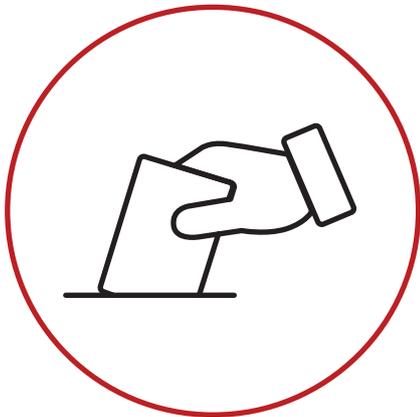
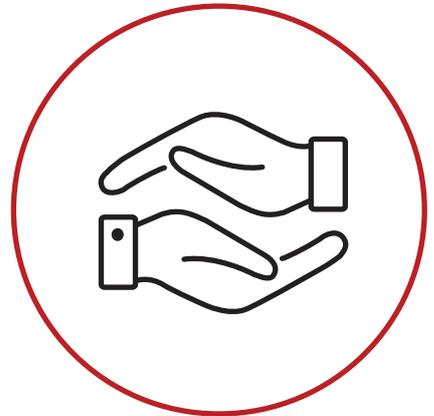
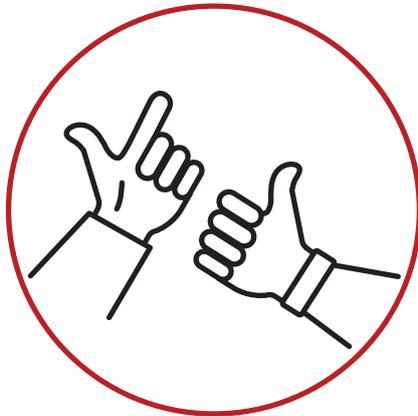
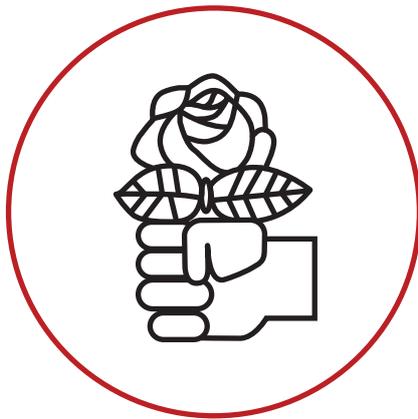




# Progressivism after COVID:

## Experiences, Impulses, Ideas





**PROGRESSIVISM AFTER COVID:  
Experiences, Impulses, Ideas**



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# PROGRESSIVISM AFTER COVID: Experiences, Impulses, Ideas

Edited by:  
Andreas SCHIEDER  
László ANDOR  
Maria MALTSCHNIG  
Ania SKRZYPEK



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Andreas SCHIEDER, László ANDOR, Maria MALTSCHNIG & Ania SKRZYPEK

## **Progressivism After COVID: Experiences, Impulses, Ideas**

It is only a year that remains between now and the beginning of the next campaign for the European Parliamentary elections. This is typically the moment in politics when the past, present, and future meet at the junction of reflection, in search for new ideas. But while the character of this point in time may resemble the previous pre-campaign seasons, there are no further parallels that can be drawn. That is because the Union has never before been faced with an amalgamation of internal and external crises of this magnitude. This also means that providing answers to some existential questions is no longer an exercise of the long term, but instead has become a necessity and an obligation for the here and now.

This makes the content of this Next Left Volume 12 - *Progressivism after Covid: experiences, impulses, ideas* so very timely. Despite the research questions originally being framed back in autumn 2020, the pursuit of the answers has continued for 15 months and has been marked by presentations, peer reviews, and subsequent updates. Consequently, while at the inception the ideas evolved around the impact that the Covid pandemic would have on the world of politics, in the course of the pursuit for answers the focus shifted to looking at the art of governance in times of hardship and at how the developments the pandemic unleashed have become factors in designing the way forward.

Following the foreword by Andreas Schieder, who chairs the FEPS Next Left Research Initiative<sup>1</sup>, there are ten articles which are divided into three chapters. Each is organised around a leading theme, which

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<sup>1</sup> The FEPS Next Left was established by FEPS in cooperation with the Renner Institut in 2009 and was reformed after a decade to make a fresh start in 2020.

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respectively refers to the political underpinning of either governing through and beyond the crisis; or forging progress from the difficult experiences; or building momentum for the EU amid the challenges and developments.

Chapter 1 provides a very valuable comparative angle from which to view the performance of the social democratic decision makers on the EU level and on the respective national levels. It clarifies why it was possible for the centre-left to overcome its own confidence crisis, assume full responsibility, and choose to govern (as compared to the survival mode of pursuing a crisis management agenda). The chapter gives an explanation of why there was no simple return by default to progressivism in the years 2020 and 2021, even if people felt more a sense of 'we are all in that together, we must be solidary, and we must be there for one another to jointly persevere'. In fact, Chapter 1 shows the combination of political and social factors that enabled the revival of notions such as 'respect' and 'empathy', which was then politically championed by the progressives and led to the electoral success of the SPD in 2021. The chapter concludes by mapping out the tasks that social democrats must address in these post-lockdown times. The approach here is twofold, zooming in both on the issues connected with a need to safeguard democracy and on the new kind of social risks (which emerged while Covid magnified inequalities).

These deliberations are continued in Chapter 2, which nevertheless takes a different angle, examining programmatic shifts within social democracy by looking at phenomena such as the care economy, digitalisation, and climate change. Undoubtedly, these issues are not only highly technical but above all highly political. As the authors deliberate on how centre-left parties have embraced the agenda of a digital welfare state, greening economies, ensuring sustainability, and international action to safeguard the planet – they pose the question of what the new focus will mean for social democracy in the medium

and long term. Defining the principal approach requires imagination, but also integrity. It must be the core values that guide the trajectories for technological progress and transformation (of consumption and production models), so that at any given moment they abide by the principles of social justice, ensuring the most vulnerable are protected, and aiming to create prosperity and welfare for everyone.

This is a more universal rationale, which should also permeate ways in which policies are conducted on the European level – and this is what Chapter 3 addresses. It goes beyond any doubt that first Covid, and then the eruption of the war in Ukraine after Russia's invasion, have simply reconfirmed that the Union must consolidate and must grow stronger and more capable. From the point of view of the progressives especially, these events have simply reconfirmed that the EU must speak with one voice. But to preserve the various achievements that were made because they were driven by dire circumstances, it is not enough to think along the narrow lines of rebuilding. Instead, all the energy needs to be channelled into defining the desirable benchmarks of modernisation – for EU economic governance, its economic model, and economic principles – against the backdrop of a new chapter in the chronicle of globalisation.

To this end, as Editors of this volume, who framed the programme and who tried to stir the conversation in its different formats and stages, we hope that this volume will be considered as a potentially interesting read, a politically intriguing collection, and thus a valuable contribution.

*László Andor, FEPS Secretary General*

*Maria Malt Schnig, Director of Renner Institut*

*Andreas Schieder, Chair of Next Left and Head  
of SPÖ Delegation in the European Parliament*

*Ania Skrzypek, FEPS Director for Research and Training*

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Andreas SCHIEDER

## The Global Big Learning Moment



## **The pandemic made us face many obstacles throughout the past three years**

The outbreak of the Covid-19 pandemic struck our entire society to a new extent: it divided not only the European continent, but also the whole world. There were division lines among those affected in different proportion by the virus regarding direct infection cases or the consequences of distancing rules. Additionally there was also the division between those who saw the introduced Covid-restrictions as a necessary tool and those who saw them as being imposed on them. We observed how inequalities deepened and injustice grew, and how this gave rise to a new wave of populist parties or movements who would oppose to all measures taken against the virus and the government's crisis lead in general. Those would collect an opposition against the states and the expert-panels our European leaders were following for advice. The side effect was an influx of supporters for right-wing parties, which saw their chance to gain from the anti-vaccine movement and trying to mobilize against the European crisis mode.

The first months of the pandemic were a hurtful period, but at the same time eye opening: key public services such as health and research were (are!) greatly underfinanced which showed that austerity clearly has failed and GDP-led policies and fiscal consolidation are no longer an option on the table. In this regard, Covid figured as a wake-up call, and also reached those in power, who can no longer ignore the needed shift. Throughout the past three years, the outbreak of this virus has been affecting all our lives socially, economically and culturally, and on top of all that, climate crisis and its consequences are more present

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than ever and require radical changes too. It is on us now to use this momentum to create new models, which not only help us cope to live under the new conditions, but also instead offer a social just way of living for every one of us. We need to build back, but better.

### **Lessons learned from COVID-19**

Obviously, the global big learning moment was how public services really make a difference.

The habit of liberalizing public services seems ancient now, but recently figured as the model to follow, in Europe and also in other parts of the world. Especially in the early months of the year 2020, we could observe a big contrast in how member states were affected different by the first waves of the virus - we all remember the deeply saddening pictures from Italy that went around the globe.

In severely affected regions, the Italian health system was no longer able to cope with the number of cases of severe disease. Among other things, the fulfilment of the European Maastricht criteria and the Stability and Growth Pact, have burdened the Italian health care system for decades. The austerity and reform policy in the health sector has massively reduced acute care in particular and made it difficult to substantially expand emergency care. Italy

still had a similarly high hospital and bed supply as Germany at the beginning of the 1990s. However, within three decades, this capacity was reduced in Italy much more than in other countries and eventually fell below the EU average. Austerity measures and market-liberal reforms have thus jeopardised the principle of universality of health care enshrined in the Italian constitution.<sup>1</sup> It became clear that profound changes in our economic system are needed.

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1 <https://library.fes.de/pdf-files/wiso/17801.pdf>

In addition to the apparent health crisis due to a rising number of infections, the pandemic influenced us in even more ways. We all suffered from the new virus, but at the same time to a different extent - due to the respective health care system in each country, the individualistic social status, the access to health care etc. So apart from mere economic findings, these developments also provoked social and cultural findings like the question of how we react to the new situation as a society. Our social behaviour changed radically over the past three years, we engaged in new ways of communication and new concepts for living together arose. Terms like "solidarity" were suddenly present in the common discourse, we started to hear about it in TV and radio shows and experts and analysts, sociologists and social researcher would educate us on what being solidary in the current society actually means.

However, not only our social behaviour did change, the pandemic also gave spotlight to another dimension of us as social beings. Problems and issues regarding mental health and suffering from psychological problems were (are!) on the rise. Often this was observed to be a consequence of Covid measures such as the distancing rules, affecting everyone from children who had to be home-schooled, to the elderly in care homes who suffered from loneliness and isolation. Additionally, the virus itself made some of us suffer even more due to the late effects of the long Covid syndrome, regardless of age or other factors.

What is more, the pandemic led to a cultural shift in how we view our everyday life like, for example, our perception of "work". Working from home, being in "homeoffice" was showing us that work can be arranged around our private lives and to-do's, whereas previously with the majority of our job-schedules this was the other way around. As our everyday lives slowed down during the pandemic, this was also beneficial for the environment, but the more we got "back to normal"

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we could not ignore the fundamental changes we would have to make to combat climate crisis and its consequences. This, even more so, calls upon us, socialists and democrats, to step up a gear, because every single measure to be taken must go together with a just transition for everyone in society, meaning the Green Deal needs a red heart because climate justice is social justice!

As Progressives we need to take all those experiences and impulses into account and transform them into ideas and concrete concepts in how to design a different future. One way to start is by stopping global corporate profits being internalised while crisis and environmental costs are shifted to society. The costs for coping with both are not to be paid by workers while big companies get rich on crisis-profits without paying their share of taxes. What the EU requires is a common response, and what we as Progressives must deliver is a new narrative addressing all needed elements in a systematic way.

## Which kind of future lies ahead?

To overcome all of the stated above, firstly the EU must improve its own functioning in asking itself: which social and economic model do we want? The Covid-19 pandemic clearly made most of us aware that the social market state could be a model, which would be aspiring to have European-wide. As Progressives, we need to lead the way to a new social consensus and figure out how to establish new fairness including an equal tax system. And speaking globally: we need to work on establishing a new fair world order, which will be the only path to combat borderless issues like the climate crisis or future pandemics.

Good message: we are already on the way!



**PROGRESSIVISM  
AFTER COVID:  
EXPERIENCES,  
IMPULSES, IDEAS**

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**PROGRESSIVISM  
AFTER COVID  
EXPERIENCES,  
IMPULSES, IDEAS**

**Respect and Responsibility:  
Governing Through  
and Beyond the Crisis**

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Ania SKRZYPEK

## **Social Democrats in Power: Lessons Learned, examples made**



## **Keywords**

**Governing in the Times of Crisis, Saana Marin, Pedro Sánchez,  
Social Progress, Long Termism**

## **Abstract**

COVID-19 spread in Europe in a particular political momentum within which a number of social democratic party were re-entering governments after a longer period of electoral defeats. As the pandemic causes the crisis, magnified existing challenges and provided a strong impetus to some of the phenomena (such as digitalization) the question in front of each and every government was about how to cope with these. This article provides a comparative study of two progressive among them – led respectively by Saana Marin in Finland and by Pedro Sánchez in Spain. The empirical research that underpins it, had been conducted based on over 300 governmental documents, speeches and press releases - and allowed to draw a conclusion that in 2020 social democrats opened a new chapter. They not only managed to persevere, but more so were able to govern through the crisis remaining true to their pre-pandemic pledges and set new ambitions in field of social progress, gender equality and European integration.

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*Every time needs its own answers* were the words of Willy Brandt, which ever since have been repeated and used as guidelines by subsequent generations of social democrats. Indeed, as a movement remains focused on social progress and just transition, it is crucial to remember that the content of both notions must be defined in accordance with the core values and rephrased perpetually to fit the changing context. And while contemporary times have been marked by the fastest-ever speed of developments, the need for adequately prompt reformulations has been growing with it. If one adds to that challenge the circumstances of the multilayer accelerating crises that broke over a decade ago with the financial crash, and which was followed by the pandemic outburst and the outbreak of war, one can't resist saying that these have been the years of a historical test. So, the question remains in how far social democrats have been able to pass it so far.

The volumes have been written about the difficulties that the progressives had with formulating the response to the financial crisis. After the successful raise to power at the end of 1990s and the beginning of 2000s both in the Western and Eastern Europe, they found it increasingly hard to hold onto the governing positions. That is especially because the overall mood has been about giving into the limitations – first due to the processes one couldn't control (such as globalization), and second due to the circumstances, which post-2008 have been interpreted as the ones requiring austerity policies. And though there were some differences in the respective approaches, in the end of the day, for many disenchanted voters it may have seemed that the progressive movement lost its confidence in its own mission and gave in, drifting away from the positions that would



be considered as standing tall and firm on the right side of the social justice argument.

This is also why towards the end of the first decade of this century and in the immediately following years, the perception of social democrats and by social democrats themselves was one of a faltering project. Some have been suggesting that the grand mission for which the movement had been born has been executed to the best of its capacity and that modern times would see profound transformations of the political stages. The role played in the post-War period by the center-left in the West and post-1989 in the East would be taken over then by either other political actors or by extended coalitions that the social democrats would just be a part. The others spoke of a need for complete reformulation, accomplishing of which depended on an ability to deal with the legacy of the recent years – starting from the ideological dispute around the Third Way and followed by the disagreements around the politics of cuts in the public sector.

The latter required courage that is needed to ask the right questions and propose new answers, without letting anxieties about the next electoral result or short-term tensions narrow the focus. It wasn't easy to regain, especially against all the polls and analyses that spoke about progressive demise. But as the circumstances continued to be more and more complex, it was integrity and predictability that transcended, becoming the reason for which social democrats started regaining the ground. People searching for an alternative and stability would see them as a viable option again. And so, they re-entered governments in Portugal, Spain, Italy, Denmark, and Finland, among others. And there and then, it was the challenge of COVID that emerged in front of them.

Consequently, there is a following critical question. Was that moment of return to power a beginning of a new chapter or rather a temporary favorable swing of the political pendulum? Were progressives stronger

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and showed to be capable of avoiding the mistakes from the past? Were there ideologically distinctive aspects of their governmental policies in the times of crisis?

To answer these, this paper will take a comparative focus, contrasting two country-case studies: Finland and Spain and examining their policies in the period of the first two waves of the pandemic. The time framework allows looking at how the governments absorbed the first shock and if they anticipated on the second. Evidently, beyond the fact that both governments were led by social democratic Prime Ministers – Saana Marin and Pedro Sánchez respectively – there are many important differences between those countries, which are determinant to the political agenda. This is also why, the comparison is driven by a focus on four thematic areas, which are: social policy, gender equality, European integration and long-term proposals. To that end, the research methodology was based on qualitative analyses of the material made publicly available by the offices of the Prime Ministers (such as press releases, speeches, and quotes). This sums up to almost 200 documents that have been examined to draw conclusions if indeed, in the year 2020 social democrats in power proved they *learned their lessons, made examples* and by extension, also the history.

## The art of governance in the covid times

December 2019 paved the way for two social democrats to take over as Prime Ministers in respectively Finland and Spain. The respective political situations in both the States were very different from one another, as in Finland it would be a multiparty coalition supporting the new cabinet – whilst in Spain, it would be a historical alliance of PSOE and Podemos that would in a longer-term solidify foundation of the two-partisan plus kind of a system. Although the circumstances in



neither were tension-free, there was also a sense of hope connected to the two leaders personally. Both needed to prove themselves – one, as she was facing incredible scrutiny and discriminatory press remarks as a young woman in power, and the other, as he has been striving to rebuild the power of PSOE in an honorable, but evidently therefore also very hard, demanding way. These few phrases depict how precarious the situation for both of them was consequently in the first months, which were exactly the period when COVID hit.

### **Finland: Forward. Together.**

The initial news about the pandemic was not yet a reason for greater distress. Indeed, it was worrying – but at the beginning of 2020, it hadn't yet been anticipated that COVID would spread that quickly, would be that deathly and that critical to the functioning of any sphere of an individual or collective lives. This is echoed in the first statements of Saana Marin, who tried to reassure Finnish citizens about the country's preparedness (7.2.2020). Her confidence was rooted in the narrative that praised the healthcare system and all the other public services. She stated that the public sector was ready to identify and help cure infected patients. Marin's trust in institutions may not surprise, considering the Nordic model and all that had been said by many later. But still is worth remembering as it had been the anchoring for what later became a consequent, well-considered political strategy and wasn't at all any kind of *go with a flow* approach.

To that end, focusing on what the state could do was relevant since this helped anticipate all the later debates. As the months had been passing, the reorientation and the support from the citizens for caring, *large state* would grow following the need for protection. But dissimilar to what may be suggested by many, Saana Marin is an example that social democrats didn't just finally learn how to use momentum, which the pandemic induced. They had been instead *ahead of the curve*, less

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because of foresight at that point, more because of the integrity and consequence of holding onto their ideological beliefs. These bridged with the next steps that had to be taken once in mid-February COVID was put on the list of hazardous diseases and later in April, when it was already in a full swing and the Government put in place Operations Centre to help manage the disease.

The strong, reassuring statements by the Prime Minister continued being issued in subsequent months. Of course, the situation was grave, but the releases show Marin's ability to assume the duty of leadership with composure, strength, and decisiveness. For her holding the steers meant guiding, coordinating, and supporting diverse levels of governance from local to European; as also imposing a regime of information sharing and transparency of the decision-making processes (22.3.2020). These were relevant to ensure adequate support for all, and also respond with adequate measures – starting from the protection of the most vulnerable, going through case-by-case solutions such as the assistance for those, who initially may not have been in focus like i.e. culture sector or horoeka (8.4.2020). There has been nothing by default or mechanic about the approach, which also made this leadership style look particularly personal, direct, and humane.

To that end, the genuine attention paid to the *most vulnerable* was indeed doing utmost that they are not left behind in any way (see for example 9.04.2020). Throughout the pandemic, the Prime Minister referred to diverse groups which required more assistance – elderly, those in a need of special care, suffering chronic diseases etc. The government remained determined not only not to let COVID prevent them from receiving care and support (28.4.2020), but also to install mechanisms that would allow attending their needs better. This meant further reinforcing of the healthcare system, where adequate, as also policies to improve home care and domestic work

circumstances (which especially later isn't a universal approach across the EU). Such an attitude of *there can be no excuse* and of keeping the promise of building better society regardless of the context were yet another aspect that of the earlier mentioned humane and consequent leadership.

There were three further aspects where Finland could be considered a very impressive example in the context of the two waves of the pandemic. First is the sense of community, second is a effective communication and third is the ability to attend the domestic situation without compromising neither the European nor the international commitments.

Starting from the sense of community, the approach of Saana Marin was from the start about building bridges among individuals and communities. Few weeks into the pandemic, she launched a "Finland Forward. Together" with the words: *We all encounter exceptional times and circumstances in our daily lives, but each in our own way. Although we are all dealing with this crisis, it affects people in different ways* (17.04.2020). As an initiative it was designed to showcase the everyday efforts of diverse individuals, who assumed diverse tasks and would be helping others. This was followed by number of other gestures, which at diverse opportunities were about paying respects and recognition – such as waving the flags on the 1<sup>st</sup> May in the honour of all those fighting with pandemics (1.5.2020). This was altogether rather uplifting and stressing the importance of mutual responsibilities and the relevance of solidarity in persevering. This may have been also part of the logic of setting a good example by herself and openly informing about a choice of going into isolation with remote working mode, whenever there was a chance that Prime Minister could have been infected with COVID (for example 23.04).

Secondly, when it comes to the communication, the Finnish government was truly impressive. There were diverse modalities use,

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some to acquire information and some other to offer some. In the first group, there were continuous surveys to monitor attitudes and priorities (among them "Finland's Pulse"), as also so called "Open Dialogues", which in 5 sessions would offer an opportunity to citizens' panels to offer the views regarding the pandemic-related everyday experiences (27.04.2020). In the second group were actions such as direct mailing of explanatory letters (3.4.2020), info session for children with Prime Minister and Minister for Science and Culture (held on 24.4.2020 and made available via youtube channel for educational purposes) and finally an app "Koronavikku" (31.8.2020).

Thirdly, whilst there was a lot of efforts taken to attend all the needs that pandemics brought along – with many policy changes, support packages and measures to keep the economy running (starting from SMEs on 3.04.2020) – the government managed to keep the focus of public debate on both internal and external matters. Prime Minister took a stand many times over to express how Finland must remain engaged and how important the European and international cooperation was in order to effectively combat the pandemics. This logic was behind the explanation for more funds transferred to humanitarian aid (15.4.2020) and to WHO for the strategic plan to fight pandemic (15.4.2020). This was also the reason for which Finland invested further in for example Asian Development Bank, however there the support was more specific and was to be transferred to action to help fighting climate change and promoting gender equality. Altogether commitment of Finland was increased in terms of aid by 46%, of which number is even more impressive if to consider the slowdown that all the economies had been facing at these precarious times.

Whilst the arrival of the first wave was a great shock, already towards the beginning of May the Prime Minister's speeches were indicating that there was a sense of regaining control. The government was looking at the next phases, preparing even a set of options for deconfinement and

trying to restart some aspects of life (such as opening of the educational facilities). The approach was to be gradual, and the philosophy was to remain test, trace, isolate and treat (22.4.2020). With such a clarity the government started preparing for the next wave (9.06.2020) and announced its emergence in autumn (16.9.2020).

### **Spain: unity, coordination and responsibility**

Pedro Sánchez took officially the office at the beginning of 2020, following a complex and long political battle – within which he had to regain confidence of his party to become a leader again, as also rebuild the party and bring it into shape that would allow him to consolidate the position over the repeated set of elections. In his investiture speech, as a new Prime Minister he sent a message of preparedness and strength to face the next months, by saying: *Spain will not be broken up. The Constitution will not be broken. The only thing that will be broken is the blockade imposed on the progressive government democratically elected by the Spanish people* (4.1.2020). This focus on principles and determination were to characterize his time in the office also in the tough months to come.

Although at the first glance the composition of the government in Spain was simpler than in Finland, as less parties formed the coalition – there was nothing easier about the architecture behind it. There were many questions raised about the impact it would further have on the political system, as also on PSOE and Podemos respectively (especially considering the division of the respective portfolios). But the new Prime Minister was committed to make it work. He proudly pointed to a gender equality within his own cabinet, as also emphasized that the coalition was born out of understanding of the mandate of the electorate and responsibility for the country (12.1.2020). This was the rationale to which Sánchez was later frequently coming back (18.3.2020).

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The new Prime Minister entered with a set of clear ideas and already in January several among them were announced in a form of policy proposals. Among the first decisions were the one on rising minimum wage (30.1.2020), which was a symbol of the government's commitment to ensure a decent work and decent life for all, as also the attempt to attain the policies from within the European Social Charter. Subsequently, the first plenary session, as inaugurated in February, was focused on the ratification of three law proposals: increase in public pensions (by over 1% for over 11 million pensioners), pay raise in the public sector (by almost 2%) and certain tax measures (such as wealth tax) (4.2.2020). This was a strong signal of Sánchez and his government commitment to start the reforms with the logic of assisting the most vulnerable and precarious, while ensuring that the very same argument of social justice translates also into a more adequate tax policy.

It was just within few days from then that COVID emerged with first cases being also detected in Spain. Sánchez first reactions remained calm and yet again he reiterated that in such moment there was a need for responsibility and unity, especially within the spheres of politics and public institutions (see also 18.3.2020). Towards the end of February, responding to the question about the country preparedness, Prime Minister expressed his trust in the fact that Spain was prepared, when it comes to healthcare and its provisions, when it comes to ability to communicate in extraordinary time and rely as well on the scientific advice (25.2.2020, but also later 9.5.2020). He insisted that the government would ensure to share these and coordinate closely with the regions. This, a little bit similarly to the approach of Saana Marin became a characteristic of also later COVID policies: communicate, connect and coordinate.

At the beginning of March, the situation started to worsen – with the numbers quickly approaching 200 cases. Pedro Sánchez and

Minister for Health Salvador Illa visited the Health Alert and Emergency Coordination Centre to speak with the employees and firsthand learn about the initial experiences, as also needs in the face of emerging pandemics. Sanchez recognized professionalism, sense of responsibility and calmness, paying in his following statement respects to those, who took the frontline fight against COVID (9.3.2020).

The speed of developments was greater than anticipated and by mid-March the Prime Minister admitted that they overpassed any forecasts or expectations. His cabinet had to move quickly, but with adequate care and caution. And without losing sight of all the fact that the crisis ahead was likely to appear to be multifaceted and hence would have very vast, intersectoral consequences. With that understanding, the government intensified its collaboration with the social partners to devise a common strategy. The initial meeting (9.3.2020), resulted in some four guidelines for actions. Referring to these in a special statement, Sánchez underlined that the government would make all its decisions based on scientific evidence and expert advice; that the situation will be monitored hourly, adapting the measures to the development of the crisis; that effective coordination will be headed up with all the regional governments, local authorities, European partners and the WHO, as also that the informative transparency would prevail. This emphasis, so similar to Marin's, became quite characteristic for progressives in power in this period, and quite the opposite to the conspiracy and denial theories that still quite many, especially on the right were trying to project instead.

While the situation kept worsening, Sánchez searched for further ways to stabilize the executive power and reassure the citizens. In this context, he made a personal commitment, saying that he would do whatever necessary to *combat this public health emergency* (10.03.2020). He said also that *We have a few difficult, tough, weeks ahead of us, but we will prevail, and we will deal with this as quickly*

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as possible and with the least harm possible if each member of society, from civil society to all the public authorities, plays our own role. Consequently, the government kept working around the clock to devise strategy and importantly, among the top issues was how to protect the most vulnerable, how to support families and how to provide resources (including materials) for the healthcare sector. But while this was in focus, also right from the start Sánchez was talking about looking at longer term, protecting jobs and economy (and here also providing the liquidity to the SMEs).

Few days later, there was no other choice but to enact the state of emergency (13.03.2020). Against that backdrop and upholding the earlier promise regarding transparency, Sánchez went to the parliament to answer the questions there, and by extension those by the citizens, as also set a call with the regional presidents. His narrative at the time was consistent with what he had been saying earlier, when it comes to protecting the elderly and vulnerable, but he also added to that group the young people and spoke about need of keeping them involved in the next decisions through diverse mechanisms of co-decision. He spoke about a duty of mutual respect and recognition for healthcare workers, as also what the new circumstances should mean to each and every one as members of the same collective. Within these days the leading motto was coined: "unity, coordination and responsibility". Referring to that the Prime Minister said: *Heroism also consists of washing our hands, staying at home and protecting ourselves, which means protecting the rest of our compatriots. This will take weeks, weeks which will be tough and difficult, but we will stop this virus. Of that you can be certain. With unity, with responsibility and with social discipline.*

What was quite relevant for the leadership of Pedro Sánchez was a consequence, transparency, and accountability. In accordance with that on 21<sup>st</sup> March new Technical Scientific Committee was

formed, labelled as “COVID-19” Scientific Committee. And then in June, when there was a realization about second wave – Sánchez insisted that appropriate evaluation of the earlier proceedings is done. For that reason, also he argued for setting a Parliamentary Evaluation Committee (14.6.2020).

Though in his approach to governing Sánchez continued to be strong and decisive, he was also considerate and perpetually searched for ways of consolidating majorities and hence after preserving the unity. On the political level that meant the unity and solidarity of all parties - workers, companies and public authorities, which as he said, was the best formula to achieve these two goals and recover normality as soon as possible (3.4.2020). One example of that was the so called “New Moncloa Pact” (12.4.2020). On the other hand, it was sustaining to the best of possibilities connections with the citizens. The Prime Minister could often be spotted at places that were key to making difference, for example places, where masks were being produced or where industry had been re-modeled to refocus on producing respirators. During all these field trips he underlined how much individual responsibility meant, and what kind of a key role every citizen has played (28.8.2020). Looking back at these days towards the end of the year, he summarized that (his government) *managed the worst pandemic in the last 100 years with the utmost humility, the maximum scientific rigour and the unity that the situation called for* (16.12.2020).

Though evidently much effort was consumed by the fight against COVID and its impact across the different spheres of life, still Sánchez and his government didn't lose the focus on the agenda of 428 commitments they had agreed to implement. And in August, there were many parallel developments to report about already. Speaking in front of the Parliament Sánchez explained the situation, considering that as much as 55% of the initial program had already been activated while another 17.3% of these will be implemented before the end of the year.

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Among the second group of issues that the government was working on were the Draft Financial Transactions Act, the Circular Economy Strategy, the approval of the Google Tax, the Digital Spain Strategy 2025, the Plan to Boost Tourism and the Plan to Modernise Vocational Training. There were further ambitions when it comes to greening of the economy, and also digitalization.

In that sense, Sánchez underlined that coping with the current situation and the longer-term agenda are two sides of the same coin. He remarked that: *The institutional architecture of our country must offer solutions, which is what people expect from their public representatives, who must offer a horizon of confidence to all Spanish people, and guarantee the necessary institutional stability to address the true challenges facing our society, particularly associated with the health, social and economic emergency stemming from COVID-19* (12.8.2020).

## **Delivering social policies against all the odds**

One of the criticisms that was formulated against social democrats following the crash of 2007-8 was that they had given into the neo-liberal narrative and accepted that the expanded welfare state was no longer a viable proposal. Consequently, trying to manage in the crisis circumstances, those in power frequently agreed that the austerity was the only option and enabled some aggressive cuts within the social policy agendas. This came to haunt them down politically and electorally. Politically, because this was equal to aborting the mission that had been described by the founding members and repeated by subsequent generations, namely, to ensure a system through which there is a progress that translates to the benefit of all and leaves nobody behind. Electorally, because once social democrats allowed

themselves to ponder austerity, they no longer seem an alternative. Instead, they looked rather bleached and insecure. This was a hard lesson, which however the Progressive had learnt and when COVID came in 2020 they were not ready to give up on the promises they made in the predeceasing elections. Instead, they were determined to do both – contain the crisis and lead the reforms that would have an aim of building a more egalitarian, more modern and more cohesive societies.

### **Finland: enable, activate, empower**

The new Finnish government had been gearing up for a new approach towards social security already in winter 2020. The ambition of the reform was a set of comprehensive changes, which could be further developed in the subsequent 5 years and would make the system more efficient. It was concluded that there were ways to make it more effective in especially when it comes to supporting citizens in the life changing situation and in the attempt to reconcile the professional and private lives (7.2.2020). The narrative that accompanied those announcements on the matter focused on around social justice, which updated definition was first about preventing people from precarity and poverty. In March the Government appointed a parliamentary committee to prepare the reform, enlarge the list of issues if necessary (as it would be in case of adding mental health strategy (11.2.2020)) and gave it a mandate lasting till 2027 (19.3.2020).

Following the outbreak of the pandemics, the government's new concern was about how to keep the labour market function. That determined the immediate response, which involved a package enabling the reduction of the costs of employment (achieved by reduction of the pension contributions), allowed more flexibility with layoffs - which however would be balanced with more generous unemployment security schemes (20.3.2020). This rapid response

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was then supplemented by other policies, including further grants focused on helping local enterprises survive further grants for the local level to help enterprises survive (31.3.2020).

While the COVID-related situation was dynamic, Saana Marin and her government pursued further updates and modifications. Great many of them corresponded to Prime Minister's pledge to protect specific vulnerable groups, whose situation had become even more precarious under COVID. An example of that was the decision regarding the Unemployment Security Act, Act on Financing Unemployment Benefits and Act on Unemployment Fund (2.4.2020). The new measures shortened the period between layoffs and eligibility for unemployment benefits, as also requirements for the length of the employment and end of contracts payments. Few days after these were amended, also the second budget amendment introduced, which included provisions that would, among the others, ensure that also those not entitled to unemployment benefits could be paid subventions for their times of absence (8.4.2020). Next to the question of the scope, the reforms had been focused on speeding up the procedures and simplifying them (28.4.2020), which new regulations were being designed with intention to outlast the COVID period itself.

As the COVID progressed, it was clear that it would be impossible to drive the original agenda with no alterations. Both because the circumstances changed, and because the pandemic was providing further impulses for adjustments of the course of the developments. That reflection made the Social Security Committee attempt to *draw a situational picture and inspect how a new kind of knowledge supplements the existing social security reform proposals* (20.4.2020). To that end, the outcome of the exchange was that more attention would need to be paid to both the individual and common experiences, that both functional and structural approach should be present, and that any changes would be introduced gradually.

