objection to regulation—that it leads firms to move their investments to countries with the lowest regulatory conditions. Firms will not exclude themselves from opportunities to sell, especially into a market as large as the EU.

At present EU standards are mainly concerned with the quality of the end-product of a production process. They have been far less concerned with the quality of the *processes* themselves. This issue was raised in the 1980s during initial debates over the single European market by trade unions and social-democratic parties seeking to include quality of the working environment in standards. It was defeated by business lobbies, and conservative and liberal parties, principally on the grounds that it would put the interests of groups of workers in a limited number of industries before the general consumer interest in lower prices. This was short-sighted and needs to be reversed. Process standards can serve general interests far wider than those of consumers alone—as will become clear.

Combating environmental damage and climate change

The problem of negative externalities reaches a truly global scale with climate change, the rapid decline in biodiversity and other forms of major environmental damage. This issue must now stand at the top of all political agendas. The European institutions themselves are preparing ambitious targets for reducing carbon emissions and other forms of environmental damage but these will need vigorous political

support by left-green alliances, as they will be contested at every stage by powerful business lobbies. The EU does not have a good record of resisting corporate pressure. Governments in the US are likely to continue to provide an ostensibly more ‘business-friendly’ environment by ignoring the evidence on climate change and the UK is threatening to use its position outside the EU but on its doorstep to mount a competitive challenge by weakening environmental and social regulations. Strong nerves and considerable public campaigning will be needed to turn European ambitions into realities.

In the past environmental policies have been a stumbling block to cooperation between social democrats and greens. The former have prioritised the interests of workers in polluting industries and lower-income consumers, who face higher prices if the goods they buy have to meet stronger standards. Greens have of course prioritised the environment. This dilemma is however declining in importance. ‘Green’ technologies are opening up new opportunities for the production of goods that protect the environment and use resources more efficiently.¹

While it remains true that we need to reduce various kinds of energy-wasteful consumption, the days have passed when green politics was seen as an enemy of economic growth, in two respects. First, the more that low-carbon or carbon-neutral sources of energy can be developed, the fewer changes we in the advanced world shall need to make to our way of life, and the fewer obstacles people in the developing world will face as they try to join us in that way of life. For example, the improvement of electric vehicles will very soon reduce our reliance on the internal combustion engine, eliminating dilemmas such as that faced by the French government when environment-friendly fuel taxes produced the *gilets jaunes* reaction among a rural and small-town population heavily dependent on motor vehicles.

Secondly, the design and manufacture of quality, energy-efficient products is a high-value-added activity, requiring high-level skills and infrastructures. This is the future for European manufacturing. Producers

located in parts of the world that take the lead in higher product standards have strong incentives to develop high-value-added products that will meet those standards. As the higher standards spread to other parts of the world, these firms maintain a first-mover advantage. An example is the prime role of Danish producers in wind-farm technology, following the adoption of ambitious carbon-emissions targets by Denmark.

Europe is excellently placed to take that lead in green technologies, given that the US, Russia, Brazil, Australia and some other countries are currently opting out of concern for the climate and the environment. Before long manufacturing products for these technologies will earn returns on investment in the market, but public action is needed to create the market in the first place. A good environment is one of those public goods the market itself cannot create. It is therefore essential to expand the EU's strong funding of research and development into environment-friendly technologies.

At the same time, adjustment to the new forms of production will threaten the security of workers in industries facing major change. As Susanne Wixforth and Reiner Hoffmann (respectively head of the European and international department and chair of the *Deutsche Gewerkschaftsbund*) have recently argued,² a strong social policy for assisting these workers must be part of environmental policy. They therefore endorse the European Council's coupling of these issues in its new strategic agenda. Exceptional measures are needed to support the populations of regions dependent on coal and vehicle production through transitions to new activities, as the European Trade Union Institute has proposed.³

There is considerable hypocrisy when western countries claim to have reduced their emissions of carbon dioxide and other pollutants, because they have ceased to produce certain kinds of goods and instead import them from other parts of the world—which then continue the polluting activity, usually under worse conditions. Given the global impact of

pollution, this achieves nothing. Here is a leading example of where European standards need to add quality of production processes to those of products themselves, both within the single market and in global trade. The shared human interest in avoiding inhabiting a threatened planet is considerably more general than the consumer interest in having the lowest possible prices. Standards are needed to ensure that goods entering the EU are produced with methods that avoid specified kinds of emission.

Reconstructing economies and societies after the pandemic will sharpen the tensions around environmental policy. On the one hand there are those, in Europe and beyond, arguing that the desperate need to return to profitable activity means that all concern with meeting standards that will slow that process down must be cast aside. They are saying the same about labour standards, planning standards and almost anything that tries to raise quality. On the other hand the vacuum left by the disappearance of so many firms and jobs provides an enormous opportunity for the diversion of activities needed for the green economy. The government and EU support so many industries need, in order to resume profitability, must be made dependent on their adopting an environmental turn. The biggest and most obvious example is that airlines and the aircraft industry need to be persuaded to put more effort into lower-energy air travel. It is vital that this view prevail, as it brings long-term gains; the anti-standards approach of ‘immediate profitability at all costs’ would leave a legacy of a damaged planet and deteriorating standards of many kinds, all for very short-term gain.

