

## **Now or never: More social, less Europe now!**

To put it bluntly: Europe, more precisely, the European Union does not deliver, for decades now. The Union safeguards the interests of the employers and the mandarins from Brussels and 27 other capitals. Basically, this kind of integration is not in the interest of workers, trade unions, consumers et cetera. At the current state of affairs, more Europe means less social cohesion. Therefore, disintegration (a “core Europe”, see below) could be in the interest of workers, at least to some extent. The main reason for that is the highly ideological, “neo-liberal” and “ECOFIN/lobbies driven” agenda of economic policies: more structural reforms and austerity all over Europe, less regulations, no Financial Transaction Tax, no EU-financed investment program, et cetera. In this respect, demanding more social Europe is a rather naïve and unrealistic position. Speaking about “European Social Union” is, given the current political climate, nothing more than wishful thinking. Just have a short look at meetings of the Social Question Working Party or the Employment Committee of EPSCO council, a rather disillusioning experience. Europe does not give the feeling of community, solidarity, (social) security – deep rooted emotions that the nation states and the regions do deliver, at least in so far as globalization allows and politicians stand up for national interests.

But sometimes history “jumps” as if it would be fond of discontinuity: Who thought in winter 1988 that the fall of communism and the collapse of the Berlin wall would be finished within one year? Nobody really! It does not look like, but maybe the fall of the neoliberal wall is within reach. In any case, Europe is at a crossroads.

### **The labour market and institutional challenges ahead!**

#### ***(A) Secular Stagnation, deflation and high unemployment***

For the years to come, “secular” stagnation is a realistic scenario (with a probability of, let’s say, 60%). If the forecasts are not over-optimistic (as usually), the EURO-area will reach the production level of 2008 next year. So there were already 7 years of zero real growth, on average! Overall inflation rates are down to 0.3%, several member states already have entered a deflationary period. For bringing global savings and investments into equilibrium, real interest rates should be far in the negative range. But the combination of low inflation rates and the zero lower bound of nominal interest rates is an insurmountable obstacle for that. Maybe the era of high growth rates is over for a long time (see Gordon 2012). Unemployment will rise in countries with lower rates (like Germany, the Netherlands and Austria) and will become structural in nature in the periphery (Greece, Spain, Portugal). Therefore, the social situation in the EURO area will get far worse, maybe in some kind of dramatic way for some groups or countries.

#### ***(B) Overstretching***

Politically, it was the right thing to do. But seen from a systems theoretic point of view, the complexity of member states after the enlargement 2004 increased in a way being dysfunctional for the whole political system. In this respect, enlargement was a failure. Beyond that, many new member states have learned to see Brussels as a kind of new Moscow. The “overstretching argument” would also fit the EMU, not being an optimal currency area and with no complete integration of fiscal policies.

#### ***(C) In 2019, the EU will have less than 28 member states***

This scenario comes into being with a likelihood of, let’s say, 33%. The centrifugal forces in the Union are all too obvious. Just to name UKIP and the British referendum in 2016, Scotland (they made it only just), Catalonia, Presidency election in France

with Marine Le Pen potentially winning, and other euro-skeptical political forces all over Europe. The most important driving force regarding euroscepticism is that the European Union does not deliver for ordinary people and this is grist for nationalist's mill.

***(D) Kick the Brits out of the Union***

What are the social and employment costs of British EU membership? The British Governments in the last two or three decades were against almost every social progress, were it the working time directive, the posted workers directive, employment goals in the European Employment Strategy or whatever. Therefore, it would be in the interest of all when Great Britain and their allies would participate in the Single Market only (this is what they are obviously aiming for).

***(E) The "Youth Guarantee" – Failing Europe, it's a shame!***

The European Youth Guarantee is a good example how Europe is failing: Firstly, the youngsters need primarily a good-quality job, which are just not there in countries like Spain, Portugal, Greece and others. This was the main reason why a country like Spain was arguing against the Youth Guarantee in the Council negotiations.

Secondly, € 6 billion in two years are not enough - we would rather need € 21 billion, as the ILO says, or even more. Thirdly, almost two years after EPSCO council has made the decision on the guarantee (in February 2013), only a small amount of money was used for programs so far. There are mainly two reasons for this failure, over-bureaucratic procedures in Brussels on the one hand and a lack of resources for even co-financing such small sums as 10-20% of total on the other. All in all, in the eyes of young unemployed this "Youth Guarantee" must be a great disaster!

***(F) Social democratic Parties have to make a quality decision – to be or not to be***

Last, but not least: if Social Democratic Parties in governments of EU member states like in France, Germany, Italy, Denmark, Sweden and other countries are de-facto riding the neoliberal agenda and are paying only lip services to more social Europe, then their historical end will be near, actually very near. Syriza, Podemos and other group will continue their historical mission.

**What has to be done? The high productivity, high wage innovation road beyond GDP**

They might sound somewhat radical but I would consider the following steps towards more social cohesion necessary:

- (1) Find a core-group of like-minded countries for more social Europe. You could start maybe with Luxembourg and Austria.
- (2) Work on a clear division of labour between the EU and the national level. All structural policies in the area of education, labour market and labour law, technology and innovation and the like are national competences. Value added from Brussels could come in the area of security, energy and environment, monetary and fiscal policy and the like. Aim for a pro-active economic policy coordination (versus the rather restrictive version currently used) taking the EURO-area as an entity - NOT the individual member states - and recognizing positive and negative spill over effects in a pro-growth approach aiming mainly for qualitative growth, which means not more products but products that serve life satisfaction on a broad basis.
- (3) Aim for a "high productivity, high wage" agenda which leads beyond GDP: In this respect, is not cost-competitiveness that matters primarily but innovation, skills and competences. This means, for example: The member states must get rid of the problem of having some 20% of adults not being able to solve even simple everyday

problems (see PIAAC results). At the EU level, environmental standards should be set on a medium term perspective and the main aim is to foster green innovation via continuous pressure on the innovative capacity of enterprises.

(4) Implement true employment policies, i.e. demand management where monetary and fiscal policies serve the interest of high-quality employment. ECOFIN-Ministers fundamentally misunderstand investment as they only see the costs which come to the fore at the beginning; they are not able to see the long-term pay-off of good investment projects. As a Eurozone-wide counter-cyclical stabilization capacity a European Stabilization mechanism should be developed. In any case: The best social program is good economic policies.

(5) As high inequalities in incomes and wealth are bad for growth, fight rising inequalities by setting standards for European minimum wages (60% of average national wage levels) and minimum income schemes. On EU-level, a social investment package could be stimulated and coordinated.

The only thing what is missing are the political actors that would carry such an ambitious program. But maybe history jumps again!