Some of the instant adjustments were introduced to respond to the immediate needs. When it comes to the labour market, the government had been anticipating the problem that would arrive with the borders closed, namely the shortage in influx of the seasonal workers. Early spring already, there were efforts made to see how to pair both: increasing number of unemployed on one hand, on the other to fill in the seasonal jobs. This was not only a matter of efficiency and costs, but above all – as the government had been repeating, an attempt to work things out without leaving people isolated and inactive (27.4.2020).

The other types of changes that were induced by the COVID-related circumstances were connected to the *humane and* principle-focused approach that the Prime Minister was consequently arguing for. There were very particular adjustments among them – such as a concession within the new road traffic act to ease the regulations for parking for the home care workers to make their commuting easier (7.5.2020). This decision may seem small, but was of a great impact – especially that many of the care workers are women and particularly for them new regulations meant a great qualitative change (i.e. shortening the distances they had for carrying mobile equipment etc.). The other were more directly an echo of preoccupation how to ensure that despite the circumstances the criteria of universal access is being abided by. There, as already signaled in the previous chapter, many efforts went to analyze and improve the situation of particular groups, for example patients with disabilities (3.4.2020).

Alike other countries, Finland found itself quickly in the situation in which there was a necessity to impose restrictions on teaching. The decision was a hard one and ever since it was implemented, the government kept on deliberating how to reorganize the online education and how to provide the conditions for at least partial reopening (6.4.2020). But while there was similar to other countries approach to the childcare and primary education, what is important to highlight is

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that in parallel the Finnish government had been extraordinary in their attempts to preserve the access to the lifelong vocational training and to the competence centers. In that spirit also, the Ministry of Education launched a three year long plan to develop vocational education and training, which, by the way, was a sole part of Marin's Government agenda. 270 billion euros were to be injected to improve: learning opportunities, access, wellbeing of students, as also to recruitment of teachers and instructors and increase their capacities to continue providing training in the changing circumstances (9.6.2020).

Then, building on the diverse sources of information, in June the government took a moment to assess the situation of the social policies and the Finnish model. The straightforward reflection was that despite all the efforts and the commitment to *not leaving anyone behind*, still the pandemics had a very unequal impact across the society. The criteria alongside the asymmetric aspects were seen were gender, geographic and generational divides. In other words, more needed to be done to strengthen social policies, to provide to ensure wellbeing and to provide quality employment (3.6.2020).

That fed directly into the outline of the new health and social services reform (5.6.2020). It embodied the understanding provided by the Finnish Social Security Committee (of which report was released a few days later) that there are essentially four categories of problems within the Finnish model, related namely to: complexity of social security; Reconciling work and social security; social assistance, basic social security and housing; services and benefits (9.06.2020). The new proposal entailed structural, as also services reform. It clarified organization, funding, but also the conditions alongside which services could be purchased from private providers. It did implement the ideas of decentralization with loads of responsibilities that were transferred to counties. The intention was to decrease bureaucracy, which would free resources to invest into the actual services provision.



In the second half of the year and hence under the second wave, the focus within the social policies went essentially into three dimensions: activation and labour market; healthcare and its provision, and education. All the proposals that had been coined within this period were done so with a strong attention to the issues connected with digitalization and how to use its benefits in a more universal manner on one hand, and on the other, how to make sure that the changes will be up to speed as mutually reinforcing with the ambition to green the economy. In other words, they were focused on

When it comes to the first dimension, the government had been consequently trying to find ways in which people inactive would be able to enter the labour market. Part of that was a focus on enabling a better balance between professional and private lives, which is where the debate on the childcare provision. Evidently, for Marin's it wasn't only a matter of finding a way to take care of kids, so that parents and guardians could work, but even more so about providing quality early education and opening up the access to it to equalize the opportunities for all. The new argument that was added also to this more traditional social democratic rhetoric was the one of a change to help increase wellbeing within the families. With these thoughts, the government decided to reduce the early childhood education and care fees (28.9.2020).

The other aspect of the activation policies related to the mechanisms that would support people with a partial work capacity. Next to many other aspects, there was an argument that the activating programmes costs much less than eventual full scale unemployment benefits (2.9.2020).

When it comes to healthcare, following the diverse evaluations of the first wave of the pandemics, as also in accordance to initial government's plans, in October the government also announced the new quality recommendation and horizontal programme on ageing

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to support good health and functional capacity of older people (2.10.2020). The pilot phase of it would run till 2023, following which experience the government would prepare a strategy for till 2030. The measures would deal with a number of goals, such as: guaranteeing the functional capacity of older people, utilising technologies to improve the wellbeing of older people, strengthening the role of voluntary work, increasing the age-friendliness of housing and living environments, and providing customer-oriented services. With this once again, Finnish government was trying to abide by the promise of creating more inclusive and active society.

Later in the year, the Government also announced an updated Roadmap for the Health Sector Growth Strategy for Research and Innovation Activities (1.12.2020). The Roadmap identified three interlinked areas of measures — the operating environment, competence, and partnerships and cooperation. The areas contain measures to develop research and innovation activities in the health sector. And consequently, the measures include developing funding and regulation in the health sector, investing in continuous learning and skills, and creating new partnership models between the public and private sectors. What was a clear leap forward as well, was that the Roadmap strongly referred to the role that data played and they should be better utilized, while designing the healthcare provision.

Thirdly and finally, COVID and the lockdowns it imposed brought the question of quality and access to education into the spotlight. Evidently, Finland has been considered leader in the field before, but also there the government deemed it necessary to learn from the experience and strengthen several of the policies. The reformulated approach to childcare and early education was already mentioned, but there was also a change when it comes to the finish line of the compulsory education – which was extended by the proposal in fall to 18 years of age (15.10.2020). In order to make it affordable, the



government asked to make the secondary education also free of charge. Additionally, there would be more mechanisms and methods embedded in the programme to provide pupils with adequate guidance and support in the respective transition phases.

Consequently, towards the end of the year, the government also presented a strategy on lifelong guidance to support people on educational and career path (3.12.2020). It covered services and activities that enable people of different ages, at any stage of their lives, to: recognise their skills and mirror them with not only the opportunities and needs of the labour market, but also the opportunities to develop their competence; make meaningful plans and decisions relating to education and career paths. The strategy also included the ways in which digital progress can provide additional layer of assistance ensuring the tools thanks to which the relevant information could be easier shared.

Finally, the “Finnish Model” was complemented by yet another provision that came for an understanding that in order increase well-being, not only formal, but also informal part of education needs strengthening. In that spirit a pilot project was launched with an envelope of 10 million euros, which money was to be dispatched among the municipalities to enable them to fund children and young people leisure activities. They would be selected based on open call, which should also serve boosting creativity and responding to the needs of socialization in the circumstances of COVID more adequately (28.10.2020).

### **Spain: include, coordinate, modernise**

Evidently, the starting point for the social reforms in 2020 was different for Finland and Spain. First, because their respective models were very dissimilar, and second, because also the two countries had been experienced by financial crisis and subsequent wave of austerity politics in a very unalike way.

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In case of Spain, when Pedro Sánchez entered the office, among his messages regarding unity – there was an underpinning one regarding building a *cohesive* state and society. He frequently referred to the existing inequalities, expressing determination to make his tenure focus on their elimination. One of the aspects of that, which he picked at the beginning of the year was the use of the European instruments to pursue further domestic reforms. There, he argued that the CAP (Common Agriculture Policy), could be refocused to serve as mechanism to ensure territorial cohesion and consequently reduce inequalities (1.2.2020). The Prime Minister underlined that this is an example of where a comprehensive approach would be needed, especially that used in a proper manner CAP provisions could feed into implementation of the European Pillar of Social Rights were in fact two sides of the same coin. In the same logic, he explained his support for adoption of the Child Guarantee, better use of the Cohesion and the Just Transition Funds. In that sense for Sánchez social policies were as much a matter of Spanish policies, as it was of the European – and as he underlined altogether would have to feed into a greater modernization that was to come with a socially just, balanced ecological transition.

Within weeks from being invested as a Prime Minister, Sánchez spelled out the principles of his social agenda. Speaking in the Parliament, he outlines the strategies for Spain to prosper, by creating the jobs while raising the minimum wage and reducing the public debt simultaneously (19.02.2020). The rationale he presented was very much an illustration of a belief that equality and efficiency are two sides of the same coin, and any modern approach in economy would embody strong emphasis on social policies. The latter of which should support consolidating of a modern welfare state and ensuring social cohesion. Altogether these were the building blocks of the new budget that he would argue for (25.2.2020).

Sánchez may have been appearing as a rather traditional social democrat in his principal approach, but in that he managed to strike a balance with a great understanding of the contemporary challenges and opportunities – all of which he approaches coherently looking at ways to ensure social progress. He believed that striving for it would require uniting forces, which is also why consultation and tri-partite dialogue would play an important role in the process of designing of the policies. An example of that was Sánchez announcement that the government would strengthen dialogue with the self-employed through ATA and other representative associations such as UPTA, to continue bringing social protection in line for this group with contracted workers (9.2.2020). The government would also draw up a Workers' Statute that would take into account new labour realities. That meant, for example, that it should include measures to prevent the situation in which technology and digital platforms lead to job insecurity or abuse. To the contrary, the progress should translate to benefits of all, for which reasons further training and reinforcement of digital skills would be an indispensable part of any new agenda. Among other points that the Prime Minister mentioned were: a system of contributions related to real income, the constitution of the Work Council for Independent Contractors, a Plan to Boost Self-employment, the revision of the Late Payment Act and the evaluation of the current special system for cash accounting criteria for VAT.

As the pandemic started spreading, the Prime Minister and the government anticipated that it would have a multidimensional effect going beyond the pressing needs of the moment. For that reason, they were determined to carefully follow the impact when it comes to labour market and economy. This led to setting up of a Monitoring Board that would be headed by Nadia Calviño, who would work within it together with the employers' associations and trade unions (12.03.2020).

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The virus was spreading quickly. Following the first moment of shock, a number of policy measures were put in place, however it was clear that more resources would be needed to fight the developing pandemics. Analyzing the first lessons, the Prime Minister underlined the necessity to extend the scope of the social agenda from before the pandemics and do more to strengthen the welfare state, which in turn he described as *the most valuable asset, the greatest conquest of our democracy, together with democracy itself, and is the greatest collective achievement that we should cherish* (18.02.2020). With this thought, the government would act now, but would also think long term with an ambition to set up a Study and Evaluation Committee once the state of emergency is over. Its mandate will be to draw up a White Paper, so that the new reform would be well-scaled and implemented throughout the country. That said, Sánchez pointed also out that a well-functioning welfare system requires good management, a just tax system and a good use of the benefits of digitalization these days.

The interesting aspect of the approach to social policy in Spain during the first two waves was that it was a mix of policies that could be described as direct crisis management with policies that would be consequently abiding by the initial governmental promises of a social reform, and consequently would look at long term. In all these efforts, the government – similarly to the government in Finland – was repeating that any measure must be implemented with a thought that *nobody can be left behind*, which become an integral part of later narrative of *recovering and building back better*. For Sánchez, as much as for Marin, it was a matter of his word and a personal commitment that he had made, which he frequently referred to, saying for example: *We are not going to leave anyone behind, particularly not the most vulnerable, the elderly, families with the fewest resources, the self-employed, small business owners or workers that depend on their payslip.*

This was an inspiration to pick up the proposals that had been made in February and supplement them with further measures such as a mechanism of Minimum Living Income – which government believed would protect those most vulnerable in the COVID times (29.4.2020). Such guarantee would constitute the new pillar of the Welfare State, which would interfere in the situations of particular precarity and inability to work. That would then go hand in hand with activation policies, which were spelled out in several subsequent documents such as the Social Agreement to defend jobs (11.5.2020), which would extend the possibilities for the temporary layoffs, but still would emphasize the responsibilities of the respective companies to generate employment especially within the first half a year from the moment of resuming *quasi* normal activities.

The notion of *not leaving anyone behind* was also behind the other policies that the Sánchez government put in place, of which extensive list included among the others: State guarantees for loans through the Official Credit Institute (Spanish acronym: ICO), the extension of the deadline for the presentation of the quarterly VAT return, the guarantee of basic supplies for families in vulnerable situations, the automatic extension of unemployment benefits, recoverable paid leave and the special non-repayable fund for regional governments, among others. Together with the already mentioned Agreement to protect jobs, they would be seen as part of the National Social and Economic Reconstruction Agreement. And while they were intended to be immediate relief package, in a long term they would be seen as tools for further modernization leading to transforming Spanish model to a more productive one that would both benefit from and enable the development of: research, education, the strategy for ecological and digital transition (20.5.2020).

Understanding 'recovery' as an opportunity to 'build better' gave impetus for Sánchez and his government to expand the horizon of the

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necessary reforms. Discussing the possible trajectories in June, the Prime Minister highlighted the shift towards the green economy and the digital transformation as coherent with the objective to guarantee as quality jobs, increase opportunities of vocational training and allocating more funds in science. These next to increased investments in healthcare and public services, but also rethinking the policies in the agri-food sector, would be fundamental cornerstones of the governmental strategy henceforward.

The commitment to modernizing inspired also the Action Plan for Science and Innovation, which Pedro Sánchez presented in early summer announcing that it would benefit from with 1.06 billion euros in direct investment. Following his explanation, this was a direct investment in talents, creativity and R&D+i, which had been suffering from previous decades of cuts and a lack of reforms. While the Plan would have an immediate effect supporting search for vaccines, it would in a long term also enable identifying new opportunities that would require then creation of industries and competitive companies with high added value (9.7.2020). The Plan included 17 measures and was aligned with both: the “Investment Plan and Reforms for the Recovery of the Economy” that the Government of Spain was at that stage preparing (which also later on was the contribution to the ‘Next Generation EU – Recovery Fund) and with the the Spanish Science, Technology and Innovation Strategy 2021-2027 (which would be presented few weeks later as well).

Although the Prime Minister and his government were abundantly clear about the responsibility that they had in regard to leading through pandemic at any stage of it, they consequently – just as at the beginning in case of the Monitoring Committee – were trying to make sure that the diverse strategies enjoy the support and therefore are consulted with diverse stakeholders. To offer two examples, in June Pedro Sánchez, met with the General Secretaries of UGT (General Union of Workers),

Pepe Álvarez, and CCOO (Workers' Commissions), Unai Sordo to discuss the Spanish plan in the context of ETUC recommendations for recovery plans on the EU level (17.6.2020). A month later the Government of Spain and social stakeholders signed the Agreement for Economic Reactivation and Employment, defining the common 10 lines of cooperation that could lead to restoring growth and quality job creation. On the one hand, work will be done to boost the reincorporation to companies of those workers affected by temporary lay-off plans (Spanish acronym: ERTes) stemming from the COVID-19 crisis, prioritising capacity adjustments through working hours over job numbers. On the other hand, a commitment was taken on to develop effective mechanisms for training and new skills for workers, particularly in the digital and technology field, as well as to prepare an adequate framework for working from home.

## **Making gender equality a priority**

As already mentioned before, the austerity policies implemented after the 2008-7 contributed to raise of inequalities. Part of the reason was that the redistributive and supportive policies were a subject of cut, but yet another aspect was the short-termism which jeopardized many among the processes that could help designing mechanisms that would serve as safety net in the context of the new challenges (such as for example digitalization). To that end, also many issues were classified as *non-priority* ones, resulting in downsizing the programmes which would for example help preventing discrimination and would help victims of i.e. domestic and gender-based violence. Therefore, when COVID started spreading, the situation of women was in very general terms already precarious, and it could only result in further worsening of their living and working conditions. That said, in 2020 the context was different. Social democrats had been aware

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that defending and promoting women rights is a matter of being on the right side of the argument about social justice, which also made them stand tall and not only pursue the initial pledges, but also step up to do more. Their ambition was not only to contain intersectional inequalities that affected women to unprecedented extend, but also to make sure that when the countries emerge from the pandemic a progress will have been made in guaranteeing equal rights, treatment and opportunities for all.

### **Finland: international solidarity, inclusiveness and empowerment**

While Finland may have been perceived by external observers as rather egalitarian country, especially the social democrats had been pointing in their campaign to many aspects in which reality is different and the provisions fall short in mending the situation. Hence, fighting inequalities was among the top priorities of the Finnish Government of Saana Marin, whose Cabinet was working on the reform to improve wellbeing of the families and increase gender equality from the first days in the office (5.2.2020). Consequently, already within the first weeks a new policy package was announced. It included increase of the allowances, mechanisms to equalize the responsibilities among parents (also in terms of the days) and provisions to mainstream modernized language (adapt the way legislation is written to the way the modern families are today).

Naturally, for Saana Marin the question was also incredibly personal. She was herself a young woman leader election of whom many treated with skepticism, or to the contrary with a great enthusiasms and high level of expectations. Paving her own way took much of strength and integrity, which manifested itself to a strong commitment and readiness to speak up on the issue and take personal action at the different occasions. First of them was the Annual Women



Conference (28.2.2020), for which reason she travelled to New York and also used as an opportunity to offer a lecture at Columbia on the climate sustainable welfare societies. Second example was from later on in the year, when the Prime Minister agreed to take part in the programme 'Girls Takeover', which was a part of the celebration of the UN International Day of Girl. That year the initiative was focused on gender equality and digitalization. As a part and in an effort to draw attention to the numerous challenges that this issue entails, Marin agreed to be replaced for one day by 16 years old Aava Murto – who as a representative of the young rural part of the Finnish population would have a chance then to meet with diverse ministers and present them with the problems that her cohorts face when it comes to equal access to technology (5.10.2020).

To that end, building the connections between the UN, UN Women and the EU Gender Equality Strategy had become characteristic for the actions taken by Marin's government. In the earlier chapter it was already mentioned that for example the funds provided by Finland in 2020 within humanitarian and development aid were clearly conditioned to a guarantee that they would be used also to promote gender equality. But furthermore, as Finland held that year also the Presidency of the Bureau of the Executive Board of UN Women, it also declared to increase its support for UN Population Fund and UN Women. The commitment was driven by a willingness to help women, who have been hit by COVID, who had been struggling and for whom the quarantines curfews also meant limitation in exercising their Sexual and Reproductive Rights (17.4.2020).

The importance of the international commitments remained great also when the COVID hit and when the entire focus could have been redirected to the domestic issues. Upon the International Women Day, the Finish Prime Minister joined other Nordic Prime Ministers in a declaration to push for more gender equality (8.3.2020). The text

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referred to the pledges made within the Beijing Declaration in 1995, pointing to insufficient progress in their fulfillment and to the backlash of women rights agenda. The concerns connected with the regional disparities, with the need for another push for the implementation of the Sustainable Development Goals (SDGs) and called for more action to fight violence against women.

When it comes to the EU, the government was convinced that also there more could be done to enact all that was promised within the EU Gender Equality Strategy. With that thought, they decided to revise the existing and prepare a new national action plan. This was considered urgent, especially during COVID, which sadly enhanced many existing challenges. In that sense the approach was very different to the attitude in the aftermath of the financial crisis, where the tendency to cut policies focused on gender equality became dominant and for example programmes to fight violence against women became victims of the austerity (6.4.2020).

These considerations gave further new impulses. To begin with, the government financed a report "Towards a non-discrimination in working life", carried by the the Labour Institute for Economic Research (PT) and the Finnish Institute for Health and Welfare (25.5.2020). It concluded with several recommendations, based on which the government decided to focus on activation policies and non-discrimination clauses that should be embedded in any job application processe. Subsequently, a new Action Plan for Gender Equality was presented in June, within which the government proposed measures to improve gender equality when it comes to work-life balance, fighting discrimination and violence against women, as also making gender equality principal transversal. The latter would extend to all the fields, foreign affairs evidently included (26.6.2020). The focus on labour policies persisted also in the later months, whereby towards the end of the year it was the shortcomings in the completion of the Act for Equality between Men and Women



that came to the spotlight and with that the persistent problem of the gender pay gap (3.11.2020).

While many of the problems that the government tried to tackle weren't that new, their scope and size grew with the pandemic. For Finland it meant that at the end of October, it rated 4<sup>th</sup> in the EU Gender Equality Index (29.10.2020), after Sweden, Denmark and France. The Prime Minister took very seriously that according to the report Finland was last in the ranking, when it comes to the worst gender segregation in education. She added that much more needed to be done, also because under COVID digitalisation had advanced and this was a not risk free. That is especially that in Finland there was still such a disproportion between the number of men and women graduating from IT, as also being involved in work platforms.

Finally, the transversal approach meant also that the government was determined not only to identify, but also to expose and then fight practices that could lead to any gender imbalances. This echoed for example in the debate about "socially important events", whereby ministries pointed out to the fact that the number of sport broadcasts of women and men competitions wasn't even close to equal. This had an obvious impact on the number of women watching respectively and the social reality that would emerge from it. The government pledged to investigate the ways in which this could be changed (25.3.2020)

### **Spain: social cohesion, representativeness, fighting gender-based violence**

As indicated in the section concerning social policies, while assuming the office Prime Minister Sánchez promised to strive for more *cohesive, inclusive and egalitarian* society. This meant that gender equality would also remain in focus, being mainstreamed to all the relevant debates. A prominent example of that was one of the first debates of the tenure in February, which was devoted to the question

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of labour policies and minimum wage. During his speech Sánchez underlined that the efforts leading to creation of new jobs would be meaningful if they simultaneously translate into involving more women in the labour market. He was confident about the progress being made, pointing to positive tendency that has already led to the highest rate of employment of women in the country's history and the increase in proportion of the permanent employment contracts (which would mean a great improvement for women, who had been dominant group among the temporary ones). Related to that was the proposal for the reform of the tax system, whereby Pedro Sánchez also consequently underlined that the principles of fiscal justice, if applied, will feed into the fight for gender equality (26.2.2020).

Further examples of the transversal approach include the debates about the future of state, welfare state and the public policies. Sánchez kept repeating that public institutions had to be at the service of everyone, and that also put them under obligation of being organized in an exemplary manner. It is true that Sánchez government was the most egalitarian in the history in terms of the composition, but what he meant is that such a structuring should also transcend further. The qualitative change he had in mind was however greater than the configuration. Instead, the Prime Minister was hoping for a transformation that would see the public offices become truly representative to the diverse society that they were meant to serve and set an example also when it comes to culture. There would be no space for malpractices and for what he coined as "rivalising gender-based violence" of any kind (19.2.2020).

Since the pledge of gender equality had been made one of the cornerstones of the governmental agenda, Pedro Sánchez considered that it was essential to speak about the implementation of the gender policies every time he needed to deliver any progress report. Addressing the parliament in August he argued again that *the*

*transformations will not be real if the gender perspective is not implicit thereto (4.8.2020).* Among the achievements from within the first half of the year, he recalled the approval of the Draft Constitutional Law to Guarantee Sexual Liberty, as also the new SOS button in the alertcops application that would be there to enable victims of gender-based violence to call help. Sánchez further plans involved: drafting Strategic Equal Opportunities Plan 2020-2022, alongside with proposing the Draft Bill for Equal Treatment and Non-discrimination.

## **Connecting the european and domestic debates**

A shift in the attitudes towards the European integration preceded the COVID, but it was the pandemic that was a turning point for all the Member States to turn into “Brussels” for solutions and support. In the first months there was a growing sense of *being in that together*, which translated into a belief that the chances to find a solution fast and develop vaccine are greater if all cooperate putting more resources at the benefit of a common effort. As the weeks kept passing and countries were moving out from the state of initial shock to the mode of coping and anticipating what’s next, there was an instinct to again look together at the strategy to recover. And there was a consensus emerging that Union was uniquely positioned to defend what is key (such as fundamental values), but also set the benchmarks for modernizing processes – which often had been described as *building back better*.

## **Finland: forging just transition and defending democracy**

At the beginning of 2020, Finland had just handed over the EU Presidency to Croatia. This meant that the new government inherited a set of priorities from the predecessor and somewhat elevated attention

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as to what kind of the decisions had been being taken in Brussels and Strasbourg. This wasn't by default a guarantee that the momentum would last or that the awareness about the integration policies would not fade away alongside with a shift in media focus.

For Saana Marin's government the EU was first and foremost a community that could ensure that diverse states strive together against climate change. In that sense the EU commitment to the green transition was a policy area to which the Prime Minister frequently referred to and saw as one of the objectives that the new MIFF should serve accomplishing. That conviction was what determined her negotiating position inside of the Council (6.2.2020, 19.2.2020, 4.3.2020), as also make Finland particularly supportive to the EU initiatives connected with the European Green Deal. Consequently, the government signed the European Plastic Pact, as a part of a commitment to a circular economy (6.3.2020), as also welcome setting on an even higher target for the emissions' reduction (16.9.2020, 15.10.2020). Marin stated multiple times that if the EU succeeds to lead on the environmental policies, this would be crucial in also solving the sustainability crisis (4.3.2020).

Evidently, when the COVID arrived in Europe the expectations towards the EU and its acting capacities grew substantially. So was also the sentiment in Finland, expressed by Saana Marin with the following words: *The health and wellbeing of our citizens depends on the functioning of the single market of the EU. In particular, we must make sure that food, medicines and other essential goods reach their destination as fast as possible in all parts of the EU* (26.2.2020).

Soon after, the hopes connected with the EU grew again. For Finland it appeared to be the mechanism of cooperation thanks to which it would be possible to combine resources and develop the vaccination quicker (7.4.2020). And consequently, Prime Minister Marin kept on underlining in her diverse statements that there is a need for strength from the Community, but also for a common effort from

the side of the Members. This was the question of solidarity and there Finland presented a view that the Union must act upon it, and all other values for which it was established. This is also why, although these were extraordinary times and exceptional situation may have been an excused a wide range of matters, where Saana Marin remained abundantly clear was there could be no compromises and no agreement for anyone to breach the rule of law, abuse citizen's fundamental right or undermine democracy in any other way (22.4.2020). Her position is worth mentioning here, as evidently it already signaled how her government would behave in regarding to enacting article 7 or the conditionality mechanism in the future.

These three concepts (belief in EU as standard setter for the fight against climate change, the values-based community and the cooperation that allows to reach goals quicker) kept shaping the Finnish strategies towards and within the EU also at the later stage of the pandemic. Consequently, the Prime Minister advocated for the pivotal role for the EU in the reconstruction plan (23.4.2020), however the support wasn't at all unconditional. Marin commented: *The financial resources in the recovery fund should be targeted at economic stimulus and regeneration measures in the best possible way. For example, investing in green growth, digitalisation and research and innovation would improve Europe's competitiveness and create new jobs. The further arguments involved a need for resilience and sustainability, whereby the energy supply sustainability was also discussed (27.4.2020).*

The situation remained dynamic, especially that for a long time there was a clear disagreement about the scope of the recovery programme and the financing behind it from among the respective Member States. The dispute focused on what would be the balance between the investments and loads (whereby Finland would end in the group that was labelled with rather a pejorative title "frugal countries") (17.4.2020).

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Trying to keep the motto “open and constructive” (with which the government described itself), Saana Marin involved herself with several rounds of coordination with other Nordic Prime Ministers, as also with the fellow Socialists (including especially Pedro Sánchez) (18.6.2020). When the final agreement was reached about the Next Generation EU, Saana Marin presented it back home as a very successful outcome. Among the points she referred to be the fact that both fighting climate change and protecting the rule of law objectives were both embedded in RRF rules (21.7.2020). The latter was echoed in many subsequent statements, especially however at the occasion of the launch of the new EC Rule of Law report (12.10.2020).

To that end, during the pandemic Finland became more open to some new avenues for the European cooperation. One among them concerned digitalization, where Finland was ready to play a role of a pioneer and start with sharing some best practices. An example of that was offering an online course “Elements of AI”, which prepared by the University of Helsinki would be made available (in several languages) to the other European Citizens. Within just few first days, half a million students registered (5.5.2020). Another aspect was of course the initiative to consolidate so called “Health Union”. Saana Marin endorsed EU4Health right from the start and expressed a hope that it would be instrumental in implementing Health for All and would abide by the wellbeing focused approach (11.6.2020).

Last but not least, though of course many key debates of these days focused on fighting COVID and its impact internally, Finland was among these countries that insisted that the EU does not divert from its external responsibilities. This was coherent with the Prime Minister’s approach in other areas, examples of which had already been offered earlier in the text. This is why there was such a persistence from the government in Helsinki to repeaa the the EU had to be able to do more, and in order to enable it to play that greater role, Finland gave

additional funds – examples of which are resources sent to strengthen EU commitment to the Coronavirus Global Response (4.5.2020) and to further support CSOs to help fighting the humanitarian crisis resulting from pandemics (19.11.2020). Next to the more of health and economy related commitments, Finland wanted Europe also to be stronger when it comes to speaking on the international level and acting, whenever situation in the neighbourhood would require it. Example of where Saana Marin underlined that the EU should be giving a strong common response was the case of Belarus, where in the summer the situation escalated and following what was considered forge elections, citizens took it to the streets (19.8.2020).

### **Spain: promoting cohesion and taking responsibility**

For Pedro Sánchez the European cooperation was a very personal matter, as he himself had spent some time in the early days of his career in Brussels and had been intellectually engaged in diverse debates before arriving to Moncloa. This personal attitude converged very well with the traditional DNA of PSOE itself, which also for historical reasons would consider itself as an EU-enthusiastic party. From all these factors it comes as no surprise that Sánchez government put a lot of emphasis on the EU and the Spain's role within it.

That said, Sánchez right from the start was pro-European, but therefore also critical: he wanted the EU to do more and do it better. Back in February he expressed his "high disappointment" with the European Council's budget proposal 2021 – 2027, underlining that its content is regrettable both from the perspective of the EU and Spain interests. The priorities that he as a leader of Spain saw inadequately attended and strategically most important for his country were: education and innovation, CAP, Youth Guarantee, cohesion funds and social policy. To that end, he wished that there was less flexibility in application of

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the rules, whereby there should have been more attention to EU role of protection of the fundamental values and the principles of the rule of law (20.2.2020).

In accordance with the Spanish national objectives embedded in the economic and social agendas, Sánchez saw the cohesion and Common Agriculture policies as the two fundamental one. Dissimilarly to several among the progressives, who argued for diminishing of the CAP, the Prime Minister vehemently defended a need for its profound reform. He believed that though the new policies and instruments it was CAP that could contribute to building cohesion and answering many of the pressing challenges of the time (climate change; need for: innovation, security and defense). And in that sense, he explained, existing CAP and cohesion policies should be the ones also to see as a part of a just, green transition; of safeguarding rural lives and of fighting the demographic challenge.

As the pandemic was spreading, Spain joined the countries that demanded coordinated response on the EU level (17.3.2020). According to the Prime Minister, it should have been channeled into three actions: limiting the spread of the virus, promoting research towards development of the vaccine and anticipating on the socio-economic effects. In order to equip the EU to absorb the latter, Sanchez backed also the Commission's proposal to offer the EU Budget resources to help in the fight against the crisis and need to extend maximum flexibility to using of these funds. He said at the occasion *money should not be an impediment to doing everything possible to control this epidemic*. In same statement, he asked the EU to act to support people that are being made redundant and hence develop a new unemployment scheme, as also activate the EU fiscal instruments to help in the strive against the pandemic.

Throughout the next weeks and months, Sanchez kept demanding "clear and forceful" commitment from the EU to ensure joint actions

among Members and support those in need (26.3.2020). He was underlining the nature of emergency in Spain, arguing though, that a strong financial answer is a question of getting a grip of what would follow as the largest ever economic crisis and could endanger the very existence of the EU itself. That was also in the letter he sent to Charles Michel, advocating for a common debt instrument issues by European institutions. He argued there needed to be a recovery plan, which also would help improve the effectiveness of industrial policies through digitalisation and the establishment of secure value chains.

Consequently, Spain supported the creation of a “great recovery fund” (23.4.2020). The Prime Minister backed this new plan, insisting that it should provide non-refundable transfers to the countries hardest hit by the crisis, as well as to the sectors hardest hit such as tourism and transport. But while the Fund should initially be directed to help managing the emergency situation, it should simultaneously be an instrument to boost the strategic priorities of the European Union. Among these Sánchez named the ecological and digital transition, as also ensuring the industrial and technological autonomy. At this occasion, the Prime Minister also called for a new UE Budget that would maintain the cohesion and CAP provisions, but it would also be instrumental in attaining the new priorities, such as support for research, migratory policy and strengthening public health systems. It is relevant to enlist these points in here, as they also show the ability of Sánchez to think long term and anticipate diverse phenomena – which skill he was to show many times later, for example in demanding that the EU adopts a common energy strategy way ahead anyone started diagnosing the energy crisis on the rise.

Assessing the performance of the Union in mid-summer, Sánchez concluded publicly that it did well in the light of COVID (29.7.2020). Himself he drew three lessons from these first half a year. To start with, he thought that Europe once again manages to get all members to act

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in unity with commitment to the the principle of reciprocity and to writing history in the moment of crash. The second lesson was that EU put at disposal resources and instruments that allowed to abide by the promise not to leave any citizens behind. And the third was that the Union managed to offer real support to the countries in need and their agenda, while motivating them to do better – when it comes to gender equality, social and territorial cohesion and a commitment to the ecological and digital transition. Consequently, Spain could celebrate approval of 7.5 billion euros for the Common Agricultural Policy (CAP), but also was prompted to raise the bar of modernization ambition in its recovery plans. This Pedro Sánchez described as the European example that had serve “to spur on and inspire”, and expressed gratitude for the fact that it the end it was possible to reach a compromise.

Finally, as it was the case for Finland, also Spain was in the group of countries that believed that the EU cannot afford to focus exclusively on its domestic policies. It had to continue playing international role and come with support wherever required in the neighbourhood regions. That understanding was also why Sánchez insisted that there should have been more support to Western Balkans from the EU perspective, to help the region fight the pandemics more effectively, and to assist the respective states there in their attempt to reform in line with European values and principles (6.5.2020). Similarly, he advocated for more of the EU regional cooperation, himself attending the Summit of the Southern European Countries and asking for more joint efforts in the Mediterranean (10.9.2020).