Reforming globalisation

Globalisation—provided it is regulated—is necessary to continued growth of prosperity around the world. As developing economies succeed in selling more goods to the advanced ones, so the incomes of their populations rise and they in turn buy more goods and services from us. Our growth depends on an expansion in the scope of markets,

not on protectionist measures to limit trade with the rest of the world so that we can continue producing in and selling to our own small spaces.

Protectionism is not only selfish—trying to keep the world's poorer countries excluded from any chance to improve their lot by trading with us—but in sectors where national economies can support only a very small number of firms it also strengthens the power of national capitalist producers by shielding them from external competition and increasing the dependence of consumers on them. The wealthy will always find ways of securing access to international markets; it is working people who suffer the restrictions on consumers of economic protectionism.

The virtually unregulated globalisation that we have experienced in recent years has however damaged societies, in both the advanced and developing worlds. The vast labour resources of the newly industrialising countries have enabled their firms to keep the prices of products low, by providing very low wages and appalling working and environmental conditions. The general lack of democracy and of strong civil societies in those parts of the world has prevented opposition to this situation. This has had a doubly negative impact on working people everywhere, with bad working and living conditions in developing economies and disorienting and rapid changes among producers in the already industrialised world, unable to compete with the low prices.

For neoclassical economists these negative externalities are 'friction'—transitional problems which are resolved as the market adjusts and can be eased by limited social-policy measures. When transitions are prolonged and complex, however, imposing shocks, the secondary social effects are long-lasting and go way beyond friction. These include a rise in xenophobia, which cannot be easily remedied through unemployment pay and retraining programmes.

We need to act now to prevent further damage, first by slowing the globalisation process and, secondly, by developing intelligent responses to the now predictable disruption unregulated globalisation causes. This

is primarily a task of standard-setting, constituting another major field where the EU's leading role must be extended to production processes. There must however also be wider international action.

At present countries can enter the regime of the World Trade Organisation (WTO) and enjoy increasingly tariff-free trade, provided they meet certain trading criteria such as the elimination of state subsidies to firms. These rules must be extended to include conventions of the International Labour Organisation (ILO). There are eight key conventions, two on each of four themes: freedom of association (to join trade unions), prohibitions on forced labour, similar prohibitions on discrimination against ethnic and other minorities, and others on child labour.

Substantive and not merely formal guarantees of trade union rights would further help workers demand safe and healthy working conditions and reasonable working hours. Failure to abide substantively by ILO conventions should be as severe a barrier to a country participating in the WTO's tariff regime as failure to comply with free-trade rules. A fully competent and well-staffed international inspection regime and court of verification must accompany the introduction of such rules; there is widespread evasion of even the WTO's limited agenda, worsened by the recent decision of the US government to undermine the organisation's judicial capability by refusing to nominate judges to its appeal process.

Extending WTO rules to embrace labour standards would not constitute a protectionist policy, since as a country brought its standards up to the mark it would automatically be entitled to the free trade made possible by WTO rules. These measures would slow the pace of globalisation and therefore, admittedly, slow down improvements in the standards of living of consumers in both the advanced and developing worlds. But this is a necessary price to pay if labour standards are to be maintained, the environment protected and radically disruptive consequences of change avoided. A process that is slowed down eventually does happen, but damage done by allowing unregulated markets to

continue can be irreversible. The EU must use its economic leverage to press these changes at the WTO.

Globalisation has not been the only cause of job losses in the advanced economies. These have mainly been the result of automation and robotisation and the shift of employment from industrial to services activities as labour productivity in the former advances more rapidly than in the latter, many of which depend for their effectiveness on the presence of human staff. The disruptive effects of these changes, together with those of globalisation, are partly geographical, as some of the most dynamic new services activities, as well as advanced new manufacturing, have different geographical requirements from those of industrial society. Firms in them often like to cluster to take advantage of the tacit knowledge flows essential to innovation. They also attract staff by locating themselves in attractive cities, capitals and other places with high-quality natural and constructed environments.

Former manufacturing and mining towns then suffer major population decline, losing their young and better educated people to the new economy in the successful cities. The legacy of this process goes far further than transitional friction. Whole cities and regions are left behind, their remaining populations living without hope for the future, becoming deeply resentful. Meanwhile, the prosperous, thriving cities themselves become over-crowded and expensive to live in. Economists argue that eventually these increased costs will lead to a decline in such cities and the movement of firms to new locations, balancing everything out. But this process can take a very long time indeed, especially given the preference of innovative firms to cluster and the tendency of governments to make the problem worse by devoting attention to enhancing existing points of strength rather than developing new ones.