## **Managing the crisis while thinking long term**

Amid COVID-19 much has been said about the fact that there was too little anticipation of it. In fact, if to look back at a decade or decade

and a half, quite many of the developments came about with rather little preparation on the side of the politicians from across the political spectrum. Too little had been done to prepare the mechanisms that could shield societies and economies, as also help responding in a way that so frequently was articulated as an ambition *not to waste a good crisis*. There are many volumes written with an attempt to investigate the reasons for such unpreparedness, but even if this sounds as simplification the answer may lay in focus on politics within certain media cycles and on deliverables within a duration of a legislative mandate. In that sense the approaches taken in 2020 seem very different, pointing to a qualitative change within which not only immediate action, but also long term thinking were integral, coherent ingredients of progressive politics.

### **Finland: Towards carbon-neutral, digitally capable society**

The spread of COVID in Europe created a state of emergency, but though there were instantly many pressing challenges to attend to, the Finnish government gear to manage the crisis without compromising its ambition to look long term. Already in April, so just several weeks into the pandemic, the Prime Minister started discussing the need to anticipate on the moments after – and continue arguing consequently for the need of more profound transformation. In line with it, in April the Ministerial Group on Climate and Energy policy, started debating the initial guidelines for rebuilding of the economy and considered the pause that the lockdown imposed on so many levels as a unique moment, following which Finland could potentially emerge as a circular, green, carbon-neutral and sustainable economy (1.4.2020). “Carbon neutral society” was what was remaining the objective and to attain it, just few weeks later Finland embarked on a process at the end of which a new draft for climate and energy strategy with horizon 2040 started being drafted.

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With this rationale, on 8<sup>th</sup> April the Prime Minister entered a phase of consultations. First, she appointed a Working Group to prepare the exit plan for after the pandemics. The Group would look at all the aspects, starting from establishing the criteria of phasing out and finishing at attempting a serious forecast. The Working Group would consist of the representatives of diverse ministries, scientists, trade unionists, employers' organisations and civil society representatives (8.4.2020). Then, following that action, few weeks later also another Working Group was established for a duration of 3 months with a mandate to look at how to ensure carbon-neutral recovery (15.4.2020). And finally, quickly after, the work of the latter was supplemented by the COVID Scientific Panel with only 6 weeks long mandate, to assess the crisis from the perspectives of social, health, economic and ecological sustainability and the resilience of individuals, communities, and society (22.4.2020). Among the almost immediate results at the end of the first wave was an interim report by the Working Group on sustainable recovery, which identified a number of transformations that needed to take place (such as of energy and food systems; private consumption and public sector, manufacturing and transport) (16.6.2020).

Next to what looked like an opportunity to rebuild from COVID while transforming into a green economy, was the uncharted leap forward that had been completed everywhere regarding digitalization. The Finnish government embraced that progress but started pondering how it could be used for more universal benefits inside of the society. Among the first initiatives was DigiRail proposals, which would help modernise the rail system (2.4.2020). But later the efforts intensified. In the response to the EU's Communication "Digital Future for Europe", Finland committed to contribute seeing digitalisation as a way to strengthen the EU's digital single market and competitiveness, as also to promote the development of an ethically, economically and socially



sustainable regulatory framework for data policy and artificial intelligence policy (7.4.2020).

Following these initial steps, another Working Group was set up at the beginning of May to look at how to make the digitalisation that COVID brought more of a permanent digital leap forward (6.5.2020). The group was given a short mandate and a task to investigate how attitudes and thinking have changed, what are the new forms of digital services and devices. Already in October, the Group brought the final report forward. It reaffirmed that a great progress had been achieved, however that the social infrastructure, among the others, was not yet ready for the full leap forward. The Group proposed 6 measures to change it, among which were better use of AI and data in designing as also providing public services; harmonised VAT rates for providers; stronger coordination of data economy and data protection policies; a greater availability of e-recreational services (1.10.2020).

Next to prospects of the fight against climate change and for managed digitalization, Saana Marin's government was also preoccupied with the social impacts of COVID. The reflections were conducted in three dimensions: concerning inequalities; the future of work and the prospects of diverse groups of cohorts, respectively.

Starting from the inequalities, it was anticipated already early on that the pandemic would magnify the existing disparities. The extent and repercussions remained unclear though and this is why in the agreement with Prime Minister the Ministries for Social Affairs and Health, also for Economic Affairs and Employment appointed a high-level group to consider how to improve equality and well-being in the post-pandemic times (7.5.2020). It was expected that the recovery would be hard, would require long-term planning and agility (1.6.2020). Additionally, the government launched a process of drafting a demographic report within a period 2020-21 (16.6.2020). The report was not only to look at trends, but to look at social, economic and regional inequalities;

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generational change of expectations; family planning versus labour market policies.

When it comes to the second dimension, there was yet another interesting initiative in which Finnish government got involved with the respective partners in the region, with a hope to draft the first ever joint Nordic Report on the future of work. The document was published in the mid-September (15.9.2020) and included diverse analyses, compiling inputs from the labour inspectorates. The authors pointed to complex context including globalisation, technological advances, but also changing consumption and production patterns (which take now more than before into consideration for example the climate change and environment). In the recommendations they argued that there should be more focus on health and occupational safety, as also that there was a necessity to revise the way of thinking about the labour inspections. They believed that the existing methods and tools were not sufficient to assess i.e. many psychosocial risks connected with i.e. constant monitoring and the impact of smart wearables.

Finally, within the third dimension was about what the impact of COVID would be on diverse cohorts' groups. With the closure of schools and other type of the leisure time facilities, much of the governments' attention went to young people. Saana Marin launched discussion on how to prevent this experience to be negatively defining phenomena for the future of the new generation. Multiple aspects were considered, including also the aspects concerning mental health related to transmitting of stress by parents and guardians. The measures proposed were three-folded: from assistance to the most vulnerable, through a survey to better identify the needs also after the pandemics to preparing for in the future should the situation re-occur (7.4.2020). Though they may sound general, they were a sign of concern and attention.



Similar concerns led the government to a decision to establish a Working Group on Children Rights after the pandemics, with an underpinning question on how to build more child and family friendly society in the future (26.5.2020). In parallel to that, there was also a National Child Strategy Committee that was set up to prepare National Strategy with objective to attain the goals from UN Convention on the Right of Child (17.6.2020). The agenda of both the panels was enlarged in fall, when the few more aspects regarding inclusion and participation were identified and added (2.9.2020). To support this efforts, Prime Minister announced also a survey, which was open to enable children, young people and their families with a hope that they will join and help design the National Child Strategy further (28.9.2020).

In terms of a medium- and short-term outlook, it is also relevant to underline that Finland not only raised its contributions within the humanitarian and aid policies, but also internally did utmost – regardless of pandemics – to uphold its commitment. The Prime Minister referred to them several times, putting a special emphasis on the pledges of Sustainable Development Goals. In that spirit a report of progress was produced - Finland Agenda 2030 (28.5.2020). The assessment showed that out of 17 pledges Finland was close to fulfilling its commitment on some already in 2020 and was considered one of the front runner (3.6.2020).

Typically for the Finnish government, the deliberations regarding the objectives and policies for in the future were accompanied by an extensive communication (to ensure transparency), as also as a participatory exercise. It was already mentioned few paragraphs before that the consultations were launched for example regarding the National Child Strategy, but there was more. Examples included preparations of Climate Change Act, about which public discussion was opened in mid-October (15.10.2020). Within its scope, citizens could respond to a survey via online platform, whereby the questions

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related to the access to information and mechanisms of just transition. This was empowering for those taking part, but also was evidently ensuring further legitimacy for the reforms themselves.

Towards the end of the year, there were indeed government-led many conversations about the future. The government took additional time to discuss possible scenario, preparing for social and economic impact that the second and third wave would have (9.12.2020). And consequently, the themes for the strategic research in 2021 were defined by the Government as: demographic changes; environmental and social links to biodiversity loss; pandemic as a challenge for society. What is important, the cross-cutting priority would be welfare (1.10.2020).

### **Spain: for open, democratic and cohesive state**

Within his investiture speech, Pedro Sánchez announced that the governmental policies would be driven by the ambition to build egalitarian, inclusive societies. Consequently, within few weeks an issue of demographic predictions was raised, and the government set up a “Delegate Committee for Demographic Challenge”, of which first meeting was directly chaired by the Prime Minister (28.2.2020). The Committee identified an extensive list of themes, however what was considered among the priorities were: the challenge to combat depopulation and offer opportunities in the rural areas. The Committee’s overall task was defined as: finding ways to enable any citizen to freely develop their personal, family and professional life project under equal rights and opportunities.

As the pandemic hit and spread, for Spain the strategy forward was consistently about acting and coordinating all the levels of governance from local to international. In that sense much of deliberations regarding the medium and long term was taking place on the global level as well. And Spain remained consequent in using all the opportunities to forge the intranational conversations in this direction.



The first occasion came in March with the extraordinary G-20 Summit, to which Spain came up with an initiative to jointly address the health crisis and its global socio-economic impact. It is worth noting that an extraordinary summit of G-20 hadn't been called since the international financial crisis (26.3.2020).

Following that, Pedro Sánchez continued taking an active part in all the international and global gatherings, of which deliberations and actions could have important implications in the fight against the pandemic. There are several examples of it. In May the Prime Minister took part in the Donors' Conference for a Coronavirus Global Response, called by the President of the European Commission. Spain played a role of a co-host, seeking to mobilise funds to combat the disease and ensure political support for fair access to vaccines and treatments against the virus (4.5.2020). The argument of Sánchez was that *now more than ever, we must be united. Because united, we are stronger*. The Prime Minister underlined that the only way to defeat the pandemic will be through speedy and affordable access to vaccines, treatments and diagnoses around the world, always under the premise of "leaving no-one behind". To achieve this, said Sánchez, *Spain will be on the front line of this „essential“ initiative, making a contribution of 125 million euro*. In addition he called for global leaders to be capable of creating lasting collaboration structures to improve the response to other present and future global diseases.

Following the statistics, quickly after COVID started spreading in Europe, Spain became one of the countries described as *hit the hardest*. That still did not weaken the international commitment, and Sánchez continued speaking about the responsibility to do utmost to save lives both inside of his country and abroad. This was the rationale behind linking the crisis management, recovery and other agendas, such as the Sustainable Development Goals under the 2030 Agenda. In that sense, the Prime Minister kept stressing the importance of supporting

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developing countries (28.2.2020). Consequently, Pedro Sánchez, took part in the Gavi Global Vaccine Summit, ensuring Spanish commitment to this initiative through a contribution of 50 million euros. These resources would be directed to organizing vaccinations of 300 million boys and girls over the next five years. Though this was more than half a year before the breakthrough and the antidote to COVID hadn't even yet been there, still Sánchez already then was announcing that there would be no agreement from his side to any kind of vaccine chauvinism and instead providing access was a matter of multilateral responsibility.

Spain considered the Gavi operating model to be exemplary to a certain extent. This was because it would combine the needs of developing countries with the knowledge of the main international organisations and the experience of the private sector. Still, Sánchez underlined that involving Spain more would not weigh on, but simply extend the pre-existing commitments made by Spain at an international level. The Prime Minister was emphasizing with pride that the country had committed 75 million euros to the Coalition for Epidemic Preparedness Innovations over the next 15 years, as also and 100 million euros to the Global Fund to Fight AIDS, Tuberculosis and Malaria over the period 2020-2022 (6.4.2020).

Consequently, this dual approach with the concentration of the efforts on the fight with the pandemic but with attention to all the long-term pledges remain characteristic for the Spanish actions inside of the United Nations as well. Addressing the UN GA at the start of the second wave, Pedro Sánchez spoke about the fact that it is all the main global problems that humanity must address on a united front and in that sense what pandemic did was to expose yet again the need to strengthen the global health system. Therefore, he argued for providing WHO with the new tools and which would also imply a "Global Health Compact". He repeated that that equal access to

COVID-19 vaccines must be guaranteed as *an absolute and non-negotiable moral imperative*. For Sánchez the next steps would involve a serious debate about the Global Public Goods, which would be redefined accordingly to the demands of transition towards sustainable and inclusive productive model (30.9.2020).

While COVID had brought new impulses for the debates on health and wellbeing, for Sánchez and his government this meant broadening the scope of the debate to approach coherently the challenges for diverse disciplines: medicine, healthcare, psychology and social psychology, development and aid, environment etc. In attempt to act coherently, the government announced the launch and boost of the Personalised Medicine Strategy, in order to improve the prevention and treatment of diseases. It would count on the provision of 77.3 million euros, which would be allocated to i.e.: creation of a State Centre for Advanced Therapies, as also would broaden access to the personalised advanced therapies under the National Health System. The measures would also seek ways to provide greater stability in diverse ideas or research, science and innovation. This Sánchez considered as an essential investment to transform Spain to a country of wellbeing that benefits fully from technological and scientific progress. Similar thought underpinned the later decision to is to strengthen post-doctoral contracts to attract and retain the talent of scientists with a doctorate in Spanish research groups.

Towards the second half of the year, Sánchez government was richer with the experiences gained under the first wave of pandemics, as also could rely on the evaluation of its performance that was conducted among the others in the parliament. Clearly, the Prime Minister showed a great ability to balance these reflections with the conviction of what he believed to be an essential course of developments. In other words, again he showed a skill to both listen and lead. Based on that he laid out the principles for the next

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stage, which he articulated in a speech *Spain can do it: recovery, transformation and resilience* delivered at the end of August (31.8.2020). The immediate addressees were representatives from civil society, including the employers' organisation, trade unions and members of sectors tied to digitalisation, the ecological transition, cooperatives, culture and the third sector. The speech included consideration about the digital transformation and ecological transition, as also inequalities that grew during the pandemics and were a straightforward reminder that more needed to be done – for example in terms of ensuring social and territorial cohesion, as also promoting stronger the feminist agenda. In that very same spirit 10 guiding policies *The Recovery, Transformation and Resilience Plan* were presented a month later. It spelled out ways in which the government planned to ensure coherence among its policies and build a capacity in society and economy to drive the necessary changes (17.10.2020). The Plan included among others measures to: fight against rural depopulation, development of agriculture and improvement of living conditions in urban environments; promotion of resilient infrastructures and eco-systems through such projects as the Conservation and Restoration of Ecosystems Plan, and the Plan for the Preservation of Urban, Energy and Transport Infrastructures; reform of the public administration and Justice System; boost of industrial competitiveness; reinforcement of the Pact for Science and Innovation and strengthening of the National Health System; investment in education and knowledge; progress within the new economy of care and employment policie; the development of culture and sport; modernisation of the fiscal system by increasing its progressive nature and redistributing resources to achieve inclusive and sustainable growth.

Finally, while majority of the proposals regarding medium and long-term policies quoted here refer to socio-economic dimension, it



is relevant to underline that for Sánchez building inclusive and open society was a multilayered mission and he remained committed to defending and promoting democracy in Spain, Europe and the world. A very telling example is the Prime Minister's answer to one of the VOX MP's during the parliamentary debate over the Democratic Memory Act. He praised Spanish society then on having overcome hatred and fear and added: *We are going to ban and make illegal any ideologies that defend the Franco dictatorship* (9.9.2020).

## Conclusions

This paper presents a comparative study of the policies framed by the two social democratic Prime Ministers – Saana Marin and Pedro Sánchez in year 2020 within the two waves of COVID pandemic. To illustrate their respective approaches, the research relies on the qualitative analyses of the published speeches and the press releases. The focus remains strictly on the narrative and the policy proposals, as the scope of the text here does not allow contrasting the initial ideas with the outcomes of their implementations. Neither is it possible to deliberate here on the public reactions or changes in Marin or Sánchez approval rates in that period. But it was the author's intention to concentrate on the politics, leaving the policies evaluations aside.

To that end, the findings of the study are intriguing as it would seem from just looking at these two selected examples that there is a transformation within the social democratic movement and there may be better prospect regarding its future that one would have assumed not so long ago. Looking at the gathered material within the four selected dimensions (social policy, gender equality, Europe and long-term perspective), one of the straightforward conclusions is that both Saana Marin and Pedro Sánchez represent a different generation of leaders, who drew instructive conclusions from the earlier shortcomings. To

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that end the most relevant among them, which makes them dissimilar to their predecessors is an ability to govern in the times of crisis (as opposed to limiting oneself to only trying to manage it).

Furthermore, while the Finnish and Spanish societies had their respective issues and requires a tailor-made set of policies, what connected Marin's and Sánchez agendas was an ambition to modernize, setting bar of ambition very high. What this meant involved defining the principle of social justice in the context of the contemporary times and set the policies that would *not leave anyone behind*, as also would boost capacities of individuals and states to benefit from the diverse phenomena. This meant attaining the goals of just transition and boosting the skills (needed in the context of digitalization), investing in innovation and education, reforming the inadequate policies and ensuring support for vulnerable individuals, groups, enterprises. But it also meant arguing for just taxation system and fair redistributive mechanisms. It meant fighting grey zones (also in areas such as domestic care or seasonal work), eliminating any exploitation (for example among the platform workers) and introducing mechanisms that would promote general well-being. That philosophy underpinned interest in culture, sport and leisure time activities, which both leaders saw as investments in individuals (mental) health and yet another way to socialization.

The narratives of both leaders point to a great commitment to values. Their personal integrity was what gave weight to their unwavering position of defending and promoting democracy in the context of domestic debates, as also the European ones. The fact that been that they not only were demanding for the standards to be upheld, but also themselves continued seeking way in which deliberative and representative democracy could be strengthened. For Marin this meant organizing diverse citizens' consultations, for Sánchez recurrent reports delivered to the parliament (which wasn't easy, taking into account fragility of the governmental support and even having to



face vote of no-confidence on 22/10/2022). Both Prime Ministers tried to listen to citizens, experts, scientists, civil society and trade union representatives – and consequently continued establishing diverse working groups and panels. Each of them was faced with a clear task and mandate, and each of them saw the results of their work presented to the public. Both leaders allocated much attention to adequate communication to ensure openness of the decision-making processes and provide information – regarding pandemics, regarding recovery, regarding spending. They did utmost to govern transparently and responsibly.

Furthermore, both the leaders were arguing that the challenges that the world was facing (from pandemic to climate change) were of a global extent. Therefore, on one hand they remained faithful and persistent in their international commitments (such as towards Sustainable Development Goals), adding also funds and tools that would be directed to humanitarian, development and aid policies. This was a clear manifestation of international solidarity, but also a shift, if to compare with the line of cuts in these areas that several social democratic governments pursued in the aftermath of 2008. On the other hand, they also demanded more from the cooperation – pointing to a need of more effective governance on the level of the UN, and to more strength and capacities within the EU. Though Macron and Sánchez found themselves on the opposite side of the debates regarding Next Generation EU and RRF financing, they were in agreement that the EU should provide funds for recovery that would be a synonym of “building back better”. They trusted that recuperation from COVID was not about returning to anywhere, but about modernization and transformation, about offering security and opportunities, about bringing a change and offering better future for all.

It is true that this study presents the two Prime Ministers and their leadership (however similar in principle construct, very different in style)

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in a very positive light. That may be due to the empirical material used to reconstruct their portraits and the policy agendas they drove in the challenging year 2020. But then again, many of the papers written about and for social democracy abide by the movement's tradition of critical thinking, pointing the flaws and proposing alternatives. In that sense this paper is atypical, but not because it would lack on the synthesis or analytical approach, but because it has audacity to suggest that there is much of an inspiration, instructive lessons and encouragement coming from the study of the Prime Ministers' tenures of Saana Marin and Pedro Sánchez respectively. Just as they have been.

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Nadia CARBONI

## **Policy responses to COVID-19: both challenges and opportunities**

## **Keywords**

**Policy, Recovery, COVID-19, Governance, New Humanism**

## **Abstract**

The pandemic has stressed how critical is the role of cities in raising public awareness and maintaining the functionality of basic public service provisions, such as the rapid development of new and adapted services to support sanitary and economic measures. Furthermore, cities are making special efforts to support the most vulnerable people, by fostering solidarity among territories and putting measures in place against discrimination, exclusion, and addressing inequalities.

How we emerge from COVID-19 will depend in large part on what happens in the world's cities. Cities have a crucial role to play in finding new solutions towards a future that is more collective and decentralized, where power is more diffuse and bottom up. Many economic dimensions of human life, poverty and inequality included, can be dealt with very effectively at the local level. The economic importance of cities in the coming future will not decrease, on the contrary it will increase, and we can expect to see differences in poverty and inequality, also depending on the local-level capacity to design smart policies, carefully planned and effectively implemented.

The paper aims to provide an analysis on issues related to the economic and social impacts related to Covid19 at the local level: cities are laboratories of change and drivers of innovation; and they can help in re-build a new future for social democracy.

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The global pandemic has not only challenged our health and economy, but our democracies as well. Coronavirus is also highlighting and aggravating structural inequalities – from inadequate health systems to social protection gaps, digital divides and unequal access to education; from environmental changes to racial discrimination and violence against women.

As the world deals with COVID-19, democracy is crucial in ensuring the free flow of information, participation in decision-making, and accountability for the response to the pandemic.

In this context of unprecedented and universal challenges, the local and regional governments around the world are at the forefront of the efforts to overcome these difficult times. This pandemic has stressed how critical the role of cities is in raising public awareness and maintaining the functionality of basic public service provisions, such as the rapid development of new and adapted services to support sanitary and economic measures. Furthermore, cities are making special efforts to support the most vulnerable people, by fostering solidarity among territories and putting measures in place against discrimination, exclusion, and addressing inequalities.

How we emerge from COVID-19 will depend in large part on what happens in the world's cities. Cities have a crucial role to play in finding new solutions towards a future that is more collective and decentralized, where power is more diffuse and bottom up. Many economic dimensions of human life, poverty and inequality included, can be dealt with very effectively at the local level. The economic importance of cities in the future will not decrease, on the contrary it will increase, and we can expect to see differences in poverty and

inequality also depending on the local-level capacity to design smart policies, carefully planned and effectively implemented.

The paper aims to provide an analysis on issues related to the economic and social impacts related to Covid-19 at the local level: cities are laboratories of change and drivers of innovation; and they can help in rebuilding a new future for social democracy.

The expected result is to provide a set of new policy addresses and recommendations to be included in the agenda for social democracy.

## **The impact of Covid-19**

The regional and local impact of the COVID-19 crisis is highly heterogeneous, with significant implications for crisis management and policy responses.

This regionally differentiated impact calls for a territorial approach to policy responses on the health, economic, social, fiscal fronts, and for very strong inter-governmental coordination.

### **The impact on the health crisis**

In many instances, large cities, with their international links – including international markets, business travel, tourism, etc. – were often the entry points for the virus and were particularly affected. Contagion can spread more quickly in large urban areas, due to both proximity and density. In addition, the lack of appropriate measures such as contact tracing, poor housing conditions, or limited access to health care have a negative impact on the resilience of territories (Basset, 2020).

Rural areas and regions with high numbers of elderly people were affected as well. Rural regions tend to be equipped with fewer hospital beds. Overall, metropolitan areas and their regions are better equipped in terms of hospital beds than regions far from metropolitan areas.

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Furthermore, since the beginning of the crisis, regions and cities have been facing urgent social care demands from the elderly, children, disabled, homeless, migrants and other vulnerable populations. In many countries, subnational governments are also responsible for welfare services and social transfers. In addition, they play a large role in delivering education. Regional and local governments are managing the closing and re-opening of schools under very strict health measures. Subnational governments are also ensuring the continuity of public services in a crisis context, adapting these as necessary, and protecting their own staff. Despite the pandemic, citizens expect essential public services, such as water distribution, waste collection and treatment, street cleaning, public transport, public order and safety, and basic administrative services, etc. Emergency services and police are usually managed by state, regions, and municipalities, and they have been called upon during lockdown periods in order to ensure control, security, and rescue.

### **The impact on the economic and social crisis**

The economic impact of the COVID-19 crisis differs across regions as well, depending on the region's exposure to tradeable sectors and global value chains. For example, regions with economies that are heavily dependent on tourism have been more affected by the coronavirus than other regions.

The extent to which work can be performed remotely is also an important mitigating factor with respect to economic impact and cost of COVID-19. In most cases large cities and capital regions offer highest potential for smart working (OECD 2020). The pandemic has also helped reveal the digital divides within countries and has, in some cases, accelerated digital inclusion responses. In OECD countries, access to, and use of, the internet varies significantly within countries.

The impact of the COVID-19 crisis and related policy responses (eg public health measures, lockdowns, emergency economic and social measures) on subnational government finance is significant as well.

This crisis is calling on regions and cities to increase their expenditure in many areas. The impact of this, however, will vary according to their spending responsibilities. In many countries, subnational governments are responsible for critical aspects of health care systems, including emergency services and hospitals.

Beyond health and social responsibilities, subnational governments are involved in key areas impacted by the crisis, including education, public administration, economic development and transport, public order and safety, utilities (waste, water, etc.), etc. In the context of the crisis, subnational governments are confronted with a number of complex and costly tasks. They have first managed the full or partial closure of certain services and facilities and then their reopening, while having to ensure the continuity of essential public services, adapt services either physically (public transport, collection of waste, cleaning of public spaces) or virtually (telehealth consultations, remote education arrangement, local tax payments, access to government information, etc ) and enable officials and employees to work remotely. Finally, in many countries, subnational governments are involved in delivering support policies for small enterprises and the self-employed, as well as infrastructure investment.

Regional and local governments have differentiated responsibilities in health services. Therefore, this crisis will have differentiated impact within the subnational government sector. In most federal countries, health care is a major responsibility of state governments, which are responsible for secondary care, hospitals and specialised medical services. In unitary countries, where health care is almost exclusively a regional level responsibility, the role of regional governments may be also significant (eg Denmark, Italy and Sweden). The role of

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municipalities in health care generally concentrates on primary care centres and prevention. However, in some countries, municipalities or inter-municipal cooperation bodies may have wide responsibilities in healthcare services and infrastructure.

During the emergency, subnational governments have undertaken proactive initiatives to provide social/community support to vulnerable populations (OECD, 2020). In the longer term, social expenditure will certainly continue to increase as more welfare benefits are included due to the rise in unemployment and the number of aid seekers. Unemployment payments, guaranteed minimum revenue, family support, housing subsidies, emergency aid, etc will add to the pressure on subnational government social expenditure.

Finally, differences are observed between countries, where the effects largely differ depending on their multi-level governance framework, and particularly the importance of the economic and social role of subnational governments. In countries where the level of decentralisation is high, the impact on subnational government expenditure will be higher, particularly in spending areas most affected by the crisis (ie health, social protection, education, utility services, economic development, etc). This is also true for revenue. In the end, subnational governments will be more or less vulnerable to the crisis depending on their economic profile, the resilience of their local economies and the resilience of their tax base. For example, tourist regions and municipalities, be they urban or rural, are particularly affected by domestic and international travel restrictions, the closure of hotels, exhibition and congress centres, tourist sites (museums, natural parks, leisure establishments, etc), restaurants and cafes, festivals and other cultural facilities. Port cities are particularly hit by the crisis, not only because of declining cruise activities, but also because of the strong slowdown in port activities as a whole (maritime transport, fishery, etc), despite the fact that they kept terminals open to boats and

ensured a minimum level of continuous activity. By contrast, regions and cities where non-market activities are significant as well as those depending on food industry have suffered less.

### **A territorial approach to the economic and social crisis**

The restrictions put in place to tackle the pandemic directly and indirectly affect local businesses and the self-employed. Some businesses, such as restaurants and cafes, close during lockdowns, while other small and medium sized businesses and self-employed persons can continue operating but with considerably reduced demand.

Emergency measures taken by regional and local government cover a wide range of areas, from financial support to more indirect support schemes, including: non-repayable grants, concessional loans at low or zero interest rates, liquidity loans, facilitating access to external financing through guarantees; deferring tax and fees collection; more flexibility in administrative procedures; simplification and acceleration of procedures in public procurement, etc (EU Committee of the Regions, 2020).

Regarding vulnerable groups, support measures are very diverse and include food/nutrition programmes for children and the elderly, meals and pharmaceuticals delivery, special care for the elderly and disabled people, emergency shelters and housing, vouchers to purchase essential goods, installation of sanitary facilities, exemptions or deferrals from rental payments for residents of social housing, mortgage payment assistance, emergency phone lines, engaging unemployed people in socially useful work, distribution of masks, etc.

In some countries, local governments have worked with national government authorities, as well as with NGOs and community volunteers to meet the social challenges (Dubet, 2020).



## Managing the crisis and recovery

As we have seen, the economic and social impact of the COVID-19 crisis on territories is differentiated, and its diverse risks vary greatly depending on location. This regionally differentiated impact calls for a territorial approach to policy responses on the health, economic, social, and fiscal fronts, and for very strong inter-governmental coordination. Many governments at all levels have reacted quickly. A combination of national and subnational measures contributed to an effective response to the COVID-19 public health and economic crisis. Leadership and coordination by national government is critical. Subnational governments – regions and cities – have also launched a wide range of actions to manage the public health and economic impact (OECD, 2020). Effective coordination mechanisms among levels of government are essential. On the health front, many countries have adopted territorial approaches, for example on policies surrounding masks or lockdowns. On the economic front, governments have provided massive fiscal support to protect firms, households and vulnerable populations. Many countries, and the EU, have reallocated public funding to crisis priorities, supporting health care, small and medium enterprises, vulnerable populations and regions particularly hit by the crisis. In addition, more than two thirds of OECD countries have introduced measures to support subnational finance – on the spending and revenue side – and have relaxed fiscal rules. While immediate fiscal responses concentrated on protecting workers, unemployed and vulnerable populations, many governments also announced large recovery packages, focusing on public investment. These investment recovery plans mainly look at: (i) strengthening health systems; (ii) digitalisation; (iii) accelerating the transition to a carbon neutral economy.



### **The use of digital tools**

Digitalisation has been crucial in cities' response to the pandemic, with tools monitoring contagion risk and ensuring the respect of confinement and social distancing, while also enabling the continuity of certain services and economic activity virtually. These tools and the changes in habits will continue in the recovery phase and for potential new waves. Discussion arose on issues of privacy rights, and universality of internet access.

Remote working and studying also became the rule for a large part of the population: teleworking is compatible with productivity and largely contributes to reducing negative environmental externalities.

By the way, the digital divide is one of the many inequalities exposed by COVID-19. Cities initially provided rapid or temporary measures to try and bridge that gap by strengthening and extending the access to internet and digital equipment.

### **Urban mobility and planning**

Mobility has been strongly impacted by the COVID-19 pandemic and provided cities with a momentum to rethink their approach towards urban space and suggest alternative options.

Cities are now investing in active mobility infrastructure, improved public transport safety and accessibility, and low emission transport options, such as electric vehicles and scooters.

Cities are adapting urban design, reclaiming public spaces for citizens, and rethinking location of essential urban functions to ensure easier access to urban services and amenities while securing safety and health for their residents. In the context of COVID-19, concepts such as the "15-minute city" developed by Carlos Moreno have been widespread as a means to increase the quality and sustainability of life in cities, by ensuring access to six essential functions in a short perimeter: to live, to work, to supply, to care, to learn, and to enjoy.



The crisis also highlighted the importance of accessible green spaces for many cities and their residents.

### **Collaborative and multilevel governance**

Cities have been collaborating with a wide range of actors, including the national and regional governments, urban stakeholders, and citizens, in order to design and implement immediate, short-term and long-term responses to multiple dimensions of COVID-19 crisis. Effective multi-level dialogue and coordination mechanisms have been essential to manage the challenging situations (Tosics, 2020).

Dialogue with national and regional levels of government was relevant for cities to effectively respond to the emergencies in the early stages of the pandemic, particularly to manage healthcare capacity and set up economic recovery packages. Dialogue has been key for national decision-makers to understand cities' needs and consider them in the design of national legal and financial instruments.

At the same time multidisciplinary policy coordination has been essential to monitor the socio-economic situation, defining policy responses and coordinate action plans for recovery.

Another key asset is engaging urban stakeholders and citizens for the development of recovery strategies from the COVID-19 crisis. Multi-disciplinary experts and citizens have been playing an important role not only in ensuring that strategies are more comprehensive and multi-sectoral, but also in making the processes more inclusive for consensus building and sustainability. Stakeholders ranged from different levels of government both horizontally and vertically, research and academic institutions, banks and philanthropic foundations, citizens associations, volunteers, non-profit and community-level stakeholders.



## **Long term strategies for recovery**

Beyond the public health emergency to reduce the spread of the virus and protect citizens' health, the pandemic is making cities rethink how they deliver services, how they plan their space, and how they can resume economic growth.

The COVID-19 crisis and the responses to it underline the importance and potential of long-term strategies for cities to be more inclusive, greener, and smarter in their recovery measures and the underlying governance and financing needs to enable transformation.

Post-crisis efforts can be turned into an opportunity to improve people's lives and favour innovation: from extensive use of digital solutions, to decentralised production, remanufacturing, and restructuring of supply chains to respond to goods shortages. Civic duty and community involvement are prevailing over individual interest to protect vulnerable groups. This can inspire lasting behavioural shifts to make cities more resilient and more efficiently connected with rural areas, in terms of the way goods are produced, energy consumed, and transport organised.

Global agendas, such as the Sustainable Development Goals (SDGs) and the Paris Agreement, provide a key opportunity for national, regional and local governments to advance a new sustainable development paradigm as well as to prioritise investments and resources to recover from the pandemic. Global agendas also provide a common roadmap and vision to engage local stakeholders, including the private sector and civil society in cocreating and building the "new normal".

Some cities are investing in education and skill development to support the most vulnerable people and make the post COVID-19 society more inclusive. Other cities seize their recovery packages as opportunities for greening their cities and their economy. Furthermore, many of these strategies are holistic rather than sectoral, reflecting the



wide-spread impacts of the pandemic, and cities' ambition to foster multiple dimensions of sustainability.

## **Policy Recommendations – what we have learned from the pandemic so far**

The COVID-19 crisis has highlighted the importance of territorial approach in managing the pandemic. The COVID-19 crisis underscores the fundamental need for a coordinated response to emergencies and their aftermath, and accentuates the risks associated with uncoordinated and/or heavily bureaucratic approaches to crisis management. Coordination is just as necessary across and among levels of government as it is between government and non-government actors, including citizens (Ostrom, 2009). Successfully managing the pandemic's differentiated impact rests with differentiated responses, emphasising the potential advantages of experimentation and a place-based approach to exit and recovery strategies. Success also depends on a strong partnership between national and subnational governments, as well as with the private and third sectors, civil society and citizens.

Some lessons are as follows.

- a) A "place based" or territorially sensitive approach for measures to fight the pandemic is needed.
- b) Cross-border cooperation should be actively pursued and supported at all levels of government, in order to promote a coherent response recovery approach across a broad territory (eg border closure and reopening, containment measures, exit strategies, migrant workers).
- c) Multi-level coordination bodies that bring together national and subnational government representatives can help to minimise the risk of a fragmented crisis response.

- d) Promoting inter-regional or inter-municipal collaboration in procurement helps especially in emergency situations.
- e) Favouring the use of e-government tools and digital innovation helps to simplify, harmonise and accelerate procurement practices at subnational level.
- f) Strengthening national and subnational-level support to vulnerable groups, by simplifying and facilitating access to support programmes, ensuring well-targeted services, introducing adequate and/or innovative fiscal support schemes, and identifying the needs for revising fiscal equalisation policies.
- g) Exploring and introducing other temporary or permanent fiscal tools and measures, including tax arrangements, easier access to external financing, and more flexible, modern and innovative financial management tools.
- h) Social and climate objectives need to be included into recovery plans; and a resilience-building criteria should be introduced for the allocation of public investment funding for all levels of government.
- i) Cities are key players in the fight for sustainability. Their contribution to tackling the present crisis could serve as a blueprint for future social policies that take into consideration the green economy. In many countries, cities are the last bastion of progressive social policies.

## **Conclusions: the call for a New Humanism**

The pandemic and its impact on both economy and society seem to call for a new humanism: the foundations of globalization and international cooperation need to be rethought. Whilst the historic humanism was set out to resolve tensions between tradition and modernity and to reconcile individual rights with newly emerging duties



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Eleonora POLI

## **Framing Italian Democracy Beyond COVID-19**



## **Key words**

**Democracy, Freedom of Expression, Equity, Responsiveness,  
Gender Equity**

## **Abstract**

After a decade of crises, Italy seems to have weathered the storms. Yet, while plans such as the Next Generation EU might help the country to restore economic growth, there is still much to do when it comes to its institutional development and democratic standing. Although democratic trends registered in Italy by the Democratic Index are quite positive, if compared to other EU countries, the Italian government and progressive forces need to perform unprecedented reforms if they want Italy to be more than back on its previous track. Within this framework, the paper aims at analysing democracy and democratic trends in Italy. Going beyond the Index, it builds over a workable definition of democracy, which is based on the implicit connection between three intrinsic elements, namely responsiveness, freedom of expression and equity (Zagrebelsky and Ezio, 2012). Those elements will be filtered through an analysis of some political and social trends registered in Italy in 2020 to scrutinize the status of democracy in Italy and verify whether, how and why it might have performed better than expected

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The global pandemic affecting the European Union and Italy in the last year has underlined many of the shortcomings of the political institutions and their capacity to respond to the crisis. These certainly had an impact on democracy. According to the Democracy Index, in 2020, the outbreak of the coronavirus (COVID-19) pandemic has contributed to the worst result since the first index was published in 2006, with the fall of the average global score from 5.44 in 2019 to 5.37 in 2020. Meanwhile, European countries also saw a downgrade of their average regional scores. Western European countries went from 8.35 in 2019 to 8.29, and Eastern European countries went from 5.42 in 2019 to 5.36 in 2020 (The Economist Intelligence Unit 2020).

Italy is not among the best placed when it comes to the Democracy Index. Still, in 2020 the country foresaw a better result than in 2019, going from 7.52 to 7.75 and ranking 29th worldwide.

Starting from this data, the paper investigates the possible reasons behind such a positive trend. In recent years, Italian democracy has been often endangered by government's overruling of the parliament, political instability, and media control by political tycoons such as Berlusconi. Recently, the electoral success registered by anti-pluralism parties such as the League and Brothers of Italy, as well as the rise of the Five Star Movement, which even questioned the basis of representative democracy, could be all interpreted as signs of a general "fatigue" perceived by citizens vis à vis democracy and democratic institutions in Italy.

Within this framework - and even considering that the democratic deterioration registered in 2020 in many EU countries is linked to restrictions imposed by governments to keep the pandemic under control - the Italian case seems quite odd (The Economist Intelligence

Unit 2020). In 2020, Italy was the first country in the EU to face the global pandemic and to institute national lockdowns. Since February 2020, for more than a year, Italian democratic institutions and many of the freedoms enjoyed by citizens have been frozen due to the provisions taken by the government to contain the disastrous effect of the pandemic. Moreover, Italian democracy seems to have suffered even before the pandemic. Already in 2019, only 34% of Italians supported democracy while only 7% believed they could make a difference in influencing national politics (Listen to Europe). Yet, the paper argues that since crises - such as the one generated by the global pandemic - vary the dynamics of social transactions, the sanitary, economic and social consequences of COVID-19 might well have been a valuable source for adjusting and developing better institutions, benefiting the democratic system in Italy. Against this backdrop, the paper aims at analysing democracy and democratic trends in Italy. Going beyond the Index, it builds over a workable definition of democracy, which is based on the implicit connection between three intrinsic elements, namely responsiveness, freedom of expression and equity (Zagrebelsky and Ezio 2012). Those elements will be filtered through an analysis of the political, economic and social trends registered in Italy in 2020 to scrutinize the status of democracy in Italy and verify whether, how and why it might have performed better than expected.

## **Democracy, a workable definition**

The most obvious and direct way to determine whether a country is democratic or not is by citizens' capacity to control their government through voting. This could be either by electing government representatives or by directly expressing a preference over a law or a policy through public plebiscites (S Frey, Kucher, and Stutzer (2001). The right to vote is so crucial to the political agreement

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defining democracy, that its absence makes a country completely undemocratic. Yet, democracy is certainly more than citizens' capacity to vote for national governments and members of parliaments. It is indeed about normative values such as responsiveness, freedom of expression, and equity, as well as individual expectations over these (Munck and Gerardo, 2016). Responsiveness is the capacity to combine a government by the people with a government for the people. In other words, as Bobbio puts it, responsiveness in democracy entails a set of institutions that defines who may legitimately take collective decisions, and when and what procedures are to be applied to keep accountability alive (Bobbio, 1987). This legitimacy has a top-down and a bottom-up dimension. Top-down, citizens legitimise democratic institutions through elections, by providing specific political entities with the power of decision-making. Bottom-up, democratic institutions have legitimacy over people because they can impose laws and policies acting in the interests of citizens (Combaz and Mcloughlin, 2014 & Fox 2014)

. Lack of responsiveness by democratic institutions has detrimental effects over their legitimacy. As underlined in the next session, in Italy, the high electoral volatility that has characterised the country in the last years seems to be directly linked to citizens' delegitimization of traditional political parties, which are increasingly considered as unable to respond to the social economic issues affecting the country (Pasquino, 2021).

Besides responsiveness, freedom of expression also constitutes a common denominator in all contemporary democracies. It enables stable and consistent ruling but also a state of affairs in which informed citizens are able to exercise an ultimate control over their government. Indeed, freedom of expression does not only entail the capacity of and the chances for citizens to speak openly, but also the effective possibility to seek, receive and impart information and ideas of all kinds

and develop a public opinion (Scanlon and Thomas, 1978) (Perry, 1981). If democracy entails a “government of the people by the people for the people”, it cannot function if citizens have scarce knowledge around the issues that need to be resolved (Stone and Schauer (ed.), 2021). In this respect, connectivity and access to information as well as media freedom are central in defining the quality of democracy. Moreover, while the diffusion of fake news has recently questioned the role of freedom of expression in boosting democracy, any government that obscures information and prohibits free speech is certainly non-democratic (Stone and Schauer (ed.), 2021).

Related to freedom of expression and intrinsic to a functioning democracy, there is also equity. Equal access to opportunities, which has to be guaranteed by state social policies, constitute the premises for achieving better individual socio-economic conditions but also education. On the other hand, lack of equity certainly lowers individual expectations, which also plays a central role when it comes to trust in democracy and its effective workability. Poor equity in accessing opportunities, highlighted for instance by the gender gap, multiplies the negative effects over democracy. It deprives a part of the society of access to opportunities, resulting in a growing negative perception over the quality of democratic institutions (Loveless and Binelli, 2020) (Anderson, 1998). In other words, it is often citizens' perception about the equity of the current status quo that influences the way national institutions, and so democracy, are perceived.

Equity, freedom of speech and responsiveness are fundamental tools for a functioning civil society, which stands at the basis of a functioning democracy. Indeed, what has made democracy a winning model so far, compared with other forms of governance, is the premise for a dignified, free and better life, which seems to be guaranteed by the above elements. The fact that Italy is a democratic country is not questioned here. Yet, the circumstances that have allowed the country

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to perform better than others in 2020 merit some deeper analysis. Indeed, especially in the last year, the responsiveness of its democracy seemed at risk, while freedom of speech and equity were not always at their best. Hence, the next sessions will assess Italian democracy by applying the above-mentioned categories as filters to better interpret current political and institutional trends.

### **A responsive democracy?**

At the beginning, the crisis generated by the COVID-19 seemed to have restored trust of the Italians in their government and thus in democracy. According to Statista, 65% of Italians approved the government's response to the coronavirus (COVID-19) pandemic and the Italian Prime Minister Giuseppe Conte reached the largest support since the beginning of his first cabinet (Statista, 2020). In 2020, only 42% of Italians believed that their country was not democratic enough, while in 2019 it was 56%. Yet, data shows that in 2020 more trust was certainly provided to the Prime Minister, but not to democratic institutions such as the Parliament per se. This is because, as the Prime Minister acquired unprecedented powers, his responsiveness to face the consequences of the pandemic became higher than the Parliament's. As Italy was the first country in the European Union experiencing COVID-19, the state of health emergency was declared in January 31 2020, under Law 225/1992 on Civil Protection by the Prime Minister himself. This was a precondition to allow the government to acquire the authority to adopt any measure necessary to contain the virus. In March 2020, the former Italian Prime Minister Giuseppe Conte called for a national lockdown and since then the government, acting within the limit of the Constitution, has often been using presidential decrees to legislate.

Presidential decrees can certainly erode the parliament's responsiveness in the long run, as they often do not require any

parliamentary approval to be effective. So, while the Prime Minister has been acquiring unprecedented power, the work of the parliament has frequently been limited to urgent non-deferrable bills. From March to December 2020, out of 430 legislative acts enacted by the government to face the COVID-19 crisis, only 11 saw an active participation of the parliament. This means that 97% of the time the parliament was not involved in decisions related to the containment of the sanitarian crisis. At the same time, to contain the spread of the virus during the first national lockdown, only a minimum number of 350 members of the Chambers of Deputies out of 630 and 161 Senators out of 315 could attend sessions to ratify decisions taken by the government.

Those choices were certainly justified by the need to act quickly to counter the spread of the contagion. However, with the resumption of work after the first national lockdown, the frequent use of the question of trust by the government harnessed the parliamentary powers of intervention. In a nutshell, the pandemic has resulted in a temporary erosion of the role of the Parliament, which negatively affects its responsiveness as well as its legitimacy in the eyes of citizens. Yet, this latter issue has deeper roots. Already in spring 2019, 55% of Italians did not trust Parliament (Eurobarometer 2019). This is clear even considering the high electoral volatility that has characterized the country in the last years, which is directly linked to citizens' dissatisfaction with the status quo but also to a lowering of trust in political institutions and political parties seated at the Parliament.

In January 2021, while 54% of Italians still trusted the Prime Minister, only 23% trusted the Parliament, and 9% trusted political parties (Statista, 2020). In this respect, it is evident that trust in the responsiveness of democracy, which should be based firstly on the Parliament, has been falling. At the beginning of 2021, Prime Minister Conte's loss of political majority resulted in Mario Draghi being asked by the President of the Republic to form a new government,



after having received the support of the majority of the parliament's members. While only 23% of Italians, against 68%, considers elections as a preferable option, the unanimous support received by Draghi - a technocrat more than a politician - certainly corroborates the idea, already supported by more than 70% of Italians, that politicians and parliamentarians are not to be trusted (Demos, 2021, ). This assumption is also highlighted by the results of the Constitutional referendum held in September 2020, whereby the majority of Italians voted to reduce the number of parliamentarians. To conclude, while the COVID-19 legislative procedure and the use of the decree are not a breach of democracy, and to some extent increased the responsiveness of the government, the tendency of disempowering and distrusting politics and the parliament have been reducing its receptiveness, certainly harming democracy per se.

## **A Free and equitable Democracy?**

According to Madison, freedom of expression in every democratic system is essential to frame public opinion, which in turn, should not just limit its action to an ex-post control over government's actions but should act as the real sovereign (Madison, 1791). If citizens are not allowed to freely express their point of views and be informed through different sources, their view will be determined mainly by political campaigns or propaganda, failing to control governments' performances. In other words, freedom of expression is essential because it allows citizens not only to define the government by choosing who is going to be elected, but also to knowledgably participate in public discourse and influence policies adopted by informing representatives of their views (Bryce, 1888). Since the early forms of mass media were developed, the advancement of communication technologies has been central in cementing the roles of a robust public opinion, which according to



Pasquino is the basis for an effective democracy (Pasquino, 2008), (Horton Cooley, 1910) (Stone and Schauer (ed.), 2021).

Freedom of Expression and Democracy Ashutosh Bhagwat and James Weinstein *The Oxford Handbook of Freedom of Speech* Edited by Adrienne Stone and Frederick Schauer . According to the Freedom House, in 2019, Italy's connectivity was already lagging behind some of the European Union member countries (EU). There were also issues related to self-censorship by media outlets on certain types of content that could be considered controversial by political representatives or public officials, or that could cause a lawsuit. Moreover, political parties in Italy occasionally manipulated online content. Yet, connectivity and media freedom in 2020 developed. While the reason behind better connectivity can be linked to the COVID-19 mobility restrictions experienced during the national lockdown, media freedom is not related to that. In the past years, there have been many examples of hostility perpetuated by politicians against national press. And according to the 2018 report of the Council of Europe's Platform for the Protection of Journalism, media freedom in Italy was not at its best, with members of the government and the ruling coalition parties adopting a hostile rhetoric against journalists. However, according to Reporters Without Borders, Italy scored 41 out of 180 countries in the world rankings in 2020 (Reporters Without Borders, 2020). The trend is improving considering that in 2019 it scored 43. Yet, the adoption of emergency laws and regulations in response to the COVID-19 pandemic, which suspended for instance the deadlines by which public bodies were required to respond to freedom of information (FOI) requests, has resulted in limitation of journalists' activities, often neglecting the media's crucial role in times of crisis. This has certainly been limiting the fundamental rights of Italian citizens to uncensored information from diverse sources. In this respect, a wider use of the internet, however, necessitated by the national lockdowns, and better connectivity, have

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certainly helped citizens to have a broader access to information from online alternative sources, which however, are often the cause of the spreading of fake news.

While media freedom in Italy certainly needs to progress, in terms of equal access to opportunities there is still much to do. For instance, the Next Generation EU national plan will certainly boost connectivity, benefiting freedom of expression among Italian citizens and so democracy. Yet, it might not have the same positive effect on equity, since 85% of the workforce operating in the digital market is composed of men. The case of the gender issue is central when it comes to social equity, and gender equality is a crucial feature of democratic societies. In 2020, Italy ranked 14<sup>th</sup> in the EU on the Gender Equality Index, scoring 63.5 out of 100 points, 4.4 points lower than the EU's average, but 0,5 point more than in 2019. Since 2005, gender equality in Italy has been increasing and overall the progress registered in the country has been achieved at a much faster pace than other EU Member States. However, many of the results achieved in recent years risk being nullified by the economic and social consequences generated by the COVID-19 (EIGE, 2020). In December 2020, only 48,5% of Italian women were working, against the 50,1% registered in 2019 (AlmaLaurea, 2020). Salaries among educated women are 19.9% lower than those earned by educated men, and in the case of children, they can be even 24,6% less. Among the 440 thousand Italians who lost their jobs during the pandemic, 312 thousand were women (ISTA, 2020). This is because women work mainly but not exclusively in service sectors, which have been strongly hit by the pandemic, but also because many of them do not have fixed term contracts, which offer higher guarantees. Moreover, many women are still the unique family care providers. During national lockdown, to take care of their families, many women quit their jobs and 31% stopped looking for employment. On the other hand, they needed to combine

the demands of work, home-schooling, housework and caring for other family members, with 24% of women, against 13% of men, finding it hard to concentrate in their work because of family's responsibilities (Mascherini and Bisello, 2020.). At the same time, the Governments' decision to create a technical-scientific committee to tackle the crisis that failed to include any female representative was certainly a clear demonstration of the level of gender inequality registered in Italy (Newell, 2020), (Guerra, 2020) (Madison, 1983).

## **Conclusions**

Considering the pandemic, democracy in Italy seems to have performed quite well in 2020. Yet, when it comes to analysing the level of responsiveness of democratic institutions, freedom of expression and equity, the data presented shows that Italian democracy is not at its best. As far as responsiveness by political parties and the parliament is concerned, it is time for Progressive forces to take back their central role in dealing with major social and economic issues felt by the citizens. While the vaccination campaign is slowly progressing, possibly reducing the contagion of the virus and the various restrictions imposed by the government, in the eyes of citizens the parliament has to take back its role. The Next Generation EU and national recovery plans might help Italy in boosting the economy. Yet, for tackling citizens' deeper feelings of distrust, it is necessary to rebuild a sustainable and inclusive social and economic system, which will benefit democracy at large. In this respect, one of the effects of the coronavirus pandemic has been to highlight gender inequality as a significant political issue. Women in Italy have been suffering the consequences of the pandemic more than men, because they are more exposed to the risks of unemployment or they work in low-paid and/or temporary jobs. Beyond the ethical aspect of the issue, gender inequality deprives the national social,

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political and economic system of resources, skills and competence it needs to progress. Certainly, the Government measures taken so far, such as gender quota, or the introduction of economic bonuses for paying babysitters during the pandemic were not enough, and to avoid gender pay gap continuing to be one of the main obstacles to equity, it is time for progressive forces to act and change the status quo and create a new normality by abolishing pay differences, reforming and reintroducing forms of smart-working, and by providing social care services. At the same time, progressive forces need to fight against any political attack vis à vis journalists and free media in general. On the other hand, the Next Gen EU plan but also the Digital Services Act and Digital Markets Act should be used as a basis for supporting media pluralism and help to establish more favourable digital and economic environments for the practice of journalism. This would benefit Italian citizens at large, but also contribute to building a more equal society, which in the new normality of a Post-COVID-19 world, will certainly be the basis for a better functioning democracy.

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**PROGRESSIVISM  
AFTER COVID:  
EXPERIENCES,  
IMPULSES, IDEAS**

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Patrick DIAMOND

## **Governing Social Risks After COVID-19**



## **Keywords**

**Welfare State, Social Risks, Governance, Social Investment,  
Predistribution**

## **Abstract**

In debating the future of European welfare states, the social investment paradigm is among the most important ideas to have emerged. Social investment relates to human capital and labour market policies that transform welfare states from 'passive' to 'active' systems of social protection. 'First wave' social investment strategies led to a rise in the employment rate in many EU countries. 'Second wave' policies sought to tackle growing inequality, emphasising the importance of cash transfer payments. In the light of policy learning and the impact of the COVID-19 pandemic, social investment policies need to enter a 'third wave' focused on building up the assets of young people vulnerable to economic precarity, tackling labour market insecurity, reforming 'winner takes all' markets driven by financialization, while addressing spatial disadvantage through place-sensitive policies at national and European level.

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'The goal of social policy, in these times of change and anxiety, is to help people absorb the shocks that affect them without allowing those shocks to affect their sense of themselves'.

*Banerjee and Duflo, 2019.*

Social democratic parties must continue to rethink their approach to welfare state policies. The 20<sup>th</sup> century Bismarkian and Beveridgian systems have come under continuing strain due to the burden of industrial restructuring, rising economic inequalities and the impact of demographic change. Among the most important ideas that have emerged since the 1990s is the 'social investment paradigm' encompassing the institutions of the welfare state, labour markets and education. The social investment paradigm is concerned with policies that:

*Invest in human capital development (early childhood education and care, education and lifelong learning) and that help to make efficient use of human capital (through policies supporting women's and single parents' employment, through active labour market policies, but also through specific forms of labour market regulation and social protection institutions that promote flexible security), while fostering greater social inclusion (notably by facilitating access to the labour market for groups that have traditionally been excluded). Crucial to this new approach is the idea that social policies should be seen as a productive factor, essential to economic development and to employment growth (Morel & Palier 2012: 2).*

While the social investment concept was widely disseminated and became hegemonic within official EU discourse, the idea is not without its critics and has been subject to further refinement over the last twenty years. This paper avers the social investment paradigm remains highly relevant: it acknowledges that traditional welfare states have struggled to counter new sources of polarisation, notably the cleavage between labour market insiders and outsiders, and the growth of gender inequality. Esping-Andersen (1999) argued in the 1990s that the problem of welfare states is not their vulnerability to retrenchment and cuts, but that social protection systems are not sufficiently flexible and agile in dealing with new social risks. He insisted centre-left parties should not act as defenders of the status quo ante. In the light of the social and economic aftershocks created by the COVID-19 pandemic, we need a 'third wave' of social investment policies that recognises the problems inherent in the 'first' and 'second' wave iterations of the paradigm.

The paper is structured in the following way. It begins by tracing the recent history of the social investment idea in Europe. Then, the paper examines the 'first' and 'second' waves of the social investment paradigm. Problems with each wave are identified, while it is recognised that the strains imposed by the pandemic will require a major revision of existing welfare policies. An obvious strategy to deal with the economic and social challenges of the pandemic is to institute a basic income as a universal right of citizenship. Yet basic income is likely to prove an inadequate remedy. The paper concludes by proposing several adaptations of the social investment framework focusing on asset-based policies for young people, 'predistributive' measures that reform markets while tackling labour market insecurity, and place-sensitive policies, including investment in social as well as physical infrastructure to promote growth in the foundational economy of states.



## The social investment idea

The phrase 'social investment' comes from a report published by the Organisation for Economic Co-operation Development (OECD). The report argued: 'By shifting from a social expenditure to a social investment perspective, it is expected that considerable progress can be made in transforming the welfare state' (OECD; 1997: 14). The idea of a paradigm shift towards social investment subsequently influenced the European Union's (EU) Lisbon strategy launched in 2000. The Lisbon strategy represented a synthesis of market liberalisation, knowledge-based investment and strategies for social inclusion. It was a break with the neo-liberal vision of the previous two decades that saw little role for active government. Yet social investment offered a different prescription to the Keynesian welfare state of the post-1945 era. The social investment strategy was an effort to reconcile the imperative of economic modernisation with social justice. A subsequent communication to the European Council in Nice stated:

*The European Social Model, with its developed systems of social protection, must underpin the transformation of the knowledge economy. People are Europe's main asset and should be the focal point of the Union's policies. Investing in people and developing an active and dynamic welfare state will be crucial both to Europe's place in the knowledge economy and for ensuring that the emergence of this new economy does not compound the existing social problems of unemployment, social exclusion and poverty (Council of the European Union 2000: point 7).*

In this policy statement, economic competitiveness and social cohesion are conceived as two sides of the same coin. The purpose of economic and social policy is establishing an equilibrium between politics and capitalism, securing a more just distribution of opportunities and outcomes than market forces alone. While the Lisbon strategy fell



short of its ambitious targets, the social investment 'turn' has gathered momentum at EU level since the late 1990s. It owed a great deal to the intellectual influence of sociologists of the welfare state, notably Gosta Esping-Andersen. The concept of the European social dimension was subsequently advanced during the landmark Belgian Presidency of the EU. The Belgian presidency alighted on the idea of 'child-centred social investment' (Lister, 2004). Esping-Andersen contended that the failure to invest in children had damaging long-term economic and social effects. Policy should support family incomes through cash transfers, while providing early years services to narrow disparities in educational advantage. As such, current spending would yield productive long-term returns. The social investment paradigm drew heavily from the philosophical influence of Amartya Sen. The objective was not to secure absolute equality of outcome, but to remove structural barriers to equality of life-chances strengthening the 'capabilities' that individuals require to realise such opportunities.

## **First wave social investment**

At the core of the 'first wave' social investment paradigm was the concept of 'new social risks'. The argument was that post-war welfare states were designed to deal with 'old' life-cycle risks associated with male breadwinners employed in industrial occupations: unemployment, ill-health, and old age. Bismarkian systems focused on income transfers funded by income-contingent social insurance contributions; while Beveridgian systems used general taxpayer contributions to finance flat-rate social security benefits. Yet the literature on 'new' social risks emphasised that the focus of the traditional welfare state was increasingly obsolete. The logic of addressing old risks advantaged labour market insiders over outsiders. New social risks related to family instability, gender inequality, lack of skills and labour market precarity.

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Moreover, while first wave social investment focused on the transition towards a 'knowledge-based economy', it was believed that reforms which encouraged workers to adapt to change were enough.

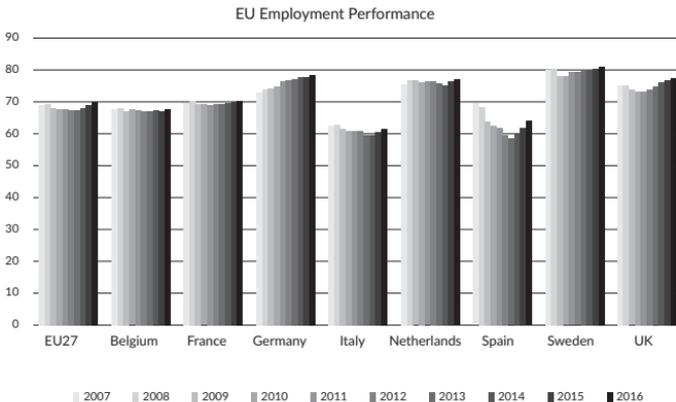
The first wave ideas certainly gained political traction. They are visible in the German conception of the *Neue Mitte*, UK Labour's third way, and other reform efforts, notably Renzi's modernisation project in Italy. The key assumption was that it was politically legitimate to redistribute public spending from traditional social protection to 'active welfare state policies'. Social investment was favoured by political leaders since it justified moving away from electorally unpalatable 'tax and spend' agendas. Moreover, social investment implied that redistribution to further equality could be supplanted by other measures, notably education spending. The normative ideal of first wave social investment was 'investing in the future'. Yet such policies were also viewed as a pragmatic response to new challenges, notably globalisation and demographic change (Lister, 2004). In the first wave, social investment was a key characteristic of the programmes of centre-left parties that sought to blend elements of neo-liberalism with the traditional social democratic commitment to the welfare state.

Advocates of first wave social investment policies pointed towards dramatic improvements in EU employment performance over the last 15 years (particularly female employment) as one of the gains of transforming the welfare state. While the United States had the highest employment rate among industrialised economies in the late 1990s, its performance deteriorated following the 2008 financial crisis and has scarcely recovered, despite the emphasis on safeguarding industrial jobs through federal government intervention. In contrast, Sweden has continued to enjoy among the best employment rates in the world. Meanwhile, Germany's performance on jobs has improved significantly. The employment rate rose from 72.9 per cent in 2007 to 78.6 by 2017. The Netherlands witnessed a similar level of improvement. The

employment rate in France rose more modestly from 69.9 per cent to 70.7. Employment in Italy and Spain declined throughout that decade, a consequence of austerity.<sup>1</sup>

Hemerijck et. al. (2013) argue that social investment has delivered ‘impressive accomplishments’, particularly in Northern Europe, with countries achieving Pareto optimal ‘high equity’ and ‘high efficiency’ results. Outcomes in education, family-friendly policies and welfare state activation have improved, even though spending has risen only modestly in most countries (Hemerijck et. al. 2013). Nonetheless, improved performance in key areas of social policy coincided with a rise in inequality in states such as Germany, the Netherlands and Sweden (as well as less surprisingly Spain and Italy alongside the UK) driven by the rising share going to the top of the income distribution (Blanchet et. al, 2019). In contrast, inequality in France and Belgium fell during the period from 2011 to 2019.

**Figure 1: EU Employment Rate in Selected Countries 2007-2016**



<sup>1</sup> The data is from Euro Stat: [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Employment\\_-\\_annual\\_statistics](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Employment_-_annual_statistics) Accessed 3 February 2021.

Figure 2: Gino co-efficient of disposable income (scale from 0 to 100) 2011-19

	2011	2019
EU-27	30.5	30.2
Belgium	26.3	25.1
France	30.8	29.2
Germany	29	29.7
Italy	32.2	32.8
Netherlands	25.8	26.8
Spain	34	33
Sweden	26	27.6
UK	33	33.5

## Second wave social investment

Not surprisingly, however, the first wave social investment paradigm was subject to criticism by scholars and policy-makers. Firstly, it was claimed that first wave policies underestimated the insecurity prevailing in modern economies. Contemporary capitalism had not reached a stage of evolution where shocks and painful industrial restructuring had ceased, as the 2008 financial crisis demonstrated. In refocusing public spending in the late 1990s, there was insufficient emphasis on maintaining 'buffers': cash transfer payments that afforded basic social protection to displaced workers. The first wave social investment paradigm was too concerned with incentivising workers to adapt to the knowledge-based economy and the rise of globalisation (Lister, 2004). As such, social investment strategies allowed economic imperatives to gain ascendancy over social policy, prioritising wealth rather than well-being.

Secondly, it was claimed there was too much reliance on education and skills policies. Investment in human capital became the solution to almost every challenge confronting the welfare state. Yet there would always be low paid jobs, even in the service-orientated knowledge economy. It was necessary to identify measures to increase economic security and dignity for those with fewer marketable skills. Another problem with prioritising education was the practical difficulty of creating effective lifelong retraining and education systems in Europe. In most countries, the priorities for policy-makers remained expansion of early years services and the modernisation of the school system. Higher education in turn dominated the debate about post-compulsory education. Apprenticeships, workplace training, literacy and numeracy skills acquisition, and more flexible degree programmes received less attention from governments and consequently, a lower level of investment.

Thirdly, the analysis of gender inequality in first wave social investment approaches was under-developed (Jenson, 2005). The focus of policy was removing barriers to employment, enabling women to enter the labour market through provision of parental leave, government-subsidised childcare services and efforts to reduce the gender pay gap. Insufficient attention was paid to policies that would incentivise male breadwinners to participate more fully in unpaid care and household labour, although that approach was more strongly emphasised in the Nordic countries from the 1970s.

Those experts who criticised first wave strategies advocated the revision of social investment policies, arguing for a recalibration of reforms amounting to a 'second wave' social investment paradigm (Morel & Palier, 2012; Hemerijck, 2013). The second wave meant continuing to stress the importance of social protection and income maintenance. The old risks had not gone away. It was an error to reduce spending on social security, not least as a mechanism of

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macro-economic stabilisation where the welfare state functioned as an automatic stabiliser during recessions. Hemerijck (2013) showed that welfare states that spent generously on social protection had higher employment rates, underlining that relatively generous cash transfers do not act as a disincentive to labour market participation. Those countries with strong social protection systems enabled workers to make efficient labour market transitions, promoting gender equity while investing in the lifelong renewal of human capital. Low spending welfare countries, particularly in Southern Europe, experienced markedly lower employment rates. Second wave advocates recognised that further measures were necessary to deal with new patterns of polarisation and dualization in Europe.

Nevertheless, in common with first wave social investment, the second wave still focused overwhelmingly on household inequalities and individual life-chances. The political economy of 'place' and spatial economic disadvantage were neglected. There was too little acknowledgement in the social investment paradigm of the geographical distribution of social risks and the importance of 'the economics of belonging', a criticism to which the paper returns in the final section.

## After the second wave: crisis aftershocks

Second wave social investment has been further challenged by the economic and social crises associated with the COVID-19 pandemic. These challenges have given new urgency to the debate about the future of social protection and the welfare state. This paper identifies five interlocking structural weaknesses exacerbated by the recent crisis:

- First, rising unemployment and worklessness aggravated by economic restructuring intensified by the pandemic.

- Second, divergence throughout the EU between Northern and Central countries and the Southern/Eastern periphery on key measures of GDP growth, employment, poverty, inequality and social expenditure.
- Third, the long-term crisis of 'winners' and 'losers' that originates in technological change and economic globalisation. Inequalities in the European labour market have been growing for more than a decade given new technologies and automation. The data suggests that since 2010, new job growth has been at the lower and higher end of the labour market. Routine, middle-level intermediate skill jobs are being hollowed-out (Wren, 2013).
- Fourth, the structural trends of demography and rising life expectancy impose added pressures on the welfare state. Meanwhile, the welfare state remains highly polarised in many countries as older people are better protected, while younger generations are more exposed to social risks (Hemerijck, 2013). The pandemic will be the catalyst for further polarisation which affects women, the low-skilled, Black, Asian and Multi-Ethnic (BAME) groups, and the young, who are more likely to be employed in low wage service industries that will not survive the disruption of recent lockdowns. Recent reports indicate that while there is considerable variation across BAME groups, black communities and young people in particular are vulnerable to labour market disadvantage (IFS, 2020). Women have also taken on most of the household labour, including home schooling, in the light of the pandemic.
- Fifth, the ongoing impact of migration, integration and identity on social citizenship and cohesion traditionally underpinning the welfare state continues to influence the modernisation of social protection systems, particularly in reshaping entitlements to transfer payments and service provision.

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The pandemic did not create these structural problems, yet it is likely to intensify them. Moreover, the resulting crisis in public finances will accentuate the difficulty of responding to long-term social and economic challenges, notably Europe's ageing demography and climate change. The EU's role in addressing the trade-offs between economic integration and the socially inclusive modernisation of European welfare states remains important. It is argued that a Euro-Keynesian solution is unrealistic (Hemerijck, 2013). Individual member-states need to pursue distinctive reform strategies to strengthen their resilience in coping with future social risks. One of the central lessons of the 2008 financial crisis, particularly in countries such as Britain, Ireland, and Spain, is that social policy cannot adequately compensate for models of financialized capitalism that amplify inequality and risk.