These processes are at work within Europe as a whole, as well as individual countries. There is a danger that large parts of the south and east of the continent are becoming giant left-behind regions, with the resentment created being turned against the EU itself. European and

national territorial economic policies have to find ways of fostering dynamism within a wider range of territories, based around the Nordic idea of regional innovation networks that link firms with universities, other research centres and local and regional government to develop the necessary physical and human infrastructure. Even improvements to local physical environments, not immediately related to production processes themselves, can be effective in attracting high-quality employment. These policies, requiring attention to public and other collective goods, will not emerge from the neoliberal monopoly of economic thought; nor will they result from the imposition of austerity on governments desperately needing to spend to raise the quality of their economic and social as well as physical environments.

As work in manufacturing in the advanced economies was undermined by the combined effects of globalisation and robotisation, people increasingly found opportunities in personal services, work involving personal links between service provider and client being obviously less threatened by those forces. One of the unkindest cuts bestowed on us by Covid-19 is the fact that it is precisely those personal link activities that are most menaced by the need for social distance. One answer will be a move back into manufacturing—not to be achieved by ruinous protectionism but by governments encouraging the productive industries needed by the green economy. Another will be the strengthening of publicly financed, high-quality employment in care services, the poor quality and insufficient staffing of which was a major factor in spreading the virus among elderly and other vulnerable people.

A further, less welcome, answer that firms in personal services sectors are finding exacerbates a trend already well under way before Covid-19 struck—the use of flexible labour markets with easy hire-and-fire and false self-employment. This enables activities such as restaurants and hairdressing to expand cautiously post-virus with reduced numbers of clients at any one time, and with occasional tightening of controls as the disease makes periodic returns. Firms are able to reduce their fixed labour costs, but at the expense of extreme insecurity among workers in

those sectors. Measures to combat this insecurity will be discussed below.

Regulating financialised capitalism

Central to globalisation has been the role of deregulated financial capitalism, the disruptive effects of which are exacerbated by the ‘shareholder value’ model of business. Under this Anglo-American model—which has triumphed over many others recognising a range of stakeholders in companies—the sole legally-recognised interest in a firm is that of shareholders. In theory firms can maximise shareholders’ profits only if they satisfy customers, since a firm with unhappy customers will lose market share. But this works only under conditions approaching perfect competition. Where competition is limited—because there are too few competitors, or it is difficult for customers to switch suppliers or customers cannot easily acquire knowledge of product quality—that identity between shareholders’ and customers’ interests fails.

Worse, in a financialised economy shareholder value is less determined by profits from the sales of products than market expectations of future profits, which might have little relationship to actual product sales and are therefore further removed from the need to satisfy consumers. For example, many internet-based firms experience very large stock-market evaluations before they have sold a single product, the evaluation being based on speculative future expectations. Senior managers are under constant pressure to deliver strong increases in shareholder value through these means, or they will be displaced in takeovers. Unless pressure to provide quality to consumers is equally strong, consumer interests will never triumph over those of shareholders. This explains much of the shabby service quality that giant firms mete out to their customers, particularly after the initial sale.

Advancing consumers’ interests is already established in EU standard-setting and has recently begun to bite on some of the issues presented by the internet giants. It needs to go further: policy-making in this field

is too often vulnerable to corporate lobbying, leading to rights being reduced to hardly useful minima. Examples are the very minor rights offered in the European Air Passenger Rights Regulation and the weak EU food-ingredient labelling rules, which have followed the industry's preference for barely explained lists in small type. Standards for consumers are an arena where—provided they are strong, meaningful, well publicised and attributed to the union—the benefits of the EU to ordinary citizens can be made clear and understandable.

Banking regulation raises issues that go beyond social-Europe policies, but a major task of social policy is to protect people from the consequences of disruptive change. This includes protecting general public and non-financial businesses from the harm done to them by high risk-taking by financial institutions, a major negative externality of finance-driven capitalism. As we learned after 2008, when this risk-taking arrived at crisis point, public policy moved to shore up the banks, as their collapse would have meant universal disaster.

The burden of saving them fell on ordinary people and firms. There is now great moral hazard in that, knowing this, banks have few incentives to avoid a future crisis. With high risk-taking they can have several years of high profits, followed by a crisis from which they will be protected. If its centrality to the wider economy means that the financial sector has to be granted special protection, then its activities embody elements of a collective good, the safeguarding of which cannot be left to private actors alone but requires regulation.

Important steps in this direction have been EU proposals for a financial-transactions tax, which would not only reduce the incentive of investors to make large numbers of high-speed transactions but would also contribute to funding social-policy and public projects. The left must work to secure agreement on the introduction of such a tax across the EU. There are fears that it would weaken Europe's attraction as a base for financial activities. It is therefore important that favourable trade agreements should be offered to countries and regional trade

organisations willing to introduce similar schemes—again taking advantage of the EU’s leadership on standards.