The consequences of the COVID-19 pandemic for European social models are likely to be profound. There has been significant innovation in the welfare state resulting from the extreme shock of lockdowns, notably the creation of income protection and 'furlough' schemes designed to protect middle-class incomes rather than providing only basic social assistance. It appears that the welfare states of Europe had not been entirely hollowed-out over the previous forty years. They have retained the capacity to become Keynesian welfare states focused on stabilising the macro-economy while protecting individual households from unforeseen risk. However, the consequence of emergency programmes may be to attenuate cleavages, notably between insiders and outsiders. The self-employed and those on casual 'zero hours' contracts have not enjoyed the same levels of protection in many countries. Political pressures now point towards increasing the wages of essential public sector workers. The crisis had a disproportionate impact on young people making the transition between education and the labour market. Yet so far, there is little evidence of concerted compensatory investment. Moreover, many observers remain

pessimistic about growth in the post-pandemic economy, which will in turn add to the long-term pressures on welfare states (Tooze, 2020).

## **Towards a basic income?**

The next generation of social policy must address these unresolved questions. An obvious and compelling solution would be a basic 'citizen's income' to confront the problems of precarity facing labour market outsiders. In summary, UBI is an unconditional, regular and universal payment made by the state to all citizens. It is by no means a new idea but recent supporters claim UBI offers a convincing solution to a wide range of social and economic problems, with particular support from writers and think-tanks on the Left (Bregman, 2017; Painter and Thoung, 2015; Reed and Lansley, 2016; Standing, 2014; Standing, 2017). There are two explanations for the growing prominence of UBI in political debate. Firstly, it is clearly relevant to a sweep of contemporary social problems. Secondly, UBI has the unique advantage of being radical, simple-to-understand and wide-ranging in its appeal across the political spectrum (Chrisp, 2017). On the Left, UBI is commonly associated with left-libertarians such as Phillippe Van Parijs (1991), anti-work theorists (Gorz, 1999; Smicek and Williams, 2016) and feminist scholars (Schulz, 2017). Meanwhile, UBI and other guaranteed income schemes have commanded support on the Right (Zwolinski, 2011) and within mainstream, centrist political circles, including social democratic parties (Gamble, 2016; Cowburn, 2017). This is a novel development. Van Parijs (2016), for example, noted the historical absence of UBI from the programmes of European social democratic parties.

The pandemic is likely to add further impetus to proposals for UBI. In 2017, the Finnish government began an experiment in which 2,000 unemployed benefit recipients receive €560 per month, regardless

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of whether they found paid work. The rationale behind the Finnish experiment is firmly within the political mainstream, aiming to 'reform social security so that incentive traps related to work are eliminated' (Ministry of Social Affairs and Health, 2016). Secondly, the Dutch government began a more complex guaranteed income experiment, where a sample of benefit claimants are assigned to different groups including (a) those with no job-search obligations (b) those with enhanced job-search obligations and (c) those with no job-search obligations who are permitted to keep benefits when re-employed. The level of benefits is around €960 per month. Like the Finnish experiment, the primary objective is to incentivize employment. The main rationale for UBI is as follows:

- *Automation*: the capacity of technological change to disrupt labour markets, specifically via the replacement of jobs through automation, is the most commonly cited justification for UBI although some argue the risks of automation are exaggerated (Autor, 2015).
- *Gender equality*: some UBI supporters claim UBI could advance equality by enhancing incentives for women to enter the labour market, recognizing the value of unpaid work, providing women with more economic independence, and reducing poverty, which would disproportionately benefit women (Schulz, 2017).
- *Work-life balance*: a third argument for UBI concerns the struggle many working parents experience balancing paid work with family life. Population ageing has increased caring pressures; the shift to dual-earner households has brought new challenges in raising children; and labour market insecurity and flexibility threaten work-life balance.
- *Youth insecurity*: A final argument for UBI is responding to labour market insecurity. UBI is cited by supporters as a convincing solution to the increased insecurity of younger workers, in contrast to existing welfare state arrangements. Standing (2014) argues

that conventional welfare states – with their focus on in-work or contributions-based benefits – offer little to generations largely excluded from secure, well-paid jobs.

UBI is claimed to have the potential to transform societies and economies, even as a path to 'utopia' (Bregman, 2017). Yet UBI is vulnerable to the accusation that it is not nearly transformative enough: it leaves inequalities of wealth, income and autonomy relatively undisturbed (Navarro, 2016). Moreover, UBI absolves governments of responsibility for devising solutions to, and contesting, the wide range of problems UBI supporters identify. Robeyns' (2001), for example, provides a powerful critique of UBI contending that the supposed neutrality of basic income – that it distributes income to people to spend as they wish – is compromised in societies that are evidently unequal. For example, if UBI is implemented in conditions of rising gender inequality, the danger is that UBI reinforces, rather than reduces, the impact of inequalities. That translates into two particular concerns. First, UBI could act as an incentive for those with weaker labour market attachments – more likely to be women in many countries – to reduce their working hours. Secondly, and because of the first concern, UBI could entrench gendered norms around care and domestic work if women did reduce their working hours more than men.

Moreover, UBI's capacity to hold back the tide of labour market precarity appears limited given most proposals focus on extremely modest BIs that are, on their own, insufficient for households to live on. In order to demonstrate the affordability and viability of UBI (eg Painter and Thoun, 2015; Torry, 2016) most proposals are small-scale – offering in the region of £60-70 per week – and would continue to leave many reliant on the formal labour market for their income. UBI on its own offers no comprehensive solution to reversing the tide of economic insecurity. On the contrary, UBI could feasibly give license

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to employers to offer lower wages and less secure conditions. The expectation on employers to provide adequate wages could be weakened if individuals had alternative sources of income guaranteed by the state. Other measures to reduce labour market precarity – notably stronger regulations on temporary labour – are not mutually exclusive to UBI. However, the issue is whether UBI would ultimately be necessary if precariousness was tackled by other forms of government intervention.

Another objection to UBI relates to the economics of belonging. UBI focuses support on the individual in common with ‘first’ and ‘second’ wave social investment policies. The purpose of government intervention is to support the individual worker in adapting to change. This approach has several problems, however. While the individual’s position on the income distribution might improve as a consequence of UBI, their subjective economic well-being may not if they live in a locality that is exposed to relative industrial decline characterised by worsening physical infrastructure and a deterioration in the quality of the public sphere. UBI alone does not solve these collective action problems. Moreover, as Banerjee and Duflo (2019) have suggested, effective social policies have to strike a judicious balance between ‘people’ and ‘place’. Individuals and households tend to be sticky in their preferences. While UBI might in principle assist labour mobility (giving households the flexibility to move to where there are higher paying jobs), individuals remain strongly attached to their local area. The emphasis of social policy ought to reflect this. Therefore, place-based policy-making remains critically important.

Bergmann (2004) claims that most governments do not have the resources or public will to provide both a UBI and a generous ‘Swedish-style’ welfare state. Given this dilemma, the key question is whether UBI or an expanded welfare state should be prioritized. Bergmann (2004) claims that welfare state expansion is preferable for

centre-left parties given the success of the Nordic welfare states in meeting a range of human needs, promoting income equality and their success in winning public support. The first objective for countries with less advanced welfare states should be to develop more generous and inclusive social programmes. To do otherwise and support UBI as an alternative approach risks putting 'the cart before the horse' (Bergmann, 2004: 109).

Social policy reform must not become a lost cause for the Left. Plausible policies exist that are better suited to tackling the social and economic problems persuasively identified by supporters of basic income schemes. These include well-funded childcare and shared parental leave, active labour market programmes that endow the 'losers' of automation with the skills to compete in the new labour market (Corlett, 2016), alongside policies such as shorter working weeks (Coote et al., 2010) and funded sabbaticals to promote better work/life balance. There are measures that can help raise productivity and increase wages in traditionally insecure, low-paid labour absorbing sectors such as social care and domestic work (Carlin, 2014). And guaranteed income schemes should not be written off entirely. They may have merit when targeted at specific groups such as children and young adults (see Martinelli, 2017), or linked to participation (Atkinson, 1996). Yet as Kay (2017) and Piachaud (2016) infer, UBI is a distraction from more viable policy reforms. At a time when few on the European Left have persuasive solutions to the deep-seated problems facing our societies, and when some centre-left parties face an electoral crisis, the straightforward attraction of UBI is obvious. Yet UBI is not the policy solution best placed to address the myriad challenges facing advanced welfare states.



## **A third wave of social investment policies?**

Rather than advocating a basic income, this paper contends that social democratic parties in Europe should originate a 'third wave' social investment strategy. The argument is that the intellectual logic of the social investment paradigm remains compelling. Yet the policies that characterised the first and second waves are no longer adequate and need to adapt, not least to respond to the social and economic aftershocks of the COVID-19 pandemic. Particular deficits and weaknesses in current policies that preceded the COVID crisis but are exacerbated by it include:

- Insufficient focus on the precarity and insecurity of younger workers who are more likely to be labour market outsiders.
- Ongoing polarisation of labour markets because of technological change and the transition to the service-based economy.
- Rules of the game in capital and product markets that amplify inequality, particularly financialization and the rise of big tech.
- Lack of attention to inequalities and patterns of disadvantage that are linked to place and geographical location. There is a growing literature on so-called 'left behind places'. Left behind places have been used to explain the rise of xenophobic populism in the United States during the Trump presidency, in particular member-states of the EU, and in the UK post-Brexit.

Having identified these problems, the paper focuses on four consequential social policy reforms:

- Asset-based policies such as a capital endowment to support younger adults funded by taxes on wealth and capital gains.
- 'Predistributive' measures that tackle systemic labour market inequalities.



- 'Predistributive' reforms that address inequalities in 'winner takes all' markets.
- Place-based strategies that confront economic disadvantage in regional economies including spending on social infrastructure rather than focusing exclusively on physical infrastructure: the new 'economics of belonging'.

The argument is that first and second wave social investment policies focused on individuals at the expense of local economies. Many advanced states, not least those in Europe, are characterised by deep spatial inequalities. Unanticipated events including the rise of populist parties in Europe, alongside the election of President Trump and the Brexit referendum outcome in the UK, are attributed to these inequalities and the spectre of the wider globalisation backlash. Such pre-existing structural forces are likely to intensify in the post-pandemic world, although the restructuring of economies in the aftermath of Covid-19 may lead to new places within countries becoming exposed to economic vulnerability. There is considerable literature which examines how these forces play out across different nations, regions and localities. *The Economist* recently declared that 'Regional inequality is proving too politically dangerous to ignore'. Some accounts focus on the economic drivers of resentment, while others attribute importance to disconnection over 'cultural values'. What has been much less adequately considered is the efficacy of the public policy response to spatial inequality, both from national governments and the European Union (EU). A new wave of social investment policies must address this. Each of the approaches are elaborated further below.

### ***Asset-based policies***

The centrepiece of the strategy should be a universal capital endowment for all young people funded by a lifetime tax on capital

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receipts (Atkinson, 2015). The endowment set at a significant rate (25,000 Euros, for example) would boost life-chances, providing younger adults with the opportunity to access productive investments in housing, small business formation alongside human capital.<sup>2</sup> Countries would debate how far use of the funds should be restricted to designated activities. Funding the endowment through a tax on capital receipts is preferable to an annual wealth tax where there are significant administrative problems, although it is perfectly feasible to enact both.

Another measure would be a basic income for children under the age of 18. Child benefit already exists in many countries. It should be consolidated into a single minimum income for children that is universal but taxable, the best mechanism to tackle rising child poverty rates. Spain, for example, is already moving in that direction. Levy et al. (2013) advocate an EU-wide minimum income for children. They calculate that an income of 50 Euros per month for each child paid for by a 0.2 per cent flat tax on EU households would lift 800,000 children out of poverty. As James Heckman (2014) argued: 'The investments we make today in disadvantaged young children promote social mobility, create opportunity and foster a vibrant, inclusive and healthy society and economy'.

### ***Predistribution in the labour market***

There are multiple drivers of labour market inequality in capitalist countries. An obvious problem associated with rising labour market disadvantage is that these inequalities put added fiscal pressure on welfare states to subsidise lower income households. One response is to reform the industrial relations framework in countries where the power of labour unions has been weakened since the 1980s. Unions

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<sup>2</sup> Thomas Piketty has recently advocated a similar measure in France.

should have the power to protect workers and provide a wage floor, where necessary through collective bargaining.

Another solution is to ensure guaranteed employment in socially productive work paid at the level of the national minimum wage. These programmes are not merely temporary schemes with government acting as employer of last resort in the wake of a recession but are intended to support the long-term expansion of labour-intensive caring services, notably childcare, adult social care, and education. Demand for these services is likely to expand in the wake of COVID-19. Public job guarantee programmes could be targeted at younger (18-30) and older (55-plus) workers. The aim of policy is to aid labour market transitions while providing support to households during periods of economic vulnerability.

### ***Predistribution to address unequal competition in markets***

As Atkinson (2015: 123) suggested, national and European competition policy should be designed explicitly to promote equity, ensuring fair access to goods and services for low income consumers. Too little attention has been paid to how regulatory frameworks can exacerbate inequalities. The first and second wave approaches to social investment gave relatively little attention to markets, assuming that the state and the public sector would compensate for the inequalities that markets generate.

However, the policy lesson of recent decades is that there are limits to how much governments can do given rising cost pressures on welfare states in high income countries. There needs to be greater 'countervailing power' to level the playing field in labour and capital markets. Anti-discrimination measures can help to protect BAME groups from employment market disadvantage. Another example

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relates to housing costs: governments in many countries are compelled to subsidise private rents to protect households from destitution. Yet they should use the levers of competition policy and sectoral regulation, including rent controls, to restrain rising costs in the private housing sector from being an added burden on the welfare state.

### ***Place-based policies***

Many contemporary upheavals are explained by the reaction of those living in 'left behind' places to economic restructuring, notably the rise of xenophobic nationalism and populism. Deindustrialisation leads to loss of collective and personal identity. The revenge of 'places that don't matter' is a revolt against elites which is territorial rather than merely class-orientated (Rodríguez-Pose, 2017). Historically, policies to tackle spatial inequalities focused on supply-side intervention that underplays demand-side factors. EU structural funds, for example, supported entrepreneurship, skills and SME formation alongside renewal of physical infrastructure. There is less focus on stimulating demand for relatively high skilled labour in 'left behind' regions. For the last thirty years, policies to support those displaced by economic shocks focused on equipping workers with human capital, alongside the redesign of welfare states. Where there was a concern with addressing the spatial dynamics of inequality and economic discontent, policy-makers focused on cities and urban conurbations.

There are persuasive reasons for promoting the growth of cities.<sup>3</sup> In the knowledge-orientated service economy, cities are held to be engines of global competitiveness. This strategy is informed by an array of evidence pointing towards the agglomeration advantages of cities as

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<sup>3</sup> Cities is obviously a very broad category. There are global 'mega-cities' within the EU's borders, as well as medium-sized and smaller cities. There is a good deal of research on so-called 'second-tier' cities in Europe.

hubs of innovation and creativity. Much of the evidence and theory is derived from the United States. The rationale of the strategy is that the fruits of economic development and growth will spill over from cities to outlier towns, localities, and rural areas on the periphery. By focusing on core cities, there will be economies of scale, clusters, diversification, specialisation and positive externalities. Approximately 70 per cent of EU citizens live in cities, while capital cities are economically dominant across Europe. Over the last decade, the influence of growth theory is reflected in the Europeanisation of cities policy.<sup>4</sup> An obvious question arises, however: what happens to those 'places that don't matter' on the periphery? And is EU cohesion policy too urban-centred? What should be done to address the dominance of cities? How can policies be adapted to meet the requirements of places outside major urban areas, promoting 'the economics of belonging' while connecting workers more effectively to the national and global economy? Even prior to the global pandemic, policy-makers worried about over-reliance on mega-cities as drivers of economic growth.

Moreover, recent political shocks indicate that it is dangerous for policy-makers to focus exclusively on cities: 'places that don't matter' took their revenge by supporting populist parties, while undermining support for the EU. Of course, the debate is more complex since European policy-makers need to address the trade-off between investment in cities that maximises global economic growth and competitiveness, and policies that promote cohesion and reduce structural economic and social divergence across the EU. Nonetheless, the gap in current European cohesion policies concerns the regional dimension of policy and structural investment that affects 'places' beyond large and medium-sized cities in outlying localities and rural areas.

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4 <https://www.tandfonline.com/doi/full/10.1080/09654313.2019.1709416>

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The work of Banerjee and Duflo (2019) emphasises the ‘stickiness’ of households in the light of attachment to place. The assumption of neo-classical economics that individuals will move to growth hubs in ‘mega cities’ where the highest-paying jobs are located has proved to be mistaken. Consequently, policies that address human capital distribution and income maintenance for individuals fail to tackle the economic circumstances of disadvantaged places; they are likely to be unsuccessful. There has been too much emphasis on ‘interpersonal inequalities’ at the expense of ‘territorial inequalities’ (Rodríguez-Pose, 2017). Policy-makers need to focus on place-based strategies that strengthen ‘social infrastructure’: the foundational economy of services and provision that generate economic and social capital. This point again highlights the importance of investing in ‘labour-absorbing sectors’ to provide more well-paid jobs in ‘left-behind’ communities, in a context where the demand for services has been rising steadily (Carlin, 2017). Simply decentralising and devolving power is insufficient, while maintaining a transfer state risks creating dependent populations sheltered from economic change (Rodríguez-Pose, 2017). Yet the evidence demonstrates that declining areas and regions of the economy can be successfully revived given the right intervention by public authorities.

## Conclusions

The first and second wave iterations of the social investment paradigm led to important alterations in welfare policy. By the early 2000s, welfare states were better equipped to deal with new social risks; in key areas, notably employment, there is evidence of improved performance, although wage inequalities also grew. Indeed, there were clearly weaknesses in these approaches, not least the tendency to prioritise economic goals of global competitiveness over social

imperatives of equity and well-being. The original social investment paradigm was too sanguine about the underlying structure of the capitalist economy. The approach failed to foresee the potential shocks that financialization would unleash, while many workers have struggled to find secure roles in the emerging knowledge-based economy.

Should the basic concept of social investment therefore be discarded? This paper argues not. The idea of social investment remains valuable. It draws attention to the importance of investing in the future and to the urgent need to tackle inter-generational inequities. Social investment helped to shine a light on the persistence of gender inequalities. Moreover, the social investment concept is vital given member-states were once compelled to enact self-defeating austerity policies. The logic of social investment is that particular categories of public spending will help to secure a more productive economy in the long-term. Deficit reduction needs to be approached cautiously, otherwise those fiscal consolidations will undermine equity, productivity and long-run economic performance. Nevertheless, the social investment idea should be overhauled through policy learning that has taken place on the centre-left over the last twenty years. If they think anew, social democratic parties still have the capacity to lead the way in setting a new agenda for economic and social reform in Europe.

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**PROGRESSIVISM  
AFTER COVID:  
EXPERIENCES,  
IMPULSES, IDEAS**

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**PROGRESSIVISM  
AFTER COVID  
EXPERIENCES,  
IMPULSES, IDEAS**



**Imagination and Integrity:  
Forging the Progress Over  
the Tough Experiences**

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Lorena LOMBARDOZZI

## **Re-centring Value in the EU: a Care and Ecological-Led Economy**



## **Keywords**

**Inequality, Social Right, Gender, Ecological Crisis, Value**

## **Abstract**

This policy paper adopts an internationalist and holistic political economy approach to emphasise the political importance and economic implications of supporting public goods and services and workers' conditions to ensure a sustainable and inclusive European Union. By problematising the normative objectives of profit-led growth and its related economic indicators, this paper contributes to identify and systematise the root causes of gender and ecological injustices. It argues for a reconceptualization of the idea of *value* in economic policies to enlighten *what* and *who* actually produce value in our economy and how these agents and activities are rewarded in terms of political voice, economic legitimacy and social rights.



## The unsustainable impasse of the current socio-economic system

The European Union faces multidimensional inequalities linked to massive unemployment and underemployment, deflationary policies and economic austerity, gender and racial discriminations. Yet, it lacks a brave plan for a sustainable and inclusive socio-productive system based on just, ecological and gender-equal principles. Over the past decades we got used to living through a series of frequent and long-term socio-economic crises which have negatively impacted many material aspects related to human needs: the financial crisis, more frequent environmental disasters, political and racial hatred, threats to gender and social rights. Yet, it is intuitive to question whether although different in forms, those disruptive crises can be interpreted as different symptoms of the same disease, and all part of the same system, which, based on the objective of profit-led growth, has failed to deliver the shared wealth and social wellbeing that it promised. The COVID-19 pandemic has shown this failure particularly well, as while millions around Europe and rich nations lost their jobs and houses, thirty-two of the world's largest companies saw their profits jump by \$109 billion (Oxfam, 2020). Therefore, although such injustices have been further exacerbated by the COVID-19 pandemic, it has nonetheless brought in front of our eyes the evidence that the need for *care* and access to health should be top-priorities in societies. In order to do that, a reconceptualization of the concept of *value* should be embedded in economic policies to enlighten *what* and *who* actually produce value in our economy and how these agents are rewarded in terms of political voice, economic rights and social protections.



By combining the feminist and ecological debate in the academic literature, and complementing it with regulatory frameworks, policy papers, social media and newspaper articles, the paper puts forward a review of the current theoretical and policy debates with regards to welfare, macroeconomic and social policies aimed at creating quality jobs, and addressing through public investment the social-ecological objectives for an inclusive economy. This policy paper adopts an internationalist and holistic political economy approach to emphasise the political importance and economic implications of supporting public goods and services and workers' conditions. In other words, this paper identifies the political-economic points on which policy makers who are still attached to the principle of social democracy in 2021 should focus to seek appealing political meanings in relation to the concept of work, care, value and growth in Europe and beyond, and be brave in proposing transformational and re-distributional policy solutions. This paper contributes to identify and systematise the root causes of gender and ecological injustices, which have been depicted by mainstream discourse as distinct yet, are the result of the same normative objectives of profit-led growth.

The paper is structured as follows. Section 2 looks at the poverty and labour crisis in the EU; Section 3 looks at the crisis of care through the conditions of the care industry's workers; section 4 to the ecological-production crisis. Section 5 concludes by outlining policy recommendations.

## **The poverty and inequality crisis in Europe**

Despite the post-war economic boom which brought shared wealth, poverty has never left Europe. In aggregate, since the early

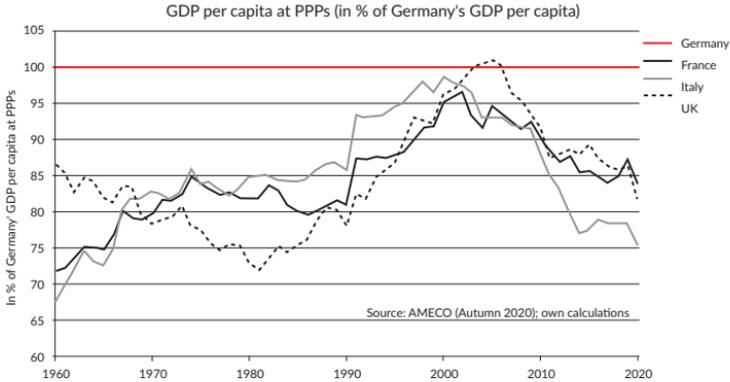


Figure 1: GDP per capita in selected countries

2000s there has been a steady decline in the GDP per capita in the southern European countries as compared to Germany (fig 1).

According to Eurostat, in 2017, 112.8 million people in the EU lived in households at risk of poverty or social exclusion, namely 22.4 % of the population. In 2018, 23.4 % children in the EU27 were at risk of poverty<sup>1</sup> or social exclusion compared with 22.1 % of adults (18–64) and 18.4 % of the elderly (65 or over). Children were the age group with the highest risk of poverty or social exclusion rates in nearly half of the EU Member States, with rates ranging from 13.1% in Slovenia and 13.2% in Czechia to 38.1% in Romania and 33.7% in Bulgaria (fig 2).

Inequality is also at a record high. Data from The World Bank shows that since 2007, the Gini Index (inequality index) has worsened in Greece, Germany, Denmark, Italy, UK and others (World Bank, 2020). Also, COVID-19 has exacerbated the legacy of the 2007-2008 global

<sup>1</sup> Being at risk of poverty or social exclusion means to be in at least one of the following three conditions: at risk of poverty after social transfers (income poverty), severely materially deprived, or living in households with very low work intensity

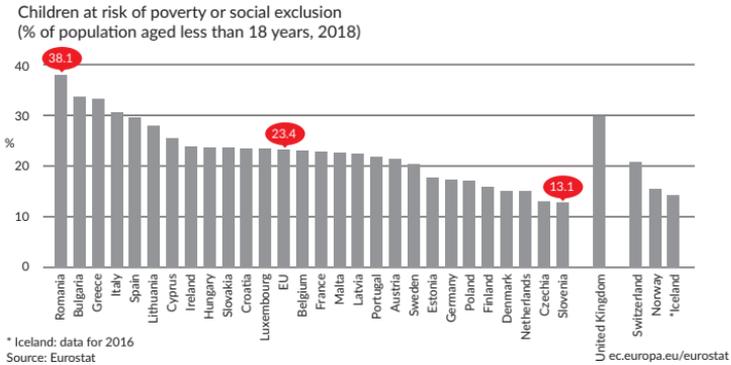


Figure 2: children at risk of poverty in the EU (Source: Eurostat)

financial crisis and consequent austerity by further worsening people's living conditions in multiple ways. But most of all, policymakers have overlooked how this sequence of crises has also created a crisis in the way work is conceived, organised, and recognised politically and economically. Although work is often assumed to be exclusively that which is performed in exchange of money, there is also a vast amount of work performed within the household and the community (ie voluntary work), which is invisible to the economic indicator such as the GDP because it is unpaid but fundamental to keeping society running. In this sphere, women play a key role.

After the financial crisis women have lost their jobs regardless of the sector in which they work, but COVID-19 has discriminated against women in a specific way. Indeed, although women are usually the first category to be penalised during a recession because they usually are the first to lose their jobs (Bargawi et al., 2018), this time, they have been at the forefront of the crisis because they have mostly been employed in key and essential jobs in hospitals, nursing homes and essential retail.

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Professions such as care workers, nurses, and teachers are indeed disproportionately performed by people of colour, women and migrants (Stevano et al, 2020). Although such industries' workers have been at the forefront to contain the material impact of the pandemic, they are subject to undignified working conditions, precarious contracts and extremely low wages. Such treatment has consequences not only for the short-term impact on their livelihoods, but also in the long-term in terms of lower pension, quality of life, political participation and mental health. Therefore, facts suggest that societal social reproduction is performed by women in its most fundamental aspects and, despite that, because of the way women's work is acknowledged and treated, poverty in Europe is highly gendered. The next sections will try to further unpack this issue.

### **Beyond the real production paradigm: the care crisis**

It is not new that capitalism relies on over-consumption, over-production, over-indebtedness, environmental degradation, and inequality (Euromemorandum, 2020). The neoliberal stage of capitalism started in the 1980s has led to widespread poverty in the richest countries in the world, reckless privatization, defunding of the public services responsible for the worsening of wellbeing indicators, political radicalization especially of the so-called alt-right, and frequent social unrest. "The shrinking of the welfare state has contributed to the transfer of care responsibilities back into the household, or in the form of commodified services in the market" (Lombardozzi: 2020:317). EU policies have endorsed such marketization push under the dogma of market fundamentalism which, it was believed, would allocate resources more efficiently than the state. In this section, I discuss one of the most obvious contradictions of the current system, identified

in the crisis care sector and its biased understanding of work and labour. This discussion provides an evidence-driven lens to question the basis of political economic decision on where public resources are allocated.

Unemployment in many countries of the EU is at record high. According to Eurostat, the number of permanent job losses since lockdown began in March 2020 is over 1.7 million, taking total EU unemployment to 15.6 million (ETUC, 1 October 2021). Let's remember that unemployment has social, economic, psychological and health consequences for individuals and society. It is widely recognised that unemployment is highly correlated with depression, anxiety and suicides (Walker et al, 2021). Unemployment also prevents a fulfilling social and political participation in public activities. Also, evidence shows that poor are prone to malnutrition which leads to non-communicable disease and learning difficulties for children (Razai et al, 2021). In Italy, 90% of job losses have affected women; in the US we have observed similar figures. These effects have therefore an impact on public expenditure because unhealthy citizens rely on more medical services. Also, people will not be able to express their intellectual and physical potential in their productive working age, which will create lags in purchasing power, creation of demand and consumption goods. Uncertain income and low expectation towards their financial position also prevents people from having children, which has led to a declining population growth rate. Finally, fiscal revenue will shrink, creating gaps in the way public expenditure will be able to pay for quality social services. Therefore, there are both moral, ethical, and political reasons to address the issue of unemployment, but if that is not enough, it is also clear that unemployment is economically inefficient.

In this job crisis, and although care is fundamental to society, yet we lack care services, there are still insufficient nurses, and they are underpaid. Gender segregation is still very high and women are

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concentrated in health care and hospitality, therefore the care crisis is also a gender crisis. Empirical evidence shows that investment in the care industry is very low, as are wages. According to a recent study (De Henau and Himmelweit,2021) in most of the European countries there is an urgent need for more care workers. The two tables below show that Italy and Spain, for instance, have less than a third of the care employees than Denmark and Sweden have, as well as total spending as a % of GDP being very low.

Those figures, along with the increased privatization of care facilities such as kindergarten, elderly care homes and after-school activities have increased the burden of social reproduction, namely the ensemble of all the activities necessary to maintain and reproduce society, in and outside the households. Over the past year due to COVID-19 such tasks have been more visible than ever; because of schools' closures and lockdown rules, women had to take on the burden of childcare and increased pressure of reproductive tasks (Stefano et al. 2021) with no remuneration or rewards through social protection or political voice.

While this process of 'care extractivism' has been a driver of women's inequality, it has also enabled the normalisation of a system of provision – which includes production and consumption – based on profit-led resource- intensive and unequal mechanisms of access and distribution of monetary, natural and social wealth and wellbeing. Privatization has focused on an increase in productivity which has overshadowed the objective of quality, both for the delivery of the service and for the working conditions of the people employed in such crucial industry.

As a response, investing in 'soft' and 'hard' infrastructural care investment could have multiple social benefits. It could decrease the worrying figures of unemployment by employing more people in the care sector; it will free many from the unpaid time devoted to

**Employment, relative wages, overall spending, and gender in care services and the gender employment gap (2015)**

	Care as % of all HC employees (1)	Care as % of all FTE employees (2)	FTE wage in care (relative to average) (3)	FTE wage in care (relative to construction) (4)	Total spending on care (% GDP) (5)	% women in care employment (FTE) (6)	Overall HC gender employment gap (% pt.) (7)
Denmark	11.4%	11.2%	81%	88%	6.5%	83%	6.5
Sweden	10.4%	10.1%	86%	87%	6.1%	79%	3.0
France	8.0%	7.5%	69%	70%	3.6%	86%	6.5
Germany	6.0%	5.7%	62%	67%	2.7%	74%	8.0
UK	5.7%	5.4%	51%	42%	3.5%	76%	9.6
US	4.6%	4.6%	50%	44%	2.2%	81%	8.7
Spain	3.0%	3.0%	72%	72%	1.9%	86%	10.2
Italy	2.5%	2.5%	56%	70%	1.2%	82%	18.3
EU-28	5.1%	4.7%	81%	91%	2.9%	81%	10.5

**Matching Scandinavian employment and wages in care**

	Additional care empl. needed (1)	Wage rise needed in care industry (2)	Resulting rise in overall empl. rate (% pt) (3)	Resulting rise in women empl. rate (% pt) (4)	Resulting fall in gender gap (5)	Additional gross spending in care required (% GDP) (6)	Additional net spending required (% GDP) to achieve total employment rate as in column (3) if investment is in: (7) care (8) construction	
France	39	18	2.5	3.8	-41	2.2	0.9	2.3
Germany	88	30	5.3	7.6	-57	3.5	1.4	4.4
UK	101	61	5.6	7.5	-40	4.9	3.1	6.8
US	144	62	8.4	11.3	-65	5.2	2.7	5.1
SPAIN	277	10	6.3	9.5	-63	5.8	3.1	7.7
ITALY	352	43	5.7	8.4	-30	5.3	2.8	7.6
EU-28	132	0	6.0	8.5	-48	3.7	1.6	4.3



reproductive activities for which many women are stuck at home. It will thus redistribute the burden of caring responsibilities to society. Last but not least, and I will explore this later, we need to finally accede that new methods of accounting for work which acknowledge both productive and reproductive work has to be adopted, in order for the economy to function based on peoples' needs, and not on affordability, while addressing issues of economic and environmental justice and equity (for instance the wage for housework campaign).

## **The ecological crisis, greenwashing, biased investments**

There is another instance of unpaid work in our societies and is the one performed by nature by extractive resources from ecology which are used to produce goods that people consume (Moore, 2015). Climate change crisis cannot be fought through individual-based measures which focus on "lifestyle emissions" such as recycling and ethical consumerism (Huber, 2020) and keep the relations of production equal. Indeed, the relations of production are nowadays shaped by conditions of oligopoly in many industries, but working people have been blamed for being the polluters. If we look at industrial production, study finds that carbon emissions are highly unequal between producers and consumers, with a heavy responsibility falling on heavy industry such as cement, steel, and chemicals. We are clearly in a crisis of overproduction where, due to the wide depauperation of the working conditions in advanced economies (let alone the exploitative conditions of low and income countries), workers cannot afford what they produce.

Another important point to make relates to the narrative around *scarcity* of natural resources and policies connected to it. Mehta and Harcourt (2020) indeed noted that, while we need to acknowledge

biophysical limits related to melting ice caps and declining soil fertility, we cannot ignore the subjective experiences of how we all experience scarcity beyond the aggregate. Unprivileged and poor people in this narrative fall into exclusion because powerful people instrumentalise such concepts to impose market-based tools to manage natural resources like water as economic goods (ibid). Climate Change is a collective problem, thus it requires collective actions through public investment, because private investment will not take on the necessary up-front cost and long-term risks that only the public can afford (Klein, 2019). At the same time climate change cannot be disentangled from climate justice, and from the acknowledgement of the historic division and patterns of exploitation of nature and slavery that the global North, including Europe, has imposed on the global south through colonialism. That means that the western-centric and patriarchal conception of production needs to be relativised vis-à-vis others living in nature, and therefore acknowledge specificities versus top-down and global solutions (Mehta and Harcourt 2020).

We need financial precautionary principles to target industrial plan and investment which will lead us to 'clean energy, transport, digital, water and waste'. Instead, as recently reported by the New Economic Foundation "The Euro system collateral framework has a carbon bias – it favours fossil fuel companies and other carbon-intensive companies disproportionately to their contribution to EU employment and the direct production of goods and services. Overall, carbon-intensive companies issue 59% of the corporate bonds that the ECB accepts as collateral, while their overall contribution to EU employment and Gross Value Added (GVA) is less than 24% and 29%, respectively" (New Economics, 2021). Furthermore, aggregate incremental measures of change (such as GGG which still operate in a rationale of growth and territorial emission) fail to capture the needed transformative change required to current sociotechnical

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systems, pointing to the important difference of incremental vis-a-vis transformative change.

The climate crisis has been treated for too long as detached from social and political context and neutral in relation to migration, inequality and wealth. Instead, transformative solutions would entail a fundamental shift in the social organisation of our economy (Sealey-Huggins, 2021). Coupling investment with employment, environmental protections and people-needs economy would avoid the possibility that the now popular green New Deal will become just a new version of green colonialism (ibid) in which market-based solutions led by rich countries of the world would be imposed, despite them being the ones responsible for higher carbon emissions and capture of raw materials in the Global South. That is why we need to emphasise the need for shifting social relations of production to address the structural causes of climate crisis at two levels.

At the micro level, the feminist conception of care can guide the development of policies that focus on equity and new relational practice which respect common cause, meant as non-marketized resources and new understanding of ownership. Instead of focusing on market scarcity, the focus should shift on sufficient access to the basic rights to health, care, food and education which would create localised forms of work and low-carbon activities.

At the macro level, public institutions need to invest in infrastructure through public finance. Many countries in the global North have recently launched public development banks for business and infrastructure. That is why it is important to reflect on their role for a more just economic system. For instance, to reach 100% electricity from renewable energy, the global economy needs to invest 5.5. trillion USD (Kattel et al, 2020). That investment would enable a new path of industrial policy, including a mission-oriented policy for state-owned enterprises (Mazzucato, 2017). The way the financial system is regulated affects the priorities

identified in the economy and defines the system of incentives. There is for instance a huge difference between the existing dominant setting that prioritises low-risk short-term capital gains through trading already existing assets, and a finance system that prioritises long-term innovation in the real economy (Kattel, 2020). Public investment has a positive effect on private investment in renewable energy because by taking on the risks, they reduce unit costs (Mazzucato, 2017). Indeed, we have seen that during the recent pandemic, and observed how public investment in R&D has facilitated private research and productions of vaccines.

Last but not least, taxing polluting production while investing in greening production through progressive and redistributive fiscal policies, including the removal of fossil fuel subsidies, is the only way forward. We all know what the solutions are: political parties just need to find the political courage to push for them. This can also start by enforcing the already existing laws through a system of direct democracy and active citizenship: in the Netherlands civil organisations and citizens have successfully brought an Oil Multinational Corporation to court. In a landmark case, the oil giant Shell is now legally obliged to align its policies with the Paris climate accord and thus reduce its emissions by 45% compared to 2019 level. In concrete terms, financial regulations should encourage such transition by not only encouraging green lending - namely credit to low-carbon activities - but also penalising brown lending (Gabor, 2020), and adopt monetary policy tools that actively shape the transition, such as green bonds.

Also, Trade and Investment Agreements such as the EU-US talks have been co-opted by corporate lobbyists and pushed for liberalising public services, putting workers' rights and environmental standards at risk. On energy, the Energy Charter Treaty is a weapon in the hands of oil and coal companies which authorise them to sue countries if they attempt to stop drilling or exploration projects in

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line with the objective of conservation and to fight climate change. Since its creation in the 1990s, fossil fuel companies have started 131 cases against states (in Paul and Gebrial, 2021) obtaining over 80 billion USD in compensation just because their polluting activities have been disrupted. A deep transformation of the economic structure requires a complementarity of policies including state coordination for industrial policies, redistribution of power, strong regulations and targeted investments.

### **Rethinking economic indicators: the fallacy of GDP**

One of the core causes of such biased logic and political choices is the use of GDP which naturalises growth as the universal objective of a wealthy economy. GDP growth has been widely adopted as a main indicator since the last century. Many ecologists among different disciplines have denounced how GDP enables the conditions to impose myopic policy choices, unsustainable both for the environment, inequality, and for societal wellbeing (Fioramonti et al., 2019). Also, they have been confuting the feasibility of green growth theory and policies, which foresees a decoupling of GDP growth from resource use and carbon emissions (Hickel and Kallis, 2020). The Nobel Laureate and former chief economist of the World Bank Joseph Stiglitz highlighted, together with world leading economists, that the GDP fetishism is misleading policy makers and incentivising wrong policies. For instance, GDP is not able to grasp the quality of government expenditure, which can increase GDP while funding fossil fuels companies instead of for instance raising corporate or carbon taxes. Similar qualitative overlooks happen in any industry of the economy, from R&D to finance. Furthermore, while GDP accounts for the depreciation of physical capital, it does

not consider the depletion of natural resources, wars, or costs of environmental disasters.

As Assa and Kvangraven (2021:5) reported: "Many economic activities – financial intermediation, research and development and the production of weapons – were previously excluded from GDP as either non-productive or as constituting productive inputs to other outputs". By financial intermediaries we mean the so-called FIRE sectors (Finance, Insurance, and Real Estate) which nowadays account for nearly a quarter of GDP in OECD economies. This service sector does not produce value by producing real commodities, but rather by speculation. The acknowledgement of such sectors had huge political implications. By making GDP of rich countries higher, it gives them bigger decision-making power in the venues of global economic governance where GDP size is a ranking criterion, including the IMF.

However, Dan O' Niell noted that if we take a longer perspective it has not always been the case. This raises questions about legitimacy and accuracy of such measurement. The tyranny of the GDP demonstrates arbitrariness and subjective judgements in defining the production boundary, the sources of 'value' creation, and the constraints in terms of what could be measured at the time. Unpaid work was considered but excluded even though the financial sector was initially excluded on similar grounds but was later included, and actions to address negative externalities are treated as positive for GDP.

Nancy Fraser (2013, 2014) reminds us that both feminist and ecological Marxism must look "behind Marx's hidden abode" to the unpaid processes of ecology and household work that underpin capitalism (Huber, xxx:28). Environment and unpaid care work are the two pillars on which our society relies, although they are still inexplicably omitted from the calculation of GDP.

Serious conversations need to take place to reform the System of National Accounts (SNA) framework – which determines how GDP

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is recorded – and what is included. Also the Global North, including the European member states, should find a way to better support low-income countries in diversifying their economy from extractive industries. At the same time, it is important to deal with the rising cost of welfare at a time when we should stop relying on economic growth. Pensions and health care will be steadily increasing over the next decades because of the demographic changes linked to an aging population in Europe. At the same time, by acknowledging planetary boundaries, welfare theory should shift the focus from satiability and desire to universal needs (Walker et al, 2021).

## **Conclusions and policy recommendations**

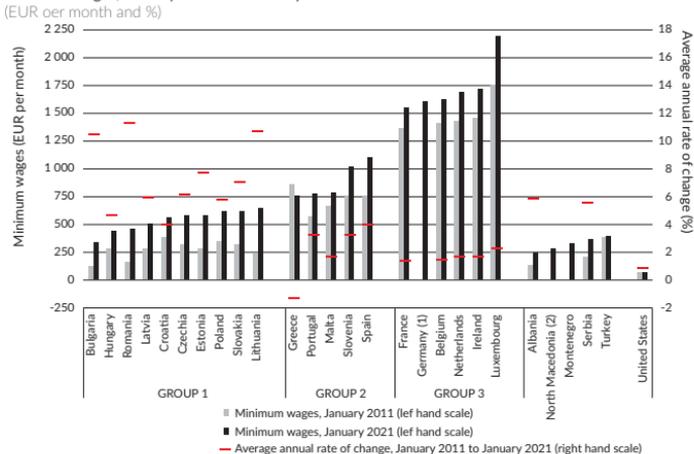
The time has come to problematise the present by questioning its unsustainable objectives. This paper has shown through empirical evidence and policy the need to work on a reconceptualization of value to rethink our societal priorities. The recommendations below are going to provide a direction to shape an inclusive and sustainable future:

1) The status of minimum wage is one of the most powerful redistributive tools that socialist parties should focus on to implement progressive and transformational policies. A minimum wage is not only necessary to guarantee decent standards of living and dignify working conditions. But also, to guarantee a sustained demand for necessary goods and services and reinforce political voices of the working class. Goods and services do not necessarily include polluting goods such as fast-fashion or cars, but can include cultural activities and sports, as well as political participations. Yet, at the EU level, some countries do not even regulate minimum wages, such as Denmark, Italy, Cyprus, Austria, Finland and Sweden. In other countries where the minimum wage is in place, real wages have

actually declined over the past 10 years, as in the case of Greece. We need a decent minimum wage in all European member states, and the politics of decent wages should come back right and centre in the progressive policy agenda.

2) Access to quality and a dignified working contract as a right – and an end to precarious contracts jobs which in 2019 constituted 14% of total employees in the EU. According to Eurostat data, the share of temporary workers in the European Union increased on average from around 9 per cent in 1987 to 14.5 per cent in 2006 (ILO, 2016). This has been the result of reforms aimed at increasing labour market flexibility though fixed-term contracts, which have become the predominant form over the past years. Reversing this trend while investing in training will dignify workers while enhancing long-term socio-economic outcomes including wellbeing.

Minimum wages, January 2011 and January 2021

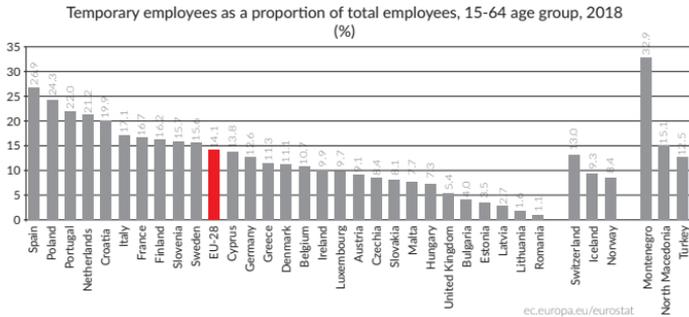


Note: Denmark, Italy, Cyprus, Austria, Finland and Sweden no national minimum wage

(1) January 2011 data and average annual rate of change not available

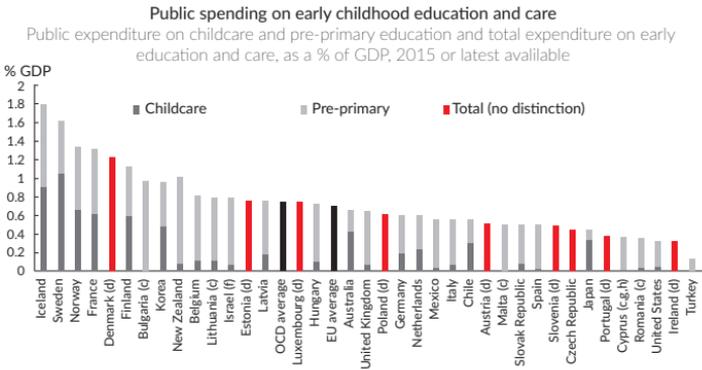
(2) July 2018 instead of July 2020

Source: Eurostat (online data code: eam\_mw\_cur)



3) The role of reproductive work in the household needs to be acknowledged and valued in the economy through updated welfare system practices which invest in universal basic services. Also, when we look at the role of reproductive work in the household, we need to have a look at the status of regulation of maternity, paternity, and elderly care leave across EU. We need to raise the standard and harmonise policies on parental leave across the EU. Progressive and gender-sensitive social policies have been demonstrated to produce behavioural change within households and rebalance working condition privileges including the gender wage gap. This connects to the need to invest in **training and infrastructure for early childhood** and elderly care services, per capita, by country.

4) We need to rethink the importance of Green and sustainable public finance (ie Public Development Banks) to ensure that finance serves the transaction costs of jobs transfer from high carbon intensive industry to environmentally efficient sectors including reforestation, agro-ecology, and R&D in energy. by redefining the targets and objectives of our economy and thus by replacing polluting overproduction with eco and social services will automatically address the issue of overconsumption (ie leading to a decommodification of needs). In such an impasse the



EU and other developed nations have at their disposal efficient and sustainable solutions for the economy to recover and provide support to low-income groups.

5) As mentioned above, EU need to invest in universal infrastructure and public basic services. The two ideas, with some differences, share the belief that physical infrastructure including internet, as well as universal health, childcare and adult social care, and education services will provide long-term multiplier positive effects (Coyle 2017 on the Financial Times, UCL, 2019). Physical infrastructures are instrumental to reduce inequality if attached to local development objectives.

In conclusion, in discussing the ecological and social contradictions intrinsic in capitalist production, there is a need for assessing the political and economic validity of measures like Universal Basic Services, targeted forms of welfare to address the precarity and fragmentation of working conditions (and needs) and Universal Basic Infrastructure. "Envisaging the future for public sector and public goods and services provision is likely to determine how far there is a chance to restore trust of citizens in state and its institutions" (Next Left, nd:5). The long-term plan to invest in health, education, green and care jobs, and decarbonization requires thinking of industrial policy and welfare as

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holistic, and creating a directional strategy to tackle the multidimensional challenges of our times.

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**PROGRESSIVISM  
AFTER COVID:  
EXPERIENCES,  
IMPULSES, IDEAS**

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Robert LADRECH

## **Social Democracy and the Climate Change Agenda: A Challenge and an Opportunity**

## **Keywords**

**Political Parties, Climate Change, Social Democracy,  
Just Transition**

## **Abstract**

Among EU member states, climate change will encroach on many related policy areas, including industry, transportation, agriculture, energy, and more. Employment, personal expenditure, and lifestyles will be impacted. Because of the transformative nature of the policies required to combat climate change, and their associated costs, the potential for political mobilization by advocates of robust climate policy and those individuals and businesses facing change is high. Inaction by EU governments is not an option as member states have legally binding treaty obligations (Paris Agreement) and more constraining EU policy commitments. At the same time, social democratic parties, by and large, have struggled electorally. This chapter explores the extent to which the challenge of responding to climate change may be considered an opportunity for social democratic parties to regain relevance vis-à-vis other parties on the left as well as competitive with centre-right parties

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'Social Democrat chancellor candidate Scholz tells news agency dpa he aims to make the fight against climate change the central issue in the coming legislative period. "After 250 years of using coal, gas and oil, we now have to transform our economy completely to renewable energies within just 25 years," the vice-chancellor told dpa. "This is tantamount to a second industrial revolution. This is where we must focus all our efforts now." (Clean Energy Wire, 2021)

Developing an effective climate change policy is a challenge for all political parties seeking to govern. Public opinion has now developed to the point where climate change has become a priority concern in most countries. Pressure from the scientific community and environmental groups – national and global - adds an additional factor that was not as apparent during past decades concerning environmental issues more generally. In addition, after the promises made at COP 26, the development of a Green New Deal by the European Union and a renewed international effort since the election of President Joe Biden adds even more pressure upon domestic actors to engage with climate policy development. As many national and international climate change campaigners have asserted, the overriding reason explaining slow progress or low ambition to meet the climate emergency is *political*: 'Most striking to me, therefore, is the fact that the determinants of whether we head for 2C or for 1.5C are mainly political; they are not technical or economic' (Figueres, 2018). Ambitious climate change mitigation and adaptation policies call for rethinking economic and social policies, and the transformational effort required is a fundamental challenge to the practice of party politics due to the potential disruption to patterns of voting and support from organised interests.

For social democratic parties, the past decade has been one of a slow decline in terms of electoral share of the vote. In some cases, the decline has been precipitous (Pasok in 2015, the French Socialist Party in 2017). Many causes have been advanced to explain this decline, for example, shifts in terms of new cleavages, competition from other parties on the left, a record in government in which support for a neo-liberal *status quo* came to define their political orientation, etc. (Bailey, De Waele, Escalona and Viera, 2014), (Keman, 2017), (Manwaring and Kennedy, 2017). In terms of government occupancy, even the usually successful Scandinavian parties no longer command the vote share as in past decades. Some of the responses to this predicament range from tinkering with party structures, new leaders, even attempts at re-branding. Probably the most successful party has been the Portuguese Socialist Party, which has secured a second mandate in power. Its success may be accounted for by the fact that it offered an alternative to the austerity policy from the previous centre-right government (imposed by the 'troika' but wholeheartedly supported by the government of the day). Social democrats, following this logic, should develop a programme that offers a policy alternative that separates themselves from recent identification with the status quo (however unfair that may be for some parties), and fashion a progressive vision of the future. In this respect, as the status quo must change due to climate change and the necessary policy response to it, social democrats may have the opportunity to present a new vision of a de-carbonised society with regard to the short-term (post-COVID-19 recovery) and medium to long term (a carbon neutral society and economy which is embedded in fairness and equality). Such a political posture can define social democracy that is neither a copy of green parties (where they are viable competitors on the left) as well as conservative parties which may have a segment of voters that seek serious and yet realistic climate policy that their party leaderships may be unwilling to support.

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For social democrats, implementing climate change related policies is a fundamental *challenge* because they impact policy positions that have historically benefitted social democracy, especially industrial policy and the economic growth strategies associated with it (productivism). Developing and implementing climate mitigation and adaptation policy is also a potential *opportunity* for social democrats to both engage with the existential challenge of climate change and recapture political relevance. The energy transition necessary for combating climate change - however much it can be a 'Just Transition' - will have a major impact on employment, especially in coal mining and the manufacturing sector, including cement, chemicals, steel as well as car production. How do social democratic parties navigate these challenges, bearing in mind there exist climate policy pioneers as well as laggards within the parties themselves? There are also questions of reinvigorating state action as a necessary instrument for effective planning and implementation, but in almost all EU member states coalition government is the norm; and crucially, how to communicate social democratic values as a core feature of climate policies? This final concern is of added political significance, for the reaction by some citizens dislocated due to the closing of mines or lost jobs because of shifts in manufacturing and energy, may be exploited by far-right parties and associated social media. Frans Timmermans, EU Commissioner for the energy transition stated 'that if social policy and climate policy are not combined, to share fairly the costs and benefits of creating a low-carbon economy, the world will face a backlash from people who fear losing jobs or income, stoked by populist politicians and fossil fuel interests' (Timmermans, 2021).

This chapter argues that in national *isolation*, this feat of successfully promoting a social democratic agenda incorporating climate policy is near impossible, and therefore demonstrating partnership with the European Union is a crucial component of a 'climate conscious'

European social democracy. Just as EU environment policy was founded on the obvious fact that pollution crosses borders and so a collective response was necessary, so too does combating climate change necessitate a collective response in preventing global warming. Communicating the benefits of climate policies – especially employment and the results of mitigating climate catastrophe – and presenting it within a national and European context (here the European Green Deal should be an opportunity for social democrats to link their national strategies to the EU level commitment), can contribute to revitalising social democratic relevance in the face of a slow electoral decline. Taking climate change seriously is not a case of trying to ‘out-green’ Green parties because historically social democracy has had a wider policy remit; Green parties can be allies on certain policies, but not on others. Demonstrating a re-invigorated social democratic presence at the European and transnational level and the linkages with national (and sub-national) social democratic government actors and parties should be one of several political strategies upon which social democratic parties can collaborate and present themselves as responsible parties that understand the utility of state-led policy development and implementation, as well as promoting social justice in the very heart of this policy process.

While leadership in climate change policy can be a crucial part of a new master narrative for social democrats, it should complement core values of solidarity, between classes and generations. Some may counter that social democratic parties are already ‘green’ to a certain extent; it can also be argued that in some countries ‘green’ parties already occupy that partisan and policy space and that a couple of decades of party competition has not worked in social democrat’s favour, especially in Germany. Yet ‘politics as usual’ does seem to be increasingly overtaken by the nature of the climate crisis, and public opinion on climate change is becoming attuned more and more to

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the negative fallout of policy *inactivity*, therefore putting pressure on government and opening new avenues for political mobilisation. Recent national judicial decisions in the Netherlands, Belgium, France and especially Germany (29 April 2021) make confronting the climate crisis more than simply a choice, but a necessity and requirement. The EU Green Deal and more generally, the EU's climate and mitigation policy competence, means that member state governments have no choice but to develop their own national policies to meet EU obligations. The EU's post-COVID-19 recovery plan also contains significant funding for climate-sensitive development. National plans have been submitted to the Commission and responses have been forthcoming since mid-June 2021 (NB: many national plans have been criticised by environmental NGO's and Green MEPs for less than ambitious plans). In mid-July 2021, the European Commission unveiled detailed legislative proposals to implement and achieve at least a 55% reduction in greenhouse gas emissions by 2030 (as compared to 1990 levels). The present target is 40%. This is a very definite ratcheting up of ambition. It is in this context - externally generated pressure - that climate leadership is necessary. I argue that social democratic parties are in a position to exploit the present political and climate policy challenges for the following reasons:

- **Multi-level governance:** social democrats are the only party family with significant presence and governing experience from city to region to national to supranational level; their presence across all member-states can contribute to cross-border developments and help resolve disputes.
- **Green parties are few** in number and in varying electoral strength; they need not monopolise climate leadership.
- **Climate Justice** can help social democrats reclaim a mantle of defending worker's rights through climate social justice and practical 'Just Transition' schemes.

- **Climate change is becoming a competitive issue:** in the 2021 German election campaigns all parties (bar AfD) highlighted climate policy in election manifestos. Increasingly, climate mitigation and energy transition plans will be electorally contentious.

Overall, social democratic parties should stress that they combine an ecological awareness with experience of governance; this should be to their advantage in electoral contests with Green parties, and their commitment to practical implementation of *ambitious* energy transition goals separates them from parties to their right, which depend on market-driven solutions rather than a robust government-led programme (social democrats would also work with industry and business). Finally, the underpinning of ambitious social democratic climate policy is social justice, again a crucial factor that if properly articulated should highlight their position from green and conservative parties.

## Multi-level governance

The EU's Green Deal contains a specific regional transition fund, including a Social Climate Fund, and the development and administration of these funds will require experience of multi-level governance within member-states. This fund is part of a wider effort of economic recovery post-COVID-19, and it is within the development and implementation of related and relevant policies that social democratic parties can provide leadership as the focus of development complements their historic social justice efforts. Social democratic parties have long experience in municipal and regional government. Over the course of the twentieth century experiments in housing and social care have often been pioneered by social democratic-led governments, giving them a strong anchorage in society. With the development, especially post-1945, of additional territorial levels of governance, from regions within national states to trans-regional cooperation across national borders,

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social democrats have long experience in coordinating policy and its implementation between levels of government, and a political presence that can complement this experience in the European Parliament as well as the Committee of the Regions. Whether local, regional or federal, the experience of complex policy implementation allows social democratic parties to build the necessary linkages between different climate and energy initiatives, from transportation to housing and low-carbon industrial strategy. Whether or not social democratic parties occupy national government, they are nevertheless present, they are present at the sub-national level, which in many cases is the level of implementation.

Transportation policy, for example, is one of the key policies in decarbonising society, and local government is responsible for contributing to its design and implementation, for example taking cars out of city centres and investing in clean public transport. Other crucial decarbonising policies also include local government working with national leadership, including thermal retrofitting of homes to replacing fossil fuel generated heat in homes. Transnational city organisations lobby national and EU and global actors, especially in the run-up to COPs, such as the COP26 in Glasgow in November 2021. The social democratic voice, if agreed and organised, can play a significant role in European and international climate negotiations. As cities' role in the energy transition – both through climate mitigation measures as well as climate adaptation – assume even more critical importance (Barber, 2017), (van der Heijden, Patterson, Juhola, and Wolfram, 2019), the social democratic presence in city governance will be a crucial part of redefining social democracy.

Social democrats are present in legislatures at the national level in most EU member states whether they are leading government (alone or in coalition) or else holding conservative government accountable in parliament. Finally, social democrats are active at the supranational

level through the European Parliament (S&D Group), in European Commission portfolios (eg Timmermans), and in the Committee of the Regions. In all of these forums, a networked approach adds a 'steering capacity' to social democratic objectives that is absent from a purely national perspective. The presence of social democrats at various levels of governance should then be articulated as an advantage when it comes to the necessary development and implementation of climate mitigation and adaptation policy; it should be promoted as a position of experience and trust.

## **Green parties**

They are few in number yet have proven to be competitors for the left partisan vote in select member states: Green parties have risen to prominence and government in some EU member states, for example in Germany and Belgium at the state level and in a national coalition in Austria and Germany (since December 2021), and at the municipal and regional level in France. Still, in a majority of member states, the strongest party on the left of the partisan spectrum articulating a climate agenda remain social democratic parties. Green parties themselves, if entering a national coalition, continue to prefer social democratic parties as partners – despite the Austrian example and some German länder. The increased public prominence of climate change – influencing public expectations of *realistic* policy development and implementation - means that in most EU member states it would be the social democratic party's responsibility to articulate a policy response. The experience in government, both at the state level as in Germany or in federal government as in Austria, does demonstrate that once in government Green parties are no different from the rest in terms of having to compromise, whether it is immigration policy in Austria or supporting roadbuilding policy in North-Rhine Westphalia (Grant and Tilley, 2019),

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(Little and van Haute, 2016). In southern Europe and in most central and eastern European EU member-states, green parties are negligible in electoral terms, so it falls to the relevant social democratic party to develop the national climate plan if in government, or else to provide an alternative plan to that of a centre-right government, and owing to the need for fundamental change, it is most likely that a national or cross-partisan energy transition and de-carbonisation plan would be necessary in some member states.

An advantage that social democratic parties should have regarding competition with Green parties is that they are not identified with such a singular policy. Rather, integrating climate policy awareness into their traditional policy strengths concerning social welfare, economic performance, education, etc., allows them to present a wider policy spectrum to voters. Therefore, suggestions that some social democratic parties merge with an electorally significant Green party, for example in the Netherlands this would be the PvdA merging with Groen Links (Green Left), is the opposite of what would make social democracy competitive.

## Climate Justice

A 'muscular' climate change mitigation and adaptation policy and energy transition will cause disruption to many production practices that are reliant on fossil fuels for power generation. Beyond the obvious movement to phase out coal, gas – domestic and imported - continues to be a concern for environmentalists and problematic for governments seeking an energy transition to renewable energy. A phasing out of gas impacts home heating – therefore costs must be borne by government, consumers or both; high energy consumption necessary for production of cement, steel, manufacturing processes, etc.; all suggest that a concerted effort at decarbonisation will produce

a potential political backlash. The *gilets jaunes* demonstrations in France are but one example of reactions to the use of taxation as a form of modifying behaviour. This short-sighted form of taxation is a lesson for all to learn from in terms of ensuring fairness in carbon taxation. Especially ominous for political parties or coalitions driving a decarbonising agenda is the exploitation of individuals' resentment by populist right wing parties. This phenomenon has been witnessed in France, Germany, and Italy, among others. Increasingly, even among centre-right parties, opposition to wind turbines has emerged as a campaigning issue. Social democrats, whose history of solidarity should allow them to champion a socially 'just transition', are, potentially, in a position to provide leadership in policy development that directly addresses concerns about fairness. In fact, 'fairness' related to climate policy may or may not correlate with other welfare policies, the novelty of climate change impacting government is so recent. Intergenerational considerations have also to be accounted for, and the integration of other policy areas, such as transportation makes climate policy fairness a new avenue for both research and policy/politics (Otto and Gugushvili, 2020). A 'just transition' is easy as a slogan, but much more difficult to define and build as a fair and effective policy. Issues concerning fairness are usually simple to promote or attack. During the federal election campaign in Germany in June 2021 the Greens proposed an election promise to raise the price of petrol as part of green taxes on fossil fuels. This was immediately attacked from across the political spectrum, although it is acknowledged that in the end prices must be raised. The point here is that the content of a proposal and its articulation that it is fair for the ordinary citizen must be easy to grasp by voters. This is where social democratic parties should integrate a basic fairness dimension into their climate proposals and clearly articulate this in election campaigns; credibility is lower among voters regarding Green party proposals for example, viewing them as doctrinaire rather

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than realistic and fair. The following news story from the German 2021 federal election campaign demonstrates the dynamics of climate proposals' fairness and complexity dimensions:

*The renewed dispute about the country's perennial issue of higher petrol and diesel prices gained full speed as the Greens' chancellor candidate Annalena Baerbock explained during an interview with tabloid Bild that her party's call for a higher CO<sub>2</sub> price would translate into 16 cents more per litre of petrol. This has led to campaign slogans, as well as a debate about the social fairness of the carbon price: low-income households spend a higher portion of their earnings on transport and heating and cannot easily afford to switch to more climate-friendly options such as buying an electric car. People living in rural areas often don't have access to good enough public transport to stop using their cars. SPD chancellor candidate Olaf Scholz told Bild: "Those who now simply keep turning the fuel price screw show how little they care about the hardships of the citizens." Conservative transport minister Andreas Scheuer also told Bild that "mobility is also a social aspect." In their draft election programme, the Greens propose an "energy bonus" in which revenues from the CO<sub>2</sub> price are paid back to citizens "fairly divided per capita". The party says this means low-income earners and families will be relieved and people with high incomes will be burdened. (Clean Energy Wire, 2021)*

The fairness issue does not exist simply between Green party proposals and the rest. Again, the following news story from the German 2021 federal election campaign also offers the SPD some clear differences with its grand coalition partner, the CDU:

*An agreement by the government coalition to split the extra costs from Germany's new carbon price on heating fuels 50:50 between landlords and tenants has failed at the last moment, Handelsblatt writes, citing news agency dpa. Tenants will now need to continue bearing the additional costs caused by the CO<sub>2</sub> price on oil and gas that was*

*introduced on 1 January. The CDU/CSU refuses to include landlords in the sharing of the costs, arguing that they have no influence on tenants' heating usage. "Sharing the additional CO2 costs between tenants and landlords would be counterproductive, as the CO2 price is intended to control behaviour. In other words, it should be worthwhile for the consumer to consume less CO2," Thorsten Frei, vice chairman of the CDU/CSU parliamentary group, told dpa. The decision leaves a "bitter taste," said SPD parliamentary group leader Rolf Mützenich. "Now the tenants alone will have to bear the additional costs. This is not how we imagine social climate protection."<sup>1</sup>*

## **Climate change as a competitive issue**

The issue of competition between green parties and social democratic parties is not a new phenomenon, but this chapter argues that the new prominence of the climate emergency departs from earlier strategic positioning (Spoon, Hobolt, and De Vries, 2014). The German federal elections of September 2021 have already demonstrated a developing priority that political parties across the spectrum in Germany are giving to climate change (the exception being the AfD). All the parties represented in the Bundestag stated that climate change would be a key policy leading their campaigns (including the SPD, which gave prominent space to their climate action plan). This turned out to be the case during the actual campaign, and the fact that even centre-right parties such as the CDU and FDP feel obliged to state this suggests that climate change is now unavoidable as an issue to engage with in national politics. In the German case, the possibility that the Greens could possibly be

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<sup>1</sup> Quoted in Clean Energy Wire, 23 August 2021, [www.cleanenergywire.org](http://www.cleanenergywire.org)

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a viable coalition partner for the CDU may help explain the ‘greening’ of their credentials (Euractiv, 2021).

Germany may be a singular case in which all parties now promote their climate policy respectability in a national election (apart from the AfD), in fact draw attention to their manifesto promises, but this may increasingly spread to other political systems. Political parties, especially on the left, including social democrats, had given more attention to climate change in their election manifestos since 2000, but in terms of prominence with other issues such as education, jobs, housing and health, it ranked far below (Carter, Ladrech, Little and Tsagrioni, 2019). The change we may be witnessing now – and in a sense this chapter argues this is inevitable – is that parties are forced to confront the effects of climate change in conjunction with Jobs/employment is normally among the top half dozen or so issues during a campaign, the more so in a post-COVID-19 recovery period. Managing the transition from heavy industry and manufacturing jobs to one in which these types of occupation successfully incorporate low carbon processes will be difficult, and social democratic parties, if they have any lingering residual policy identification, it is precisely as advocates of full employment. Additionally, and significantly, most of the occupations in industry that may be impacted by the transition to low carbon processes are unionised, from miners to steelworkers to autoworkers. In many countries, as least in western Europe, social democratic parties historically have close relations with trade unions, and it will be those ties that may be strained – or else enhanced as social democrats advance plans based on social justice and state-led investment in these industries (in the case of mineworkers in pertinent ‘just transition’ projects). Again, social democratic parties can position themselves as serious about combatting climate change and being in the position to steer the transition. This should be the ‘competitive edge’ for social democrats.

The nature of climate mitigation and adaptation policy, including an energy transition, is one that necessarily demands integration into other policies, from agriculture, housing, industry, regional development, transport, etc. It is this integrative aspect of climate policy that means 'climate change' may no longer remain a discrete part of a party manifesto; rather, as is hinted in German parties' avowed commitment to decarbonising society, the speed of decarbonising and the policies developed to mitigate the disruption in society and economy and citizen's lives, may characterise competitive politics. Climate change has achieved issue salience such that it is a competitive issue, no longer 'owned' solely by Green parties. In EU member states without a serious green party competitor, social democrats should 'own' this transformative societal issue. If in government, it will be incumbent upon them to devise the national plan for EU approval which is necessary for receiving EU funding, especially for regional aid. If in opposition, the nature of climate change is such that a centre-right government may find it difficult to govern because of the demands from sub-national actors for effective support. Again, social democrats, with their history of effective state-led investment and policy development, should be able to present themselves as an effective alternative to centre-right dependence on business-led investment decisions (which in many cases have a tinge of 'greenwashing').