Reducing material inequalities

A key concern of current EU and many national social policies is the avoidance of ‘social exclusion’. Measures to reduce exclusion range from attempts to tackle various forms of discrimination—on grounds of gender, ethnicity and, most recently, sexual orientation and identity—to egalitarian strategies for preventing the bottom 10 or 20 per cent of the income distribution from falling further behind everybody else. The former have been more prominent, as policies to reduce barriers that cannot be justified in economic theory have been supported by neoliberals as well as social democrats; those for reducing economic inequality, usually requiring public spending financed by taxation, are not however endorsed by neoliberals.

In a study of changes in employment policy under successive British governments, Davies and Freedland⁴ described one area of exception from the strong general trend towards labour-market deregulation: improved rights for women, members of ethnic minorities and the disabled. The central motivation they perceived was the neoliberal one of reducing inequality by eliminating barriers to entry into the labour market, not the provision of rights as such. The emerging consensus between neoliberals and social democrats in the 1990s and 2000s meant that the definition of inequalities that needed remedying shifted from the economic to the cultural.

Today there is a new factor. The earlier shift forms part of the complaint of some of those who claim to have been ‘left behind’ by recent changes: the victims of the processes of disruptive economic change and the overlapping group of that bottom 20 per cent whose living standards are gradually falling behind. Particularly in the rhetoric of xenophobic parties and movements, claims to having been ‘left behind’ can also mean being ignored, or even discriminated against, by

not being included in the ethnic and gender categories which have been the main targets of anti-discrimination and equal-rights legislation.

In particular, older, male workers belonging to the historically dominant ethnicity of a country may complain that nobody cared or even noticed as the industries in which they used to be employed disappeared, the quality of life in their cities deteriorated and their living standards declined. Even those who continue to enjoy stable and prosperous working lives might fear that measures to improve the conditions of the formerly socially excluded will threaten their positions.

Nearly all European and other advanced societies are experiencing major expressions of resentment, and occasional acts of violence, resulting from these phenomena. An ugly zero-sum conflict is looming. We are likely to see a policy backlash that reduces or even reverses the attention being paid to women and various minorities, leading to a new worsening of their position. When this backlash is led by xenophobic and other socially conservative governments, they will do little actually to reverse the economic decline of the male ex-industrial working class, as these governments usually follow a neoliberal economic agenda uninterested in reducing inequality. All they offer the 'left behind' is a licence to express resentment and hatred against the groups whose problems of exclusion have recently been recognised. Granting such a licence costs nothing, and therefore requires no taxation to fund it.

It is not surprising that some very wealthy people will usually be found behind campaigns of this kind. The only cost they present is the risk of violence when the encouragement of resentment goes too far. At that point some xenophobic governments will persist in their encouragement, becoming truly fascist; others will take fright and try to restrain the monsters they have unleashed.

For the broadly defined left, anti-discrimination issues must continue to demand attention. Given the leading role that women are likely to play in the future of such a left, their concerns retain importance. Today in many countries a large part of the low-paid workforce comprises

women as well as immigrants and their descendants—which is one reason why people from some political positions specify the native male working class as their concern. No party of the left can neglect their problems.

It is however essential that the right not be allowed to succeed in inciting a false conflict between all these underprivileged groups. Issues of material inequality not only must share priority with other forms but also must be seen to overlap with them. The so-called white, male working class shares with most women and immigrants an interest in the redistribution of wealth and income, and in protective social policy.

The new high-tech, largely post-industrial economy by no means dispensed with the need to confront material inequalities, as Third Way politicians tended to believe. If anything, these acquire a new importance. Some geographical aspects of this have already been discussed above, as has the way in which low-paid workers maintained vital services during the lockdowns, sometimes dying as a result. There is therefore currently intensified awareness of the evils of inequality. This moment will pass, and we shall return to the more selfish society that neoliberalism preaches. Political forces of the left and centre therefore need to seize this moment now.

Increasingly prominent are also the imperfect competition and downright monopoly being produced by the network and platform economy of the internet, which are generating vast fortunes for a tiny elite, as well as high incomes for their key personnel. Also, at the very time when inequalities have been increasing in the labour market, taxation policies have exacerbated rather than reduced them. According to studies by the OECD,⁵ almost everywhere there has been a decline in the rates of the corporation and capital-gains taxes that fall on the wealthy, combined with an increase in tax-avoidance measures that mainly favour them, against increases in the income, value-added and other taxes that fall on the mass of the population. Very wealthy people are able to redefine their incomes as capital gains, a device that is not

available to the mass of earners. When capital gains are taxed far more lightly than normal incomes, taxation systems become regressive.

This has happened as governments have engaged in a fiscal race to the bottom, competing against each other to attract companies and the global super-rich to come to their countries. Such races are futile, as are the equivalent deregulatory races of the kind which the UK wishes to pursue outside the EU. As all participants join in the competition there is a downward spiral, whether in corporate-tax rates or product, environmental and labour standards, at the end of which everyone has lost except the corporate rich.

The ability of corporations to use the internet to locate their fiscal base in a manner which bears no relation to the location of their actual activities is exacerbating this process. This can be clearly seen in the fiscal strategies of internet giants such as Apple, Facebook and Google, and also in platform-based firms such as Amazon, which compete in positions of total privilege against normal firms who pay a range of income and property taxes based on where they actually do business.