## **September 2021 German general election**

In this election the German social democratic party (SPD) secured a victory which has led to the formation of a so-called 'traffic light' three-party coalition. The Greens, Free Democrats (FDP), and Olaf Scholz (SPD) parties have agreed a 'coalition treaty', that among other policy areas, advances German climate policies. What is significant to note

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is attention given to issues that could impact social cohesion, that is, higher costs for heating and fuel, and coal phase-out. In a number of sections, emphasis is given to a 'fair division' of the carbon price on heating, a proposal on developing a social compensation mechanism, etc. The main point here is that this coalition brings Greens and liberals together to advance climate and energy transition policies under the leadership of a social democrat chancellor. As in any coalition agreement compromises are necessary, but the German example demonstrates the element of leadership that is necessary to promote a realistic climate and energy policy.

## Conclusions

This chapter has argued that social democratic parties can and must develop a new narrative that combines serious attention to climate change policy with their historic support for workers and the exploited in society, that is, fairness and social justice. The climate change phenomenon will, like it or not, further establish itself as a significant issue in domestic politics. How political parties respond to the challenge of integrating their traditional policy stances with climate change remains to be seen; social democrats, due to their authoritative presence from the local to the supranational level, are theoretically well positioned to develop a political profile and public policies that draw on this multi-level presence in government, necessary for climate policy development and implementation. Aside from the potential for catastrophic weather events (recall the flooding near the end of the 2002 German election and Schroeder's 'vote-winning' response) (Roberts, 2003), political disruption in patterns of party competition may also derive from the climate emergency. Social democrats are in a position to provide forward thinking and planning which should enable them to re-set their political relevance.



This chapter has argued that the climate emergency is a challenge for all political parties aspiring to governance. For social democratic parties in particular, this challenge could also be an opportunity to provide a positive, realistic, and timely alternative to politics as usual, suggesting that the secular decline of social democracy is not inevitable.

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**PROGRESSIVISM  
AFTER COVID:  
EXPERIENCES,  
IMPULSES, IDEAS**

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Kuba JABŁONOWSKI

## **Automating public administration: algorithmic accountability, digital justice, and the Left**



## **Keywords**

**Digitisation, Datafication, Automation, Algorithmic  
Accountability,  
Data Justice, Welfare State**

## **Abstract**

This chapter engages with the process of datafication and automation of public administration in contemporary welfare states to develop a conceptual blueprint for a progressive digital agenda. It argues that there is insufficient attention on the Left to the digital transformation of governance, as progressive reflection on the role of technology is predominantly focussed on the world of work and, relatedly, on the platform society and digital media. This is problematic given that the impact of digitisation of public administration on the matters of social justice is profound. To illustrate it, the chapter draws on several examples of harm generated recently by automated decision making systems. These examples point to multiple risks of the accelerating creep of digital technologies into the core functions of welfare states including welfare, education, and migration. The chapter then reviews two dominant approaches to the challenge of automation in government, articulated through the notions of digital justice and algorithmic accountability. It argues that digital governance in welfare states is a matter of distributive justice rather than procedural justice, and that the Left should adopt a systemic approach to digitisation of public administration as a core programmatic concern.

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There is considerable interest on the Left in the issues of technology and automation. This interest, however, is largely focussed on the question of automation in relation to the world of work and the role and influence of transnational corporations. The issue is therefore framed through Marxian concepts of labour, value, production, distribution, and a more general notion of mobilisations against capital. These conceptual frames intersect in discussions about postcapitalism as a theoretical terrain and a policy arena (Mason 2015). Authors often argue in favour of universal basic income as a well-established solution that offers potential to address the multiple shortcomings of automated and datafied capitalism (Smicek and Williams 2015), or they argue against basic income and suggest alternatives (Benanav, 2020). What links these Left readings of digital technology today is that automation and datafication are interrogated as processes that can tide us over the issues of material scarcity and unfair distribution of economic resources, and put us on a path to greater equality. In comparison, substantive engagements with automation and datafication as processes that reconfigure the relationship between the state and the citizen are much less frequent.

The impact of digital technology on politicised transformations of public administration are profound as automated systems increasingly determine welfare distribution, visa allocations, or university admissions (Dencik and Kaun, 2020). These transformations are driven by the parallel processes of datafication and automation. Datafication, on the one hand, turns discrete aspects of social and economic life into analysable data, and its purpose is to realise value or govern populations. Automation, on the other hand, translates distinct tasks into sets of rules – algorithms – to enable faster processing of tasks

by programmes and machines. These processes are not politically neutral. Research into emergent fields of data justice and digital justice demonstrates that, taken together, they transform core functions of welfare states through appropriation, accumulation, and computation of data, which create systemic asymmetries between the people and the state – or rather, the governance apparatus managed by the state but underpinned by procurement of commercial technologies and designs, and outsourcing services to powerful corporate actors. And yet, despite the impact of digitisation on the matters of distributive justice now being well documented, it is yet to gain prominence in programmatic debates of the Left.

As a result, there is a lack of a progressive narrative on what social justice should look like, in principle and in practice, in the age of datafication and automation. Between a thumping endorsement of technological progress and its potential to realise the promise of socialism (Bastani, 2019), and a wholesale suspicion of the digital power grab that starts with violations of privacy by tech giants and social networks but ends as a threat to democratic governance encapsulated by the notion of surveillance capitalism (Zuboff, 2019), the Left has no clear position on digitisation of public administration. This is a serious shortcoming given that the proliferation of digital technology in government is as pervasive as it is politicised. This chapter directly engages with this opening and argues that the Left needs to develop a coherent programmatic position on digitisation in general, and on digital governance specifically.

The Left not only lacks a narrative but also struggles with the language to narrate its position on many aspects of datafication and automation. The effects of digitisations are felt in three distinct fields: economic organisation, democratic processes, and public administration. Regarding the first field, here is a vigorous debate on the Left about digital transformations of the world of work. These

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arguments are articulated through the well-rehearsed notions of capital, labour, and value. As for the second field, threats to the democratic process posed by the rise of digital technologies, and by social networks and digital media in particular, are slotting into the Left's traditional discourse almost as neatly. They are analysed through the frames of platform politics (Gillespie, 2010) and platform society (Dijck, 2018) which often deploy the concept of value as a key word. Most importantly, the focus on platforms as the infrastructure of datafied societies brings up various modes of materially embedded analysis of cultural relations and the related questions of ownership (Bigo et al. 2019). It is not so much the digital technology as its current social, economic, and spatial organisation that becomes the subject of analysis. This enables critiques of the impact of tech corporations and digital media on democratic processes, and points to clear programmatic positions. In comparison, the third field – of public administration – is arguably the trickiest and least intuitive ground for the Left. Concerns about digital governance are often articulated through the notions of privacy rights and due process seen as two key safeguards against overbearing states. This ground has been long claimed by the Liberals: from parties inspired by classic liberalism to pirate and libertarian parties. The focus on datafication and automation of public administration in this chapter demonstrates that the Left can and should develop a distinct agenda that will leave room for strategic collaboration with the Liberals, but also articulate fundamental differences between the two orientations.

The chapter argues that fairness in digitised public administration is a matter of social and hence distributive, and not merely procedural, justice. It maps out similarities and differences between the two dominant approaches to the challenges of automation – algorithmic accountability and data justice – to provide conceptual grounds for the development of a progressive agenda for datafication and

automation of governance. This approach enhances the Left's political outlook to include digital governance as a core concern and an area of programmatic and policy interventions. Such attention to digital justice can help build strategic alliances with Liberal parties against authoritarian tendencies on the Right. Importantly, the chapter also shows that the cause of digital justice is a distinct approach which can enhance programmatic autonomy and credibility of the Left.

Drawing on emergent literatures on automation and datafication of welfare states in Western Europe and North America, the chapter identifies key issues thrown up by the creep of digital technology into national governance and public administration. To steer a course between alarmism and solutionism, it approaches the question of technological advancement neither as an outright threat to the remaining achievements of the Left, or a neat solution to the woes of late capitalism. Instead, through a topical review in the first section, it draws on examples from the United Kingdom (UK) to demonstrate how digital technology reconfigures core functions of welfare states. The second section introduces the notions of digital justice and data justice, which explicitly link the proliferation of technology with social, economic, and political inequalities. The third section critically evaluates the approach of algorithmic accountability, which has recently gained prominence in policy circles, and points to some of its conceptual and political limitations. The final section concludes that the Left needs to go beyond calls to for transparency and due process, that is, demands of procedural justice, and engage with the questions of affected interests and distributive justice, which are raised by digitisation of public administration.

## Automation, digitisation, and the welfare state

The creep of digital technology into the core competences of states proceeds through policies and processes which reconfigure the notions of the public and the private, and introduce novel technologies of decision making, resource allocation, and anticipatory governance (Amoore and Piotukh, 2015). The Left's relative inattention to automation and datafication beyond the world of work is a clear blind spot in research and policy agendas given that, through the use of algorithms in public administration, automation has already crept into the governance of migration (Amoore, 2006), welfare (Eubanks, 2018, Redden et al. 2020), healthcare (Dencik, 2020), and education (Williamson, 2018) in many parts of the world. In both academic and policy circles, this creep of automation has led to calls for algorithmic accountability articulated both as a normative concept (see Binns, 2018) and as a policy framework (see EPRS, 2019). These are welcome developments, but they largely address automation as a technical and technological issue, while the question of algorithmic accountability as an ethical and political agenda remains largely unanswered (Amoore, 2020). Somewhat problematically for the Left these nascent agendas are often articulated in individualised and liberal registers, and through notions such as privacy or transparency.

The proposal put forward in this chapter is not to politicise the use of digital technologies in governance, but rather to address the extensive evidence showing that causes and effects of the use of datafied and algorithmic systems in public administration are inherently political. This is because automated systems can, and have been repeatedly shown to, "systematically introduce inadvertent bias, reinforce historical discrimination, favour a political orientation or reinforce undesired practices" (Jenssen and Kuk, 2016). Algorithms govern an increasing

array of public services: from welfare and immigration decisions, through healthcare entitlements, to policing in neighbourhoods – and all this is taking place with little oversight and scrutiny, resulting in discrimination that shows a clear class gradient as well as gendered and racialised characteristics (Eubanks, 2018). Their adverse impact broadly arises in two different ways. Firstly, algorithms can be trained on an unrepresentative sample of cases and therefore produce skewed decision outcomes for groups left out from the training sample. Secondly, algorithms can be trained on biased data which reflect social and economic inequalities, and in effect they will learn to reproduce such inequalities (Maxwell and Tomlinson, 2020, 353). These red flags of class, race, age, and gender intersect in automated systems and hence put them squarely amongst the key ethical concerns and strategic priorities of the Left.

The impact of such politicised effects of automated systems is clearly seen in the UK. Only in the summer of 2020 the country was shaken by a scandal that saw A-Level marks of students from poorer backgrounds and ethnic minorities systematically downgraded, and students from elite private schools upgraded, by an algorithm deciding on university admissions (Hern, 2020). It penalised students whose achievements surpassed results typical for their school based on its past performance (Venkataramakrishnan, 2021). This only added to already acute problems with secondary education in the UK, where inequalities are entrenched through the system of unevenly performing state schools on the one hand, and fee-paying (so broadly inaccessible) but tax-exempt (so publicly subsidised) private schools which send disproportionate numbers of students to elite universities. With the use of algorithmically adjusted grades, automation managed to exacerbate existing geographic and economic inequalities even further and eroded trust in the integrity and fairness of access to education and assessment of educational progress.

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Another high-profile example from the UK is the use of algorithms in visa processing by the Home Office. The system at the heart of this controversy was implemented to analyse applications for admissions into the country. An artificial intelligence engine dubbed a “streaming tool,” generated three channels coded green, yellow and red, and assigned different categories of applicants to these channels based on its appraisal of the time needed to scrutinise their applications by a caseworker assessing their eligibility for the visa. Ultimately, this led the system to categorise applications by race and “offer speedy boarding to white people” (McDonald, 2019) while cases of non-white applicants took much longer to consider and were substantially more likely to be refused. In 2019, migrant and digital rights organisations Foxglove and the Joint Council for the Welfare of Immigrants filed a lawsuit contesting the legality of the visa algorithm. Litigation focussed on the system’s opacity and challenged feedback loops and discriminatory outcomes it generated. In the summer of 2020, the UK government ceased using the system but it refused to admit wrongdoing and announced the algorithm would be redesigned rather than abandoned (Williams, 2020). The UK thus reinforced its intent to continue transition to digital border management.

Automation is not limited to central government departments, but it is also increasingly prevalent in welfare decision making on all levels of UK governance. On the local level in particular there has been a rapid proliferation of algorithmic systems. They are often described as “predictive analytics” because they rely on historic data to make inferences and decisions about current cases. Such systems are most often deployed in cases where “decision-making is difficult, time-consuming, or outcome-critical; or where human operators can give a computer program a closed question to answer such as asking the software to sort cases into different categories, or provide a risk score for each case” (LGA, 2020). This involves a two-step process. First,



algorithms are fed existing data and outcomes and they are tasked with identifying patterns and relationships. Second, they apply the patterns and relationships they “learned” – or generated, to be more precise – to new cases. This shows just how much autonomy such systems have, and how devastating may be the consequences of their malfunctioning for various reasons, from being fed bad data, through generating feedback loops of discrimination, to bias in risk assessment and decision making. While the above-cited Local Government Association admits UK local authorities are “at an early stage” of adopting automated systems relative to the private sector, the encroachment of digital tech on areas previously reserved for bureaucrats proceeds at an astonishing pace. A journalistic investigation in 2020 has shown that at least 100 of UK local authorities are now using algorithms to support their decision making, most often on welfare and housing assistance, up from a handful just a few years ago (Marsh and McIntyre, 2020). This represents nearly a half of all local authorities surveyed and shows just how quickly datafication and automation proceed at multiple levels of the state, often with little to no consultation or scrutiny.

This creep of datafied and algorithmic technologies and practices has only accelerated during the coronavirus pandemic worldwide (Andreassen et al. 2021). On the one hand, exceptional circumstances help justify the deployment of novel methods of governance. On the other, the use of ever more intrusive and potentially harmful technologies is explained away on the grounds of public health, whether technologies in question are relevant to it or not. The acceleration of the digital creep since the coronavirus outbreak has been such that it was deemed “one of the pandemic’s hidden but most impactful trends.” (Venkataramakrishnan, 2021). It would be naïve to expect these changes to be tamed, let alone rolled back, if and when the public health emergency is over. Public administration is likely to continue on the path of datafication and automation, which raises the question

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of what the Left can do about it. What are the conceptual frames to regulate technology in public administration and, especially, decision making? How do they align with the Left's agendas? The next section explores the insights generated by academic and activist work on data and digital justice to precisely locate the sources of harm generated by digital technologies. The two sections that follow present possible ways forward: first, through the approach of algorithmic accountability, and second, by showing what the Left can and should add to it.

### **Digital injustice**

Political undercurrents of digitisation and automation are made visible by the work on data justice and digital justice. Both notions are used interchangeably to link up technology and activism on the one hand, and to advance conceptual and political agendas on the other. They pick up on asymmetrical accumulation of data and embeddedness of discrimination and inequality, which characterise digital systems. Data justice and digital justice are radical demands given “the centrality of data in contemporary forms of capitalism and power asymmetries” (Dencik et al., 2019, 875). They ask whether digital transformation can be compatible with social justice, whether digital justice can be achieved within the contemporary capitalist system, and how it can be achieved.

The last decade saw the emergence of research and activist centres working through the contradiction of justice and digitisation to develop progressive responses to problems amplified – if not generated – by technology. They include public research institutions, such as the Data Justice Lab at Cardiff University in the UK, and grassroots groups such as Media Justice (formerly The Centre for Media Justice) and the Detroit Digital Justice Coalition in the US. Such centres have a strong orientation towards participatory approaches



and they use data justice both as a form of intellectual critique and a method of political participation (Dencik et al. 2019). This is because, in this approach, disenfranchisement becomes a central tenet to datafication and automation. It unfolds through a threefold process which starts with “asymmetrical accumulation of personal data” and leads to the dispossession of data subjects, that is citizens, of their personal attributes and records. Dispossession, in turn, generates and amplifies “status inequalities caused by algorithmic identification and categorization” based on this asymmetrically accumulated data (Cinnamon, 2017, 621). Most often, such inequalities overlap with inequalities that are well diagnosed in social justice work and operate through race, class, age, and gender.

Digital injustice, however, is not just a side effect of capitalism mediated by technology. This is for three key reasons. Firstly, there are profound technical problems with delivering just and equal outcomes through digital means. Recent work in computer science shows that fairness – or at least a singular standard of fairness – is not technologically possible. This is because “every automated system encodes a value judgment” (Friedler et al. 2021, 136). Each such judgment relies on reconciling contradicting principles and properties which determine differential outcomes regardless of the correct operation of technical mechanisms. For example, there are substantive differences between principles of individual fairness, where algorithms are mapped on the properties of individuals to ensure fair treatment, and group fairness, where algorithms are mapped on the properties of groups to ensure non-discrimination. These assumptions on how fairness is to be ensured translate into fairness goals set for algorithmic constructs, and therefore represent value judgments made by designers. A more open and explicitly political process could move the responsibility for choosing the mode of fairness away from (unelected and unaccountable) designers – for example to a body with a democratic

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mandate – but that does not change the need to choose the kind of fairness that will then be technologically embedded in an algorithm. So, on a technical level, universal fairness cannot be ensured. Instead, “data science practitioners must work with domain experts and those impacted by resulting decisions to understand what assumptions are reasonable in a given context before developing and deploying fair mechanisms” (Friedler et al. 2021, 143). From a technological standpoint, therefore, mechanisms for the representation of interests of those impacted by datafied and automated processes are necessary to ensure fairness, just as data justice scholars and activists argue from a political standpoint. This is because value judgements are embedded in algorithmic decision making systems, which makes algorithms intrinsically political.

Secondly, the use of technology in public administration is has extrinsically political effects. Regardless of the mode of deployment and the intention of designers, the use of technology transforms instituted practices and thus reconfigures governance pushing it towards more technocratic logics (Kitchin, 2014a). These logics are generally defined as a form of solutionism, which presumes that all governance problems “can be measured and monitored and treated as technical problems which can be addressed through technical solutions” (Kitchin, 2014b: 9). The technocratic drift of automated systems is associated with the so-called secondary agency of digital technology. Once deployed to aid the processes of governance, and through its operations, technology transforms them by reshaping individual or institutional behaviour thus displaying “secondary” agential qualities (Kitchin and Dodge, 2011). Finally, because of the design and implementation processes, the use of technology opens governance to corporate interests through procurement and subcontracting (Kitchin, 2014a). The threefold risk of technology in governance is therefore associated with the secondary agency of automated systems, the technocratic drift which it generates,

and transformation of governance through private sector involvement – and these are all political effects.

This is not to deny the “normative appeal” (Chauhan, 2021, 2) of technocratic governance, given computational application of legal norms and policy rules brings a promise of efficiency, consistency, and transparency, and is well attuned to traditional modernisation agendas of the Left. Problematically, however, practice to date fails to deliver on this promise: machine prediction rarely performs above human judgement and in cases where it does, the margins are slim compared to the risks. And the biggest risk of all is algorithmic bias, which can amplify existing forms of discrimination and systematically embed it in public administration (Chauhan, 2021, 3). Technocratic governance is presented by advocates as a neutral mode of discharging state duties, but it is in fact a regressive and a reactionary project. There is much evidence of inadvertent bias which distorts information and reinforces discrimination, and can often eclipse any benefits of digital governance (Voort et al. 2019). In addition, technocratic governance ultimately evacuates politics and political problems from the exercise of government (Janssen and Kuk, 2016, 372). Its blindness to political problems is precisely the reason why technocratic governance can, and is repeatedly shown to, entrench social inequalities and injustices – and why the Left should call out its political effects and oppose them.

Thirdly, algorithms transform internal operations of public administration bodies. This is because automated processing interacts with existing institutions (Voort, 2019) and wider cultures comprising “people, intersecting contexts, and (...) ordinary cultural life” (Seaver, 2017, 10). Such institutional and cultural arrangements generate competing logics in the operation of algorithms. For example, data analysts and decision makers display different attitudes to data: the former are oriented towards information and the latter towards decision. This can impact on the decision making in government in several ways.

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Some of these changes are beneficial: for example, data analysts can provide better information to decision makers, and the ability to absorb information by decision makers – sometimes supported by automatic decision recommendation – may also improve. However, the increased prominence of data analysts in the decision making process increases their influence on decision outcomes and introduces new forms of unacknowledged bias. Further, opportunities brought about by information access alter how decision makers discharge their duties (Voort, 2019, 30-36). This highlights that institutional dynamics are part and parcel of datafication in government decision making, alongside intrinsic and extrinsic political effects. It also shows that institutional power balance in government is shifting due to automation and we do not fully understand how, given this is frontier research where more work is needed (Voort, 2019, 36-37).

The above qualities instil politics in algorithmic systems – in the code itself, and through technocratic drift and institutional impacts. At present, these effects disenfranchise the public and exacerbate existing socioeconomic inequalities by making classed, racialised, gendered, and generational gradients steeper. Such socio-political embeddedness of automated systems results from the fact that they represent “an intricate, dynamic arrangement of people and code” that enacts the “design and implementation of the algorithmic logics” (Janssen and Kuk, 2016, 374). Its effects are uneven, not least because data brokers – often private firms – wield considerable but largely unaccountable power through “asymmetrical accumulation of personal data” and thus dispossess the public (Cinnamon, 2017, 621). As a result, digitisation and automation emerge as a device exacerbating existing, and generating new, injustices.

## **Algorithmic accountability**

The above-described transformative effects of algorithmic practices, and in particular the use of datafied and automated systems in government and administration, prompted demands for algorithmic accountability. Such demands are usually justified by the distinctive lack of transparency, inherent in automated systems (Diakopoulos 2015). They focus on the “black box” design of algorithms (Kitchin, 2017) which is cast as the central feature making automated systems unaccountable. Impervious designs and obscure operational mechanics impede independent scrutiny of automatic decision making. This, in turn, leads to the lack of accountability. Inputs, the data going into an algorithmic device, are often known. So are the outputs, that is any decisions made by the algorithm. And yet, it is not known how exactly these decisions are made. A handy example, widespread in the private sector but increasingly present in public administration too (see Dencik et al 2018) is credit scoring. Here, inputs include an applicant’s identification details and their credit history, and the singular output is represented by the credit score which quantifies the person’s creditworthiness to recommend – and often, effectively, make – a financial or administrative decision. Proponents of transparency as a tool of accountability argue that algorithms are opaque but, given their work is based on known inputs and outputs, it can be reverse engineered to assure transparency and hence improve accountability (Diakopoulos, 2015). In other words, the notion of accountability is presented as a process revealing what an algorithm takes into account (or considers) and how different inputs are taken account of (or weighted) to make a decision, thus making algorithms transparent.

However, transparency is not a sufficient criterion to make algorithms accountable. Firstly, while some algorithms are obscure due to intentional opacity, that is concealing their code by designers

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or operators, the complexity of algorithms often may result in illiterate opacity or in scalar opacity – neither of which are deliberate (Burrell, 2016). In the case of illiterate opacity, high levels of expert knowledge are required to evaluate algorithmic design and effects. And when algorithmic systems are scaled up to work with extremely high volumes of data, scalar effects may generate such complexity that even expert knowledge is insufficient to evaluate algorithmic operations, resulting in what is called scalar opacity (Burrell, 2016, 3-5). Secondly, even once problems related to illiterate and scalar opacity are resolved and the decision making process can be meaningfully evaluated, transparency is still not sufficient to ensure accountability understood as fairness, rather than mere answerability. Examination of transparent algorithms can still reveal bias, error, discrimination, and injustice, but this will not yet make the process accountable. There is also a need for clear mechanisms for governance, challenge, and redress of unfairness generated by automation (Shah, 2018). If the decision reached is not fair then it lacks legitimacy. This leaves it open to challenge, however clear the process that led to it was.

Reuben Binns (2018) argues that accountability in the context of decision making comprises obligation to provide justification for decisions made with the use of algorithms. Such justification can involve disclosure of the decision making process to improve its transparency, but crucially it needs to also include some form of sanction should the justification be found inadequate. This raises two questions. First, how can such decision be assessed? For simple algorithms, which resemble decision making trees, assessment may not require specialist knowledge. However, in the case of complex machine learning algorithms, even specialist knowledge and full transparency may be insufficient. Second, who should assess the justification provided? This is not just the matter of technical skill necessary to conduct such an assessment, but questions also arise over the legitimacy of the assessor.

All this indicates that algorithmic decision making can be contested on epistemic and normative grounds. Epistemic grounds relate to the internal performance of decision making algorithms and, on these grounds, knowledge is crucial for adequate assessment. Normative grounds are wider and include notions of what is fair and just, such as non-discrimination principles, and speak to the legitimacy of the assessor and the assessment. Binns argues a universal norm to facilitate algorithmic accountability on both grounds can be derived from the notion of public reason rooted in the work of Jürgen Habermas, John Rawls, and others. He defines it as “the idea that rules, institutions, and decisions need to be justifiable by common principles, rather than hinging on controversial principles which citizens might reasonably reject” (Binns, 2018, 545). Such common principles include parity in assessing decisions made by automated and non-automated means, provision of clear standards and clear explanations for decisions, democratic oversight over public decision making, and constraints for both decision-makers and decision-subjects.

This notion of algorithmic accountability identifies different grounds for asserting accountability of algorithms, and it engages with asymmetries of knowledge between decision-makers and decision-subjects as well. However, it does not attend to such asymmetries between different groups of decision-subjects, whose ability to evaluate and challenge datafied practices is far from uniform (Cinnamon, 2017). This problem is characteristic of many approaches to algorithmic accountability in public administration. In the governance frameworks for algorithmic accountability and transparency developed by the European Parliamentary Research Service (EPRS, 2019), there is an attempt to override this limitation through raising awareness, and education campaigns. These are meant to act alongside public sector decision making audit, regulatory oversight, and international coordination. Taken together, awareness, auditing, regulation, and coordination are meant to

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ensure the ideal of accountability translates into policy making and policy practice. The definition of accountability here relies not only on legal and ethical commitment and justification of algorithmic practices, but it also includes mechanisms for redress and remedy in case of failure (EPRS, 2019, 4). The notion of accountability therefore denotes the individual and institutional capacity to scrutinise algorithms, with added means of challenging their decisions and seeking redress through legal liability mechanisms (EPRS, 2019, 68-75). It is a coherent policy agenda, but is it sufficient to promote social justice?

Algorithmic accountability prioritises procedural justice, leaving questions of distributive justice out of the equation. The harms and injustices of digital technology occur through interactions and effects of people and code – and algorithmic accountability has a sharp focus on interactions but not the wider systemic effects, that is material properties and outcomes of digital processes (Kinsley, 2014). The next and final section, therefore, highlights the need for scrutiny of algorithmic effects beyond decision making. It also argues for those affected by automated systems to be represented in their design, and to have control over data these systems run off. The broad cause of algorithmic accountability and related issues of data protection and transparency is already championed by Liberal parties. It offers some ways forward, including opportunities for strategic alliances. For the Left to present a distinct offer, however, the notion needs to be broadened to accommodate wider demands of socially just digital transformation.

## **Digital governance: where next for the Left?**

One problem with the approach to accountability outlined above is the complexity of algorithmic systems. Their explainability is disputed in general, and there is no clarity about specific assessment methods

that would allow their operations to be tested by legal experts (Cobbe, 2019), let alone the public. Another problem is that this notion of accountability is largely reliant on legal liability mechanisms to adjudicate digital injustice in retrospect, and it is less concerned with prevention of harms before they emerge, get documented, and get evaluated in costly, complex and time-consuming litigation. A final set of problems is related to the source of responsibility in reviewing and evaluating algorithmic impacts on government decision making. Is the state responsible, or the citizen? To that end, recent examples of litigation from the UK, the Netherlands, and Canada are modestly encouraging as courts have largely sided with the view that it is the responsibility of public bodies, rather than the general public, to review algorithms and identify their discriminatory effects (Maxwell and Tomlinson, 2020). Still, such retrospective approach is of limited use to prevent new forms of discrimination where novel algorithmic systems are involved, just like in the case of the racially profiling visa screening algorithm in the UK, which was not abandoned following a legal challenge but merely given a new form. The Left should therefore push for more robust regulatory mechanisms that seek to prevent digital injustice. When applied retrospectively, regulation needs to assess fairness by evaluating outcomes delivered by automated systems – rather than designs and operations which are mired in potentially irresolvable problems of opacity and complexity.

The Left should be equally assertive when locating responsibilities for digital justice and oppose the responsibilisation of citizens in digitised welfare states. The administrative burden – that is, “the learning, psychological, and compliance costs that citizens experience in their interactions with government” (Herd and Moynihan, 2018, 22) – has already increased in digital welfare states. It turns claimants into “accidental caseworkers” (Madsen et al. 2021) who do the state’s work for it. Further, this administrative burden is experienced unevenly by

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citizens as it depends on their circumstances, from socio-economic to psycho-social conditions (Madsen et al. 2021, 1-2). All this exacerbates existing problems of the digital divide, whereby “differences in access to and use of digital technologies can create and sustain inequalities in society at large” (Schou and Pors, 2019, 467). This is chiefly because digitised solutions often follow a self-service model that demands digital literacy and access or ownership of digital tools, but also because it requires considerable domain-specific skills, from tax, welfare, and immigration regulations to advanced numeracy. Language, numerical and administrative literacy is most often required to navigate the digital process independently not simply because of technological barriers but also due to self-service design of digital governance (Skaarup 2020, Jablonowski and Pinkowska, 2021). The process of identifying and mitigating digital harms, therefore, needs to also be alert to such non-digital effects.

Algorithmic accountability is partly blind to such wider effects of digitisation, as the source of harm is often seen in the automated system itself rather than in its wider environment. However, algorithms cannot be accountable in isolation from socio-political processes they govern (Amoore, 2020). A Left digital agenda therefore needs to progress beyond the binary of good and bad – or justified and unjustified – uses of data and algorithms. Given that data and algorithms are embedded in political, cultural and institutional contexts, the Left should foreground the questions of social justice in debates on technological advances (Cinnamon, 2017) and ask how they can be progressed in the context of digitisation (Dencik et al. 2019, 837). This means moving away from isolated and dispersed violations of digital rights and moving towards a systemic and structural approach that highlights socio-economic conditions that algorithmic harms become part of (Hoffman 2019), as well the digital and other divides of skills and access they generate and exacerbate.

This points to the need to decentre technology in debates on datafication, automation, and decision making. Instead, the Left needs to engage with existing and instituted forms of discrimination and inequality to unlock the problems of technology through them (Gangadharan and Niklas, 2019). In practice, this means focussing on the matters of legal compliance, design practicality, and informational asymmetry that, for example, were shown to drive digital injustice in the case of Aadhaar – the world’s largest biometric identification system used to administer welfare provision in India (Masiero and Das, 2019). It also means scrutinising how established institutional norms and practices of government are affected by digitalisation and system design. In the case of Centrelink – a system used to administer Australia’s welfare provision and related tasks of public administration – such an investigation revealed how digitisation exacerbated existing punitive policies in welfare administration. To prevent such effects, digital transformation of welfare systems needs to adopt claimant-oriented design and implementation practices (Park and Humphry, 2019) which often include elements of co-production. Both in the case of Aadhaar and Centrelink, the key lesson is to rebalance the strategic asymmetry of data access and design priorities from the administrators to the users of these systems. This aims not so much to ensure accountability, but to reprioritise the needs and interests of citizens in digital governance processes. This centrality of concerns and interests of those impacted by automation of public administration is not just a political, but also a technological demand. Given there are differing standards and criterions of fairness that algorithms are unable to adjudicate fairly, mechanisms for participation of system users or are essential in a design process seeking to prevent social harms and ensure just outcomes (Friedler et al. 2021: 143). However, to address the issues of technical complexity and responsabilisation of citizens, a better still approach is indirect representation of affected interests.

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This may be best achieved through the involvement of specialist civil society actors in design and scrutiny of automated governance systems.

Such an approach, attuned to the issues of complexity, embeddedness, responsibility, inclusion, and affected interests, substantively differs but is fundamentally compatible with the approach of algorithmic accountability. It differs, insofar as it includes affected interests alongside common principles and prioritises distributive justice over procedural justice. However, it is also compatible with the notion of accountability articulated through demands such as the parity in assessing decisions made by automated and non-automated means, the provision of clear standards and clear explanations for decisions and, crucially, democratic oversight over public decision making. This links with the double argument presented here. Broadly speaking, the principles of algorithmic accountability are common ground with Liberal parties and show a promise of strategic alliances on digital transformation of public services. The principles of digital justice, reconfigured here as demands for responsabilisation of the state, and prioritisation of affected interests and user needs in system design and implementation, point to areas which the Left should assertively claim for itself.

## Conclusions

Algorithms are not neutral devices that improve efficiency and consistency of state functions, as proponents of technocratic governance maintain. But they are not simply “black boxes” of obscure code and opaque process that need to be opened (Seaver 2017) as suggested by some advocates of algorithmic accountability. Algorithmic accountability demands that governments and corporations are open with the public and provide transparency whenever automated

processes are deployed in decision making. The chapter shows that, as an approach, it is insufficient to fully scrutinise the effects of datafication and automation of public administration. Instead, it argues the Left should embrace a systemic approach to digitisation as a critical methodology and a programmatic orientation.

Such an approach, responsibilising the state and prioritising the citizen to ensure equity and inclusion, aligns better with distributive justice agendas. It is also distinct from Liberal approaches, chiefly operating through notions of transparency and privacy, and matters of procedural justice. In particular, the Left's digital agenda needs to account for technopolitical embeddedness of datafication and automation, and contextualise these processes within the wider socio-economic system. It also needs to engage with technology as inherently political and demand it is governed as such, by ensuring representation or participation in the design and governance of datafied and automated systems by those affected. Finally, it needs to oppose the responsabilisation of citizens which generates new inequalities, not least because of the digital divide. In doing so, the Left can situate "the digital" in the wider narrative of social justice.