It is vital that this growing taxation bias towards certain kinds of wealthy individuals and corporations is reversed. It is distorting the economy as well as producing social injustice. The OECD's proposal in October 2019 to change the basis of taxation, from notional headquarters chosen solely for tax minimisation to location of sales, is rich with potential. The EU must embrace it enthusiastically and use its standard-setting power to include acceptance in its trade agreements.

Reconciling the future of work with workers' security

During the 1990s and 2000s a tacit social compromise developed between neoliberals and social democrats, based on a certain interpretation of some important new ideas for labour and social policy. A key component was the analysis of 'new social risks' (NSR). This took the optimistic view that the nature of risks in workers' lives had changed,

since the basic problems of need and insecurity of 20th-century industrial life had been addressed by the welfare state.

Social policy for an industrial society had been based on a large manual working class, driven by ‘breadwinner’, ethnically-native males, whose lives were threatened by various forces which might undermine their ability to earn a living to support their families in the labour market: unemployment, redundancy, sickness, disablement, old age. The continuing relevance of this model was challenged by a post-industrial, globalising economy. Since many, sometimes a majority of, jobs in the services sectors were held by women, the male-breadwinner model had broken down. The new, post-industrial economy had produced on the one hand a need for people to accept frequent job change and on the other a mass of opportunities for them to do so. Risks in the new economy were opportunities, not threats.

Workers would have the chance (and obligation) frequently to change jobs, with multiple chances to retrain. Education levels needed to rise, as the new economy had a growing need for skilled workers. Less-skilled workers could improve their ‘employability’ through active-labour-market policy (ALMP) measures, of help with job search, work orientation and initial training—policies pioneered in Sweden since the 1970s. Men and women would both have opportunities in the workforce, provided social policy afforded help with child and elderly care.

Taking on these new tasks would not add to the burden of public spending, as in a prosperous economy less money would be needed to confront the ‘old’ risks. Further, the new social spending should cease to be treated in national accounts as consumption, but as investment. From this emerged the idea of a social-investment welfare state (SIWS).

It was also argued that in the new economy of rapid change laws and trade union practices designed to give workers security in their current jobs were neither necessary nor desirable. The UK and US economies, it was claimed, had shown the superiority of ‘easy fire, easy hire’: if employers could easily fire workers, they would be more ready to hire

them. This would create more employment, and in dynamic new sectors, than the historical European approach of making it easy for workers to retain their current jobs.

Many social democrats did not take readily to this idea but were attracted to the related concept of ‘flexicurity’. Based on positive labour-policy experiences in the Netherlands and Denmark, this proposed that workers should give up the security of employment-protection laws in exchange for strong policies of retraining and other forms of ALMP, designed to help redundant workers find new jobs. This led to the same conclusions as the arguments derived from NSR and SIWS analysis, promising a strong public-policy commitment to help workers qualify for new work opportunities if they lost their existing jobs.

While these were all policies to be developed by individual nation-states, a strong role was also seen for the EU. Europe as a whole needed to improve its economy and the quality of its workforce if it were not to fall behind the US. In particular, the weaker economies of southern and central Europe needed to become dynamic and efficient if they were not to hold the union back.

The crash of 2008 was a rude awakening for the blithe optimism of this view of the post-industrial economy. Many workers were, and continue to be, faced with serious insecurity without much hope of finding attractive alternative jobs. Even before that there was reason to doubt a benign vision of the new economy. With financialisation firms are likely to alter their identities and business models frequently, confronting those working for them with job loss or disconcerting change. The pace of technological advance further makes skills redundant at an increasing rate.

While many firms still value the acquisition of skills and experience by long-serving staff, others have discovered that they can dispense with this, and prefer rapid turnover or the use of formally self-employed persons, temporary staff or workers with highly variable and destabil-

ising working hours—strategies that avoid acceptance of the obligations of employers to provide full social insurance and other employee rights. In a global economy, large enterprises are able to locate themselves fiscally where they can find the lowest tax rates and the least onerous regulatory regimes. The industrial-society model of social policy assumed enterprises with a stable identity, geographical location and fiscal base, employing a workforce with similar stability. All this is becoming difficult to sustain.

Not only did these factors challenge the adequacy of NSR analysis, but matters were not helped by the fact that it was interpreted through a neoliberal lens at the EU and most national levels. Flexicurity was commended but its meaning became diluted as it was reinterpreted to mean flexibility without much security. Observers failed to register that the much-cited Danish model covered *both* old and new risks—generous unemployment pay and strong trade unions as well as the ‘new’ measures. EU policy and the European Court of Justice became particularly hostile to co-ordinated bargaining, even though this had been the bedrock of the success of the Danish and other Nordic systems. No attention was paid to the fact that unemployment pay might need to become more generous if workers were to lose job security and sometimes find themselves between positions. Further, far from the original Swedish ALMP, ‘activation’ increasingly came to be interpreted as meaning the same as US ‘workfare’—forcing people into uncongenial and often very low-paid work by withholding benefits.

For many poorer workers the ‘old’ risks had never gone away, and they returned with a vengeance to far more after 2008. But that disaster was to be dwarfed 12 years later by the coronavirus. Millions of insecure workers—and even many of those who thought they were secure—have discovered their extreme vulnerability. However sophisticated our technology and institutions have become, our lives are still vulnerable to forces of nature – as indeed the climate crisis has also shown. The very rich may be able to use their wealth to escape to safe places somewhere on the planet, but the great mass of us have little chance of taking

action as individuals against these great challenges. We are dependent on the support of each other, sometimes through voluntary efforts but often through a mobilisation of resources only states and groups of states can organise. It is very difficult now to contend that in the financialised global economy, with companies driven by shareholder value, workers with diminished security face exciting challenges rather than menacing dangers.

Looking to the future, the state of work in the new economy seems even more problematic. There are the geographical distortions in work prospects, already discussed. It is additionally claimed that artificial intelligence will make the work of large parts of the workforce, including some of the highly skilled, redundant. These people will become a surplus population, unable to earn a living and therefore needing a citizen's income—paid irrespective of whether one works or not—to survive. Guy Standing adds a further twist to this, arguing that work can be provided for all only under increasingly degraded conditions, and that a citizen's income should therefore be used to enable some people not to be required to work at all. ⁶

However, people dependent on a citizen's income would be highly vulnerable to drastic income loss should the political consensus that had introduced it change, as is likely. It is possible that the day will come when the labour of most of us will become redundant. But a central lesson of history has been that, when technological improvements make some forms of labour redundant, humans find new things to do for each other. This is likely to be especially true for economies where an increasing number of jobs concern the delivery of personal services. Provided entrepreneurs have enough scope to innovate, and governments provide enough support through improving workers' skills and accepting responsibility for their security, this model should continue. Maintaining and expanding care and educational services, many of whose jobs can be neither provided in the market nor replaced by technology, is essential for this purpose.

It is important that labour-related social policy avoid the naive optimism of the NSR approach and the pessimism of those who have given up on finding a future for work. Democratic citizenship has been achieved, not because we have been granted it by a benign regime, but because our society needs us. We contribute our labour power and skill, and it is in exchange for this that we proudly, not gratefully, expect various rights.

If work is central to citizenship, it is a highly important collective good. But it is not a collective good that can be secured by the state just providing jobs, or even through Keynesian demand management—though recovering from the damage wrought by Covid-19 will require precisely that kind of action for several years to come. The state can however ensure that its activities do not hinder job creation in the market but instead provide incentives for it. The point is to facilitate a working population able to compete in open labour markets, but with various forms of state support. The normative base of these is citizenship entitlements, not ‘welfare hand-outs’.

An enhanced social-investment welfare state

Today’s advocates of the SIWS, in particular Anton Hemerijck,⁷ do not speak of a cost-neutral shift from old- to new-risk policies but the need for an integrated approach. The valuable insight that social spending which improves economic quality should be regarded as investment remains but not at the expense of social protection. This marks a shift from a neoliberal to a fully social-democratic interpretation of the new policy approach.

The same adjustment can be achieved elsewhere. Job-protection rights, which assume a stability of employment in a worker’s existing organisation, are certainly becoming outmoded in a labour market subject to so much change, not to mention in economies where the need for lockdowns to combat Covid-19 has destroyed so many firms and jobs, but

they have to be replaced by genuine flexicurity, where workers are supported by generous transitional unemployment pay and strong trade unions. ALMP must not be equated with workfare and negative sanctions but with positive help. Trade unions must not be regarded as part of some past of the labour market; they are now needed more than ever, in the context of changes that threaten workers at many levels, from the low-skilled to senior professionals.

A final support for citizens' dignity in a period of difficult labour markets is a statutory minimum wage. If rigorously enforced, this has a secondary advantage of preventing the use of immigrants to drive wages down—a frequent claim of groups seeking to provoke antagonism to immigrants. There needs to be a Europe-wide component to minimum-wage strategies (adjusted of course for local costs of living) to prevent unfair competition from, and exploitation of workers within, the poorer countries of the union. The experience of countries with well-organised schemes is that they do not cause unemployment.

Opposition to the minimum wage has often come from strong trade unions, who feel that their role would be undermined if the state set and enforced minimum wages. This was the case in the UK and Germany until unions weakened, when they then became enthusiastic advocates. At present the still very powerful unions of the Nordic countries are the main obstacles to a European minimum wage. It is essential that they understand the importance of maintaining wage levels in countries without strong unions; otherwise low wages in these will eventually undermine their own strength.

So far this discussion has assumed traditional employment relationships, with identifiable employers and employees—the former having certain obligations to the latter, to maintain a safe working environment, to contribute to social-insurance schemes and to recognise laws concerning parental leave, discrimination and other rights. Increasingly firms are extricating themselves from these obligations by redefining themselves as not being employers, or not being legally based in the

country where the work takes place, and redefining their workers as freelance service providers rather than employees, or keeping them on contracts that do not reach the threshold for acquiring rights. The profits of such firms are increasing at the expense of those that accept obligations as employers and pay taxes.

The use of temporary and so-called self-employed labour does nothing to move an economy on to high performance levels propelled by skilled, experienced workforces—rather the reverse. It thus constitutes a negative externality for labour policy. It is necessary to reverse the highly perverse fiscal and regulatory incentives that encourage firms to behave in this way, and instead stimulate them to follow the path of strong flexibility.

To do this requires replacing social-insurance charges on employers by those on ‘users of labour’.⁸ This would recognise the new fluidity and flexibility of corporate employment practices, while not allowing these to become means for avoiding obligations. All firms and other organisations defined as being users of labour services and coming above a size threshold for exemption should be required to make social-insurance payments based on the numbers of hours of labour service that they use—irrespective of whether the contract they have with the labour providers concerned is an employment contract. By concentrating on ‘use of labour’, this approach addresses the erosion of the sharp distinction between dependent employment and self-employment embodied in much labour and social-insurance law and practice stemming from the industrial period.

Users of labour would have significant parts of their insurance charges remitted if they accepted the following obligations towards their labour providers: (i) certain basic rights; (ii) a full employment contract containing all mutual obligations of an employment contract as currently defined in law, including protection against unfair dismissal and redundancy compensation; (iii) contracts without time limits; (iv) guarantees of training and other forms of skill-enhancement compat-

ible with the SIWS agenda, and (v) recognition of and acceptance of bargaining with autonomous trade unions representing providers of labour services. The aim is to incentivise labour users to move up market and provide 'good work', though possibilities for less favourable conditions have to be left open to ensure the net result is flexible and is not a reduction in employment.

It will be objected that imposing charges on users of precarious labour would discourage firms from providing those down-market jobs that offer the only possibilities of sustaining many low-skilled people in work. The importance of this can be exaggerated. Firms which are using inferior employment terms merely to avoid fiscal burdens could be expected to respond immediately to the reversed incentives. Those just wanting to make use of genuinely casual employment will not be affected, as their workers would come below the hours threshold and remain in the precarious economy. In recognition of this, workers able to find only marginal work but genuinely available in the labour market for more substantial posts (not students or retired people) should be eligible for full unemployment benefit while holding marginal jobs below the threshold.

There might still be some net job loss in the short term, as firms adjusted to the new situation. Setting the values of remissions of social-insurance charges would need to have regard to the likely effect on employment, just as do bodies establishing minimum wages. As more firms took advantage of the remissions to improve the quality of the employment they provided, there would be an overall gain in productivity and in consumer confidence as more people entered the more secure forms of employment, as well as a gradual phasing out of employers' social-insurance charges as such. This should eventually stimulate demand, and therefore have further beneficial employment effects.

European economies need to avoid becoming trapped in an equilibrium of providing increasing employment but only at the cost of inse-

cure terms, and therefore of low skills and reduced productivity. To avoid firms keeping precarious labour conditions by removing their employment to countries not reforming social insurance in this way, the basic form of a reformed system would have to be established across the EU, with individual governments free to vary the size of levies and exemptions. This would help upgrade the use of labour across Europe. Further, in today's services-based economies much work has to be provided at the point of use. Social-insurance charges levied at the point where the labour is performed would not be vulnerable to capital flight on these grounds.

There need to be reciprocal obligations on workers and other individuals. All adult persons living in an EU country, irrespective of whether they were in paid work or not, would be required to contribute to the social-insurance fund. Their contributions would not be differentiated according to their labour-market status (non-workers would pay as much as workers; self-employed persons would pay the same as employees) but would vary according to income level, whatever forms that income took.

All persons contributing to the fund would be eligible for an income from it when unemployed but seeking a job, incapable of or retired from work, taking on specified unpaid parental and other care responsibilities, or engaging in other unpaid work generally agreed to be socially desirable. They would also be eligible to participate in free public ALMP programmes, including those for starting and developing small businesses. Immigrants would have to be included even if they were not citizens; otherwise they would become vulnerable to sinking into the shadow economy and suffering from various forms of social exclusion.

Subject to the need for firms that avoid responsibilities to make a financial contribution to maintaining an orderly labour market, the costs of employment security need to shift away from employers to the state, as there is today a priority on ensuring that jobs are provided, a priority made more intense by the destruction of jobs during the struggle

against the virus. Taxation systems that are based on numbers of employees do not help to achieve this. For southern-European countries in particular there is a need to move from high social-security charges and strong job-protection laws (which throw the burden of workers' security on to the employer) to generous unemployment support and the SIWS agenda. It might have been acceptable for employment protection to be borne by employers when the latter were benefiting from protectionist walls maintained by governments, as in the major periods of postwar industrial development in southern Europe and elsewhere, but in open labour markets it becomes a major hindrance.

All these arguments imply citizenship rights for those who are preparing to work, who are working, who would work if they were not sick or disabled, who have worked until they are old or who are engaged in care responsibilities. The last includes full-time parents. Chiara Saraceno⁹ has warned of the negative consequences of an entirely employment-based approach to citizenship for parenthood.

The SIWS agenda addresses this issue directly with its emphasis on childcare but recognition of the role of parenthood within a work-based model of citizenship needs to go further. Social policy must recognise the right of a parent of preschool children to be a full-time parent—helping to prepare the next generation of working citizens—and to receive public financial support, even if they have a partner in paid employment. Such rights have been partly recognised for mothers and the idea of paid parental leave from work for limited periods is beginning to be accepted for fathers too.

Already in 2001 Alain Supiot anticipated these issues of the disintegration of standard employment terms and the problematic position of parental work, in a report sponsored by the European Commission.¹⁰ It had however little influence on European policy-makers—certainly in comparison with the often disastrous advice of neoliberal economists. It is high time his report was dusted off the shelf and taken seriously.

FOUR

Conclusion: towards a European social union

Frank Vandenbroucke¹ has argued that European monetary union now needs to be completed by moves towards a European social union. This is a fine example of the Polanyian process described at the outset: moves to extend markets need to be accompanied by moves in social policy, partly to help the victims of markets and partly to provide certain resources that the market itself needs for its own efficient operation. Today damage to the environment needs to be added to the list of harms markets impose on society, while the coronavirus pandemic, not to mention other natural disasters, reminds us that markets are helpless in the face of events that affect human life from way outside the sphere of economics.

Considerable damage was done to European prosperity by the ECB's imposition of strict budget-surplus requirements in the wake of the financial crisis. During subsequent years the bank's policy has loosened considerably but this has been done in an *ad hoc* way, adjusting to crises. What is now needed is a principled re-evaluation of its strategy. Strictness and a virtually exclusive focus on containing inflation were probably necessary in the early years to establish and stabilise the new currency in the dangerous, turbulent waters of speculative international

money markets. The ECB's critics do not give enough recognition to this difficult task; nor do they acknowledge the gains that have come to all economies in and beyond the eurozone through ending the erratic rises and falls of individual national currencies which would otherwise have occurred. But the euro is now established.

It is time for the ECB formally to recognise, as does the US Federal Reserve Bank, a wider range of policy goals than the containment of inflation. This must however come with a *quid pro quo*. The original deal between the single-currency regime and its member states was that the ECB would maintain a tough monetary-policy stance to contain inflation but individual governments would retain complete fiscal autonomy. Monetary policy alone, it was believed, would ensure that governments could not behave irresponsibly. This reckoned without the global banking system being just as willing to take on bad government debt as it was to accept insecure private debt. A more sophisticated European monetary regime must include an element of fiscal federalism—direct framework restraints on national budgetary policies—in exchange for a less severe overall monetary stance.

A principal aim of fiscal federalism must be to pursue a European social union, exempting public spending that can be regarded as investment from the constraints of the Stability and Growth Pact. This already happens for investment in physical infrastructure but, as Vandenbrouke and Hemerijck argue, it needs to be extended to cover the SIWS agenda. The same must be true for investments that reduce carbon emissions, damage to biodiversity, other requirements of policies to avert climate change and the restoration of life in the wake of the coronavirus.

The policy directions indicated in this manifesto clearly require collective action, public spending and taxation to fund that expenditure and costs of other kinds. An agenda for co-operation and inclusion necessarily includes those ingredients.

Extreme neoliberals who believe in keeping the scope for collective action and, in particular, taxation as low as possible will not want to participate in the coalitions that will be necessary if we are to protect the planet, create a world where consumers and workers are protected from shareholder-value capitalism, ensure that both material and cultural inequalities are reduced and include as many geographical areas as possible in optimistic futures. Xenophobic nationalists who reject international co-operation and seek to protect chosen constituencies by excluding large groups of outsiders will similarly exclude themselves from such coalitions. This appeal is therefore to all others, who do not stand within these two ranks.

The gains from co-operation are considerably greater than those from insisting on going it alone—whether in confronting climate change, easing the disruptions caused by globalisation and disease and other sources of major economic change and natural disasters, maintaining quality standards of products and processes, enabling the maximum number of people and places to benefit from opportunities in the future economy or sustaining any other activities where the market's own forms of co-ordination are inadequate or harmful. This is true for co-operation at many levels within societies but for European countries it is particularly important to work together at the level of the union itself.

The gains from trying to solve problems through inclusiveness rather than through exclusion are also great. Exclusion generates mutual resentment, hatred and eventually violence, while inclusiveness avoids these evils and brings benign, constructive relationships. The appeals of selfishness and exclusion are simple and easy but they lead only to dark, mean destinations. Calls to co-operation and inclusiveness are more demanding but they bring immeasurably greater ultimate rewards.

Notes

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