Digital technology is not a neutral device that simply improves the efficiency and consistency of public administration. Instead, it reflects and remakes socio-economic inequalities of contemporary societies. This necessitates democratic control. The challenge of automation and datafication can be easily incorporated into the Left's agenda and assertively articulated as adjacent to, but distinct from, Liberal approaches. Given harms generated by the creep of datafication and automation are increasingly common, there is an urgent need for a programmatic response.

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**PROGRESSIVISM  
AFTER COVID:  
EXPERIENCES,  
IMPULSES, IDEAS**

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**PROGRESSIVISM  
AFTER COVID  
EXPERIENCES,  
IMPULSES, IDEAS**



**Resilience and Cooperation:  
Building Into the Momentum  
for the EU**

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Dimitris TSAROUHAS

# **COVID-19 and EU Economic Governance: Building Back Better**



## **Keywords**

**EU, Recovery, RRF, Economic Governance,  
Next Generation EU**

## **Abstract**

COVID-19 hit Europe at a time when the Euro Area crisis had started to slip off the radar. With growth and employment rates rising before the spring of 2019, policymakers were keen to stress the recovery and move on from the existential crisis of a few years back. The pandemic has provided the European Union (EU) with an opportunity, amidst yet another crisis: to derive the right lessons from the Euro Area debacle and strike a new balance between the need for a coordinated macroeconomic policy response on the one hand, and the diminishing of growing disparities between and across member states. Progressives across Europe (and indeed beyond) can now make the case for a vigorous public sector response against an invisible enemy. What is the way forward?

This contribution focuses on the economic governance response of the EU to COVID-19. To what extent has the EU been able to rise to the challenge of an unprecedented threat that upends established ways of life, work and leisure? To what extent has the EU learned the lessons of the last crisis, and how far has it been willing to go to address some of the systemic institutional shortcomings that the Euro Area in particular suffers from? Finally, what are some concrete policy proposals that the Union could adopt following the (hopefully near) end of the pandemic?

## Introduction

In early 2020, the European Union (EU) finally appeared to be turning the corner of the prolonged Eurozone crisis. Economic data allowed for a high degree of optimism: unemployment fell to its lowest levels since 2008 for the Eurozone and since 2000 for the Union as a whole (Eurobarometer, 2019). Similarly, positive data emerged with reference to growth in employment as well as GDP growth. At the same time, the crisis narrative that had accompanied European integration for a number of years, and had culminated in the Brexit vote of 2016, was also overcome. Following the Brexit referendum vote and especially the shenanigans that followed in EU-UK negotiations as to the precise nature of the new relationship between the two sides, the EU's popularity shot up. In the summer of 2020 favourable EU opinions among the bloc's population was at 66 percent and, with only a few exceptions, these ratings were up compared to the year before. Even in Britain, the EU's favourability rating had hit 60 percent. Crucially, favourability levels were positively correlated with peoples' expectations about economic recovery after the COVID-19 pandemic and the perception of a positive economic environment (Silver et al. 2020). Surveys showed that Europeans appreciated the EU response to the pandemic and the policy measures put in place by governments and institutions to offset its effects. The early bad start centred on the lack of solidarity towards hard-hit Italy (Braw 2020) and frantic attempts to secure national supplies of medical equipment was replaced by policy coordination and concerted efforts to demonstrate that the EU 'gets it'.

However, the high level of uncertainty surrounding the COVID-19 crisis will not go away any time soon, and some of the pressing

challenges that the EU faced before it broke will return once a semblance of normality has returned. The governing of the Eurozone and the Union's economic governance framework is central to such concerns, given that the overcoming of the Eurozone crisis may well prove a temporary phenomenon in the presence of persistent disparities between members.

This contribution will focus on the economic governance response of the EU to COVID-19 and seek to offer policy suggestions as to the 'day after'. It seeks to provide answers to the following questions: to what extent has the EU been able to rise to the challenge of an unprecedented threat that upends established ways of life, work and leisure? To what extent has the EU learned the lessons of the last crisis, and how far has it been willing to go to address some of the systemic imbalances that the Euro Area suffers from? Finally, what are the exact policy proposals that the Union could adopt following the (hopefully near) end of the pandemic?

The first section discusses the EU policy response to COVID-19 from its inception until early 2021. The next section evaluates the response, arguing that the EU has been able to derive important policy lessons from the Eurozone crisis and mobilized enough collective will to cancel talk of an existential crisis. However, pre-existing challenges pertaining to economic governance remain in place, and the third section focuses on potential policy responses once our 'new normal' arrives. Finally, the conclusion summarizes the main argument.

## **The EU Response to COVID-19**

The onset of the COVID-19 pandemic found EU member states, just like the rest of the world community, fully unprepared. The lack of scientific knowledge on the origins and repercussions of the novel coronavirus made policy response difficult to fathom. Further, chronic

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underinvestment in public health infrastructure in various member states, not least those mostly hit by austerity during the Eurozone crisis, made things yet more difficult. The pandemic would soon prove to be a major test for the Union and its claim to offer solidarity to member states in times of need.

The early response was geared towards covering immediate needs: safeguarding enough medical equipment for frontline healthcare workers, making sure testing kits become available when needed and seal national borders to allegedly control the pandemic. In February and March 2020, EU member states went down unilateral roads and sought to seal themselves off from the worst effects of COVID-19, especially considering the horrible scenes emanating from Italy's Bergamo. At the same time, in the process damage was done by way of encouraging the notion by non-EU members that the bloc was ignoring their plight, tempting them to turn to China for help instead (Euractiv, 2020a). By spring of 2020 two facts became clear: first, the world was in for a long-haul fight with a pandemic which recognized no national borders, and which had managed to penetrate every corner of the globe. Second, and equally worryingly, economic data projections demonstrated that, a decade after the global financial crisis, the world was in for another major economic downturn. The duration and velocity of the downturn was unclear, but the negative economic trajectory was. Suddenly, the fight against poverty, unemployment and social exclusion topped the agenda, as the International Monetary Fund (IMF) suggested that the world was faced with the largest economic contraction since the Great Depression (BBC News, 2021).

A series of policy measures had to be put in place at EU level. Going it alone was neither feasible nor sustainable. To start with, the European Council opted for the adoption of the general escape clause of the Stability and Growth Pact (SGP) provisions. This was to take immediate effect to allow more room for member states to adapt their fiscal

response to the tsunamis of economic downturn foreseen (European Council, 2020a). This was a common-sense decision premised on the need to boost healthcare expenditure to fight the pandemic, as well as to take measures to offset the idle status of firms, small and big alike, locked down due to COVID-19 (European Council, 2020b). A few days earlier, the EU also decided to trigger a Temporary Framework that would allow states to extend a helping hand to business by use of a flexible interpretation of state aid rules (European Commission, 2020a). Moreover, in April 2020 the Council also approved the creation of SURE, a temporary recovery fund able to distribute loans for aid to employers that would otherwise lay off workers, but also to the self-employed. Its capacity is €100 billion (European Council, 2020c).

Yet it was also clear that such a measure on its own would hardly make a difference, given the scale of the challenge. Further, there was a looming debt problem, still important as these lines are written. One of the Eurozone crisis' legacies has been soaring debt, especially high for those countries hit by the economic downturn the crisis had led to. For member states such as Spain or Italy more drastic measures would be necessary to avert the possibility of instability and assure the population that the post-pandemic economic climate would be conducive to growth and a rise in employment levels. As the debate on the next steps to the pandemic response continued, the European Central Bank (ECB) stepped up to the ongoing challenge through its temporary asset purchase programme (TAPP) of €750 billion involving both government and private debt. By June, and as the pandemic showed no sign of abating any time soon, the amount was increased to a total of €1,350 billion (European Central Bank, 2021).

Other institutions, some of them created during the Eurozone crisis, also had a role to play. In May 2020, the European Stability Mechanism (ESM) became responsible for the 'Pandemic Crisis Support' which was made operational on 15 May 2020. This was a tailor-made move

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by the ESM aiming at supporting business in the EU hard hit by the pandemic and allowing for cheap loans to them to be generated up to a maximum of 2 percent of their country's GDP. The total capacity of this policy instrument was calculated at €240 billion (ESM, undated). In May 2020 the European Investment Bank (EIB) created a safety net for small and medium enterprises, able to offer up to €200 billion to eligible firms (European Investment Bank, 2021).

During the video conference of the EU Council on 24 April, member states tasked the Commission with the framing of a new proposal for additional financial support to the ailing European economies. Importantly, the mandate of the Commission was to come up with a mix of grants and loans to be made available to member states as soon as possible and be linked with the ongoing negotiations on the adoption of the Union's new seven-year budget, the Multiannual Financial Framework (MFF) (European Council, 2020d). A few weeks later, France and Germany displayed a degree of unity that had been largely absent a few years earlier during the Eurozone crisis. The proposal endorsed by Chancellor Merkel and President Macron called for the Commission to be bold, and to distribute grants of €500 billion to member-states in need (Politico, 2020). Indeed, the Commission set out its proposals only a few days later. Ursula von der Leyen announced the Commission's intention to solidify a new policy instrument, named 'Next Generation EU' (NGEU) worth €750 billion (European Commission, 2020b). The NGEU's flagship instrument, the one that could potentially alter the trajectory of the Union's post-pandemic economic recovery plans, was the Recovery and Resilience Facility (RRF). The RRF was essentially a €310 billion worth of grants (not loans) envisaged to be dispersed to member states by use of several criteria. These comprised population, GDP per capita as well as a five-year average rate of unemployment between 2015 and 2019. The Council and Parliament would now debate and potentially approve

of NGEU in addition to the Multi Annual Financial Framework (MAFF) package of €1.1 billion already negotiated.

Heated negotiations commenced and disagreements between member states soon became clear. Prior to the onset of the negotiations, then German Chancellor Merkel had acknowledged that negotiations would be 'very tough' and the outcome uncertain (Deutsche Welle, 2020). Similarly, Dutch Prime Minister Rutte, the informal leader of the 'Frugal Four', declared prior to the onset of talks that he considered the chance of a successful conclusion at less than 50 percent (Reuters, 17 July 2020). On the one hand were those strongly supportive of NGEU and the RRF, particularly Southern European members (this time with Germany on their side). On the other were the 'Frugal Four' of Sweden, Denmark, the Netherlands, and Austria, suspicious of the size of the package, the generosity envisaged in the distribution of loans, and the Union's subsequent fiscal position. Throughout the protracted negotiations the two sides hardly budged from positions of principle but were ready to accept compromise to seal a deal. And so, it happened. After four difficult days, the Council reached a successful conclusion and a new financial package worth €1,8 trillion was adopted.

When the dust settled, some of the compromises made, especially to get the Frugal Four's approval, were laid bare. The EU budget over the next seven years, which the Commission had originally wanted to reach €1,1 trillion was down to €1,074 billion instead. This was a first victory for the 'Frugal Four' who had insisted on it, but more cuts were made to the original proposal as well. Spending commitments on research and development, as well as education, saw real cuts in funding to 'carry' the total package and include the RRF in the final agreement. To illustrate through concrete examples, the budget originally envisaged for Horizon Europe and Erasmus were cut by 6 percent and 14 percent respectively. The same fate was bestowed on the NGEU original proposal unveiled by von der Leyen, as cuts

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in the Just Transition Fund and Health programme were revealed (European Parliament, 2020a). The ‘Frugal Four’ and Germany secured hefty rebates from the EU budget and the controversial ‘rule of law’ conditionality that some had insisted on to check the growing authoritarian tendencies of some member states was inserted but in a severely watered-down version. The final text of the agreement refers to it but only to point to the fact that the Council ‘underlines the importance of the respect of the rule of law’(European Parliament, 2020a). This formulation has done little to assuage either side of the good intentions of the other. The new German coalition government, announced in November 2021, suggests that RRF funds should be made conditional on an independent judiciary (SPD, et al. 2021), and the controversy as to the sue of those funds by the likes of Poland and Hungary will continue.

Funds will be distributed over three years and until 2023. Most of the disbursement, namely 70 percent, should take place during 2021 and 2022. The remaining 30 percent will be disbursed based on members’ GDP performance in 2020 and 2021 (Colijn and Brzeski, 2020). The Commission’s country specific recommendations (CSRs) will feed into the national action plans states will submit to be granted access to the funds. These are expected to be in conformity with the Union’s jobs and growth agenda and a portion of the funds is reserved for actions on climate change and the digital transformation. Lastly, the Frugal Four’s demand to be able to block grant disbursal is permitted but under stringent conditions. A member state will be able to argue that a member state’s plans does not represent value for money and thus deviates from set out plans by calling for a Summit; this option is however time-sensitive – three months – and subject to approval by a qualified majority.

## **Evaluating the EU economic response to COVID-19**

The onslaught of the pandemic has multiplied the public policy challenges governments across the world face. In Europe, the discrepancy in vaccination rates between (most of) western Europe and (most of) Eastern Europe makes policy coordination especially challenging, and the Union's intensifying disputes with governments in Warsaw and Budapest reflects an ongoing battle as to the normative essence of the EU. For lack of space, the analysis below concentrates on only one of the many challenges the Union now faces, namely its economic policy response to COVID -19.

This contribution advances two sets of arguments. First, the EU response to the pandemic has been very different from the one on display during the Eurozone crisis. As I have argued elsewhere (Ladi and Tsarouhas, 2020), the combination of fiscal power and policy coordination by major EU policy actors has allowed for a robust and adequate response to the massive economic challenge posed by the COVID-19 pandemic. In that sense, and as argued in this section below, policy lessons from the last crisis of 2010-15 have been learned, and the policy response has been adjusted accordingly. This time round the Union drew from the policy repertoire that had been reluctantly and inadequately created during the Eurozone debacle to reassure markets, appease the anxiety of its citizens, and prepare for the effort that will subsequently be required. It is also worth speculating as to whether the different policy response displayed by the EU this time round is part of a broader frame shift among international organizations, not least considering the active role that institutions such as the IMF have demonstrated during the current crisis (Masters et al. 2021).

Second, and as the next section will make clear, the pandemic invites EU policymakers to rethink economic governance for the

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Eurozone. The aftermath of the still-unfolding crisis is uncertain and its repercussions will take some time to play out. However, what is clear already is that this is a critical juncture in EU economic governance (Wolff and Ladi, 2020) and that the challenges of the day after will trump those of the day before. To maintain legitimacy for the project of integration and diffuse the centrifugal forces that had gathered strength in the aftermath of the Eurozone crisis, the policy learning process that the Union initiated in 2020 should lead to a redesign of economic governance principles and rules.

How has the EU reacted to COVID-19? I argue that time sequencing played a major role in the EU response to the pandemic. The fact that this crisis erupted only a few years after the Eurozone crisis has been decisive. To start with, many of the policy initiatives that were put in operation in the first weeks of the crisis had been long in the making during the Eurozone debacle. Politicians and officials alike could now replay the Eurozone scenario, anticipate future events and act accordingly. Second, and equally importantly, many of the same policy actors were protagonists once more and could draw on their earlier experience to better adjust their response. For example, not only was Angela Merkel in the same position as Chancellor, presumably more aware of the dangers that crisis can generate for the EU project, compared to her Eurozone response; Christine Lagarde was another policy entrepreneur that played, and continues to play, a decisive role (Ladi and Tsarouhas, 2020).

Another important dimension of the EU response has been the realization that certain policy adjustments create a new set of dynamics that then call for yet a deeper dive in policy experimentation by way of an institutionalist logic (Pierson, 2004). The suspension of state aid rules and their consequences is a case in point. The Union rightly allowed for flexibility and national pathways in the face of urgent need to speed up the procurement process for medical equipment. However, it

was also clear that this sensible measure could have major implications regarding the possible divergence in economic performance it could lead to, as certain member states would be able to make better use of it than others (not least the likes of Italy and Spain). This would result from the usage of flexibility by countries with a larger fiscal armour that would help their consumers and business to an extent unimaginable to those suffering major fiscal restrictions (Buti, 2020). By the same token, ECB activism in the form of the PAPP has been able to calm down market fears about the unsustainable debt levels of certain member states before the situation reached boiling point for those especially exposed. In that regard then, the July 2020 Summit conclusions highlighted the ability of the EU to generate deeper policy learning lessons as compared to the Eurozone debacle, acknowledging that there would be redistributive consequences that could harm the Single Market if more active policies were not put in place (Ladi and Tsarouhas, 2020).

The EU response to the pandemic has been reminiscent of earlier integration periods when a Franco-German alliance tilted the balance of power and opened new pathways for cooperation. This was on vivid display in the spring of 2020, when the two countries' leaders took a joint initiative that was bold and unashamedly ambitious in terms of its consequences, at least potentially. Further, their stance was in sharp contrast to their respective stance during the Eurozone crisis, especially its early phase. As the primary beneficiary of the Euro's creation and dependent on export-driven growth, Germany acknowledged that economic collapse of the likes of Italy and Spain would not only put the Eurozone project into trouble, but would also dampen German exports and therefore growth potential (Euractiv, 2020b). The Franco-German proposal on grants reflects the acceptance that punitive austerity during the Eurozone crisis brought the EMU architecture to the brink of collapse (Parker and Tsarouhas, 2020). During the Eurozone crisis,

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Germany's ordo-liberalism trumped its leadership ambitions for Europe (Bulmer 2014) to the detriment of the EU common good. This time around, German leadership was quick to realize that an ordo-liberal response could have catastrophic results. This combined with a desire by President Macron to display his reformist credentials, and use this opportunity to finally convince Berlin that common cause on integration was both possible and desirable. Further, it is crucial to note that the Franco-German proposal was premised on lessons learned, and institutions forged, during the Eurozone crisis. It was in that sense an incremental policy suggestion that nevertheless opened space for a new normative approach to economic governance in the Eurozone (Verdun, 2015). It is for this reason that the Commission was able to take advantage of its broad parameters, shift the discourse on governance that until then had remained focused on fiscal sustainability, and move it to a pro-growth attitude instead. In doing so, the Commission could act in alliance with already mentioned policy entrepreneurs that saw an opening. As Christine Lagarde put it, 'the recovery phase of the crisis will be less about preserving the status quo - which was the initial priority - and more about transforming the economy to reflect the new realities of the post-COVID-19 world' (Lagarde, 2020).

What is so different now compared to the 2010-2015 period then? For starters, the EU has now committed itself to a new policy framework that does not rule out a direct fiscal stimulus for those in need by use of direct grants to member states. Considering the endless debate that such proposals had generated during the Eurozone crisis, the nature of this policy change is historic in nature and carries important implications for economic governance for years to come. It is worth remembering for instance how the insistence of several member states in the past, predominantly Germany, that the EU should not become a 'transfer union', had hindered an effective response to the outbreak of the Eurozone crisis and had contributed to the poisoning of

EU politics for a prolonged period. The absence of a bolder response during the Eurozone crisis had also proven how relying on loans alone could hardly be adequate when facing a crisis, the scale of which could not be predicted with any degree of accuracy. Creating the Recovery and Resilience Facility is not merely a symbolic gesture, or the result of a serendipitous change of power balance in the Council. It carries long-term implications by way of setting a new institutional framework based on which progressive policy proposal on governance could now be articulated. The ‘transfer union’ that dare not speak its name may already be in place – and that is equally significant, if not more so, to the macroeconomic implications that the RRF could have, especially for countries that have suffered the most from the pandemic so far (Stubbington and Szalay, 2020). Southern Europe, and Italy in particular, are key here. The bold response of the Union in 2020 demonstrated its willingness to heed the lessons learned from the last crisis regarding the legitimacy of the Union among the public. Italy’s positive ratings of the EU were at an all-time high before the pandemic erupted (Eurobarometer, 2019) yet could have been reversed if Italy had been left to its own devices to handle the acute phase of the crisis.

The July conclusions are historic for yet another reason: they make the Commission a central player in boosting the fiscal firepower of the Union, alongside the ECB, since it is the Commission that will borrow from international markets until 2026 on behalf of the Union. In addition, to make sure that the funds generated will lead to productive use and conform with EU goals on the jobs and growth agenda, digital transformation and the green agenda national action plans will be submitted to the Commission for approval (European Council, 2020e). What is more, the Union decided to boost its own resources and use the Community system by generating additional resources through a non-recyclable plastic tax in effect since 1 January 2021 and

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contemplating adding more of those by way of a carbon tax and digital tax (European Council, 2020e). The watering down of the financial transactions tax (FTT) leaves little room for optimism in this respect but the decision to abandon an intergovernmentalist logic in running the package and integrating it fully in the Community method marks a significant departure from the Eurozone response.

A final lesson learned during these first steps of managing the current crisis has to do with the institutional mix. During the Eurozone crisis the EU was often accused of augmenting the democratic deficit by depoliticising the implementation of the Economic Adjustment Programmes in bailed-out countries by relying on technocratic institutions such as the Troika (Dyson, 2017). An intergovernmentalist basis that weakened the EU's common response had been chosen. This time, consensus over the origins and repercussions of the crisis as well as the experience from handling the Eurozone crisis has meant that politicisation at the top, as described in the introduction of this SI, has enabled the resurrection of the 'Community method' (Buti, 2020). The Council asked the Commission to develop a recovery plan, which then led to the incorporation of the NGEU to the multiannual budget (European Commission, 2020c). As a result, and given the need for the European Parliament to consent to the budget, all major institutions are genuine stakeholders in the EU's policy response.

## **EU Economic Governance: The Day After**

The previous section argued that the EU response to COVID-19 has been characterized by quick action, deep and shallow policy learning, and a desire to do 'what it takes' to preserve the Single Market and realistic prospects for a subsequent robust economic recovery. Increased public spending in the early phase of the crisis by

member states has been complemented by bold action on the part of the institutions (Moury et al. 2020). In this section, I argue that the policy learning process on display can and should continue once the pandemic subsides. Economic governance at Eurozone level is an incomplete project and a return to the status quo the day after is a sub-optimal policy choice. Instead, the positive momentum generated over the last year should translate into institutional and policy reforms that will enable both the smoother functioning of the Eurozone and (consequently) the subsiding of the Eurosceptic waves that the EU has grown all too familiar with in recent years.

This is all the more important given the devastating consequences that the pandemic has had on the world economy, but especially on Europe. OECD data reveals that Europe's GDP contraction in 2020 has been deeper than that of the US, Japan or China. A -7.5 percent for the Euro Area contrasts with a -4.2 percent for the world, but the more worrying aspect of this is the slump that Southern Europe faced. Greece (-10.1 percent), Spain (-11.6 percent), France and Italy (both 9.1 percent) have been hit hardest (OECD, 2020). Successive policy initiatives and the NGEU represent a bold initiative, yet it appears that this fiscal stimulus is inadequate not only vis a vis the US equivalent but also the post-pandemic growth prospects of the rest of the world (Tooze, 2021). This is true despite the positive macroeconomic effects of the stimulus. Research suggests that countries hit hardest by the pandemic's effects are expected, by use of the RRF, to offset the worse effects of output decline, and enhance public capital stocks needed for investment (Watzka and Watt, 2020).

Given recent data and the worsened economic prospects for countries in the South in particular, the fiscal package of NGEU, especially the RRF component, needs to be rethought. It has been estimated that shortfall in private investment in the Euro Area over 2020 and 2021 will be larger than the NGEU package, amounting to

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€831 billion. In combination with the contraction mentioned above and the lukewarm prospects of growth that the South in particular faces over 2021 and 2022, more needs to be done now to address the post-pandemic economic malaise. The most sensible way forward is to up the grants' components of NGEU in addition to an overall increase of the package. This requires a Council agreement given the interconnected nature of NGEU and the MAFF but is ultimately a matter of recalculating sums. In the process, some of the shortcomings of the July 2020 agreement as highlighted by the European Parliament prior to its acceptance of the deal could also be addressed (European Parliament, 2020b).

A second area of immediate intervention (with long-term consequences) is the debt issue that Europe, as do other parts of the world, face and will continue to face post-pandemic. Thomas Piketty, Laszlo Andor and others have recently argued that the ECB is legally permitted and politically allowed to cancel the debt it holds of EU member states in exchange for these states committing to invest the amount saved on Europe's recovery premised on social cohesion and environmental sustainability (Euractiv, 2021). The proposal has been lauded but also criticized, with the ECB reluctant to go down that route. Part of the reaction is understandable. Evoking the 1953 London Conference and the debt forgiveness that west Germany was then able to benefit from is likely to reinvigorate the rejectionist instincts of Berlin's policy establishment that were on high alert during the Brexit saga (Young, 2020). After all, the same argument on '1953' was used by SYRIZA soon after it got into office in 2015 and proved unable to shift the balance of public discourse on Greek debt. Nevertheless, the proposal has merit and can be endorsed. The ECB has proven, following Draghi's 'whatever it takes' speech, that it is able to act creatively. Its role during the pandemic, as analysed above, has also demonstrated that its political instincts, in sync with the more activist

role that central banks have assumed since the global financial crisis, can offer stability and predictability when needed the most. Cancelling part of the debt now will send a strong signal that policy learning continues – to the benefit of Europe's citizens.

A third area of intervention that is feasible and will improve Eurozone governance is to enhance the flexible application and interpretation of numerical targets governing the Euro Area, and to (finally) reform the mechanism of debt calculation to exclude certain public investment types. As Vivien Schmidt argues (Schmidt, 2020), the one-size-fits-all approach on debt and deficit squeezes member states' room for policy manoeuvre and exposes them to accusations of conservatism in policymaking. This may sometimes be warranted, but it also has the effect of disempowering progressive governments that desperately attempt to marry fiscal consolidation with social justice policies. The pandemic has shown fresh light on the need for tailor-made targets for member-states that find themselves in various parts of the economic cycle. Yet the response to date has been geared towards the suspension of the general escape clause (GEC) for the foreseeable future rather than changing the rules as such. The Commission has announced the intention of suspending the GEC for 2021 as well as 2022 but ending it in 2023, when output is projected to have recovered to 2019 levels (European Commission, 2020d). The criticism that the current rigid rules-based framework has faced has been extensive. An important proposal in that regard has recently been tabled by Blanchard et al (Vox, 2021), arguing that the EU would do well to move to fiscal *standards* instead of rules, assessed over a long-term horizon and with institutions other than the Council (the Court of Justice or a Fiscal Board spring to mind) deciding on whether member states have acted as they should. Apart from removing the immediate pressure for compliance with rigid rules in a highly complicated political environment with tens of criteria inserted in the assessment, the move to a "standards culture" would

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force member states to act in a transparent manner, thus averting some of the errors that led to the Eurozone crisis.

Finally, a word on public investment and its exemption from debt incurred by member states. The idea as such is important and it is hereby proposed that productive investment be indeed exempt. I am thinking of expenditure incurred in education and training, the cornerstone of policies supplementing growth in the long run that facilitate *genuine* economic convergence in the Euro Zone. Nevertheless, such an exemption should not be universally applied to expenditure on public infrastructure. Experience suggests that such investment can sometimes be neither long-term nor productive, not to speak of its frequent incompatibility with the new 'green' standards on growth that the EU is rightly investing in.

## Conclusions

The COVID-19 pandemic has delivered an unprecedented shock to the way of life, economic prospects and social cohesion of billions of people across the world. Europe has been hit especially hard, with record levels of GDP contraction in 2020 and uncertain recovery prospects in the short-term, despite the ongoing vaccination programme and with Southern Europe especially vulnerable. The return of yet another deadly wave of the pandemic in winter 2021 underlines the urgency of the public health crisis Europe is facing as well as the need to act decisively in the face of an unprecedented economic challenge.

In the years ahead, a lot of rebuilding will need to be undertaken and bold decision-making is called for. This paper has sought to demonstrate that there is no reason for despair. Drawing on a comparative framework that juxtaposed the Union's response to the pandemic to date and its earlier handling of the Eurozone crisis, I have argued that a) policy learning is evident b) important short- to medium-



term measures have already been taken and c) policy actors have proven their willingness to amend their policy behaviour in an extremely volatile and dangerous political and socio-economic context.

At the same time, however, the paper has underlined two further arguments. First, despite the achievements of 2020 and especially the adoption of NGEU (and the RRF in particular), the fiscal response to date appears inadequate to deal with the challenges of the day after, whenever this emerges. Expectations run high and (to recall President Macron's phrase) a 'Europe that protects' is called for by its employers, workers, and citizens more generally. To that end, the paper's last section seeks to draw attention to a series of inter-connected reform options that the Euro Area can make use of to ensure the sustainability of the Euro Zone and build on the achievements of progress made. First, the fiscal response in the form of NGEU, and especially its RRF component, needs to be enhanced. At a time of record low interest rates and facing an unprecedented emergency, Europe's ability to fund its way out of the crisis is compatible with servicing moderately higher debt levels, despite the rise of short-term inflationary pressures. Second, debt elimination on the part of the portion currently held by the ECB will benefit member states, reassure markets, and allow countries to focus on the Union's highly ambitious agenda on green growth and digital transformation. Finally, and with reference to Eurozone governance more generally, the rigid rules-based framework that has hardly served the Union in the past ought to be rethought. A more flexible standards-oriented approach that assesses economic performance over the long-term and addresses the specific circumstances of member states would decentralize authority, democratize the EU, and thus facilitate 'building back better'. The EU is facing a critical juncture, and the Euro Area is at crossroads. The time to act is now.

Finally, a word of caution. The close sequence of the Eurozone and pandemic crises allowed for a degree of bold decision-making as

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described above that has no precedent in EU economic governance. Yet the Council's historic decision is an extremely new development. The RRF entered into force in February 2021. Acrimonious debates as to the future of economic governance will continue and the more difficult part, the implementation phase of national plans to enable grants' dispersal, is just beginning. Further, resistance from within the EU, not least by the 'Frugal Four', to the prospect of genuine intra-EU solidarity remains one of the obstacles towards reconceptualizing economic governance at EU level and implementing a genuinely new approach. It is therefore unknown whether EU economic governance is transformed for good, or whether the extraordinary circumstances brought about by COVID-19 will reduce the sense of urgency once the pandemic's effects subside.

In that context then, it is essential to maintain a political perspective on the debate surrounding the Recovery and Resilience Facility. The German election result in September 2021, combined with continued uncertainty as to the future trajectory of the pandemic, raises the stakes. EU leaders and the Union's institutions have been offered an unexpected opportunity in tough times: to implement long-term institutional recalibrations of the Eurozone to maintain its cohesion and demonstrate that unity in diversity is more than an innocuous slogan.

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Carlo D'IPPOLITI

# **Economic growth in post-COVID-19 European Union**



## **Keywords**

**Stability and Growth Pact, Fiscal Rules, Growth Regime,  
Social Classes**

## **Abstract**

With the response to the COVID-19, we finally saw a European Union based on cooperation rather than competition, flexibility and pragmatism rather than one-size-fits-all rules, and willing to sustain the economy. However, with the health crisis now over, the chances that we will face a return of the “austerity + structural reforms” economic policy mix are high, because there has not yet been a rethinking of Europe’s long-term growth strategy. The Next Generation EU program alone will not produce the growth in aggregate demand necessary to switch to an investment-led growth model, and with stagnant salaries in many countries, a consumption-led growth model does not seem too plausible either. Overcoming austerity (or structural reforms) without changing our long-term growth strategy is an illusion.

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After almost a decade of criticising Frankfurt-Bruxelles orthodoxy in matters of economic policy, with the response to the COVID-19 pandemic social democrats can finally see a European Union closer to what we fight for. A Union based on cooperation rather than competition, flexibility and pragmatism rather than one-size-fits-all rules, and willing to sustain the economy rather than chasing the monsters of expansionary austerity.

However when the health crisis, hopefully, is over, Europe will be at a crossroads. The chances that then we will face a return of the “austerity + structural reforms” economic policy package are high. This is because there has not yet been a rethinking of Europe’s long-term growth strategy. As we debated many times in the previous rounds of our Next Left Focus Group, all European countries have engaged in (or have been forced to adopt) an export-led growth strategy that, in the absence of sufficiently large investments in innovation and efficiency (especially in the “peripheral” Member States), has made wage compression and fiscal austerity the necessary measures to achieve the Holy Grail of international competitiveness.

The Next Generation EU program alone will not produce the growth in aggregate demand necessary to switch to an investment-led growth model, and with stagnant salaries due to several global and European reasons, a consumption-led growth model does not seem too plausible either.

The problem is both political and of economic culture (which itself is a very political issue). At the political level, COVID-19 has caught many European countries, and the EU as a whole, still in the midst of a reorientation of the debate from the traditional left-right cleavage to a “new” establishment-vs-populists struggle. This newish form of

cleavage has proved electorally successful for its main proponents (the populist movements themselves, but also mainstream politicians trying to reframe themselves as neither left or right, or simply “technicians” in charge of administering well). It has, however, proved a very shaky basis on which to build effective coalitions to govern.

The underestimation of the left-right cleavage testifies to the problems at the economic culture level. On the one hand, the Member States’ long term growth strategy and that of the EU as a whole are never thoroughly discussed and are assumed to be a matter of broad consensus among both experts and (mainstream) political parties. On the other hand, in-depth discussion and a radical change of course in these matters are hindered by the inherent technical difficulty of the topic (and sometimes the unnecessary recourse to jargon and mathematics among those who do not wish to be understood), and by some little debated institutional constraints. A major institutional constraint in the determination of economic policy in the EU is the use of econometric models for forecasting and policy evaluation, which embed unscientific and frankly conservative assumptions in their inner working. To make one, significant, example, the Commission does not foresee a long-term impact of the NGEU program, because its forecasting model assumes that in the long-term growth is supply determined, and aggregate demand measures such as public investments can only support the economy in the short run. Notice that, significantly, this crucial assumption is made necessary to estimate the model every time, and is never updated or discussed in light of the evidence, quarter after quarter.

Things being what they are, and barring dramatic negative evolutions of the health and sanitary situation, it is only a matter of time until we will have to discuss – again – how the economy supposedly needs “structural reforms” and how high public debts (that in many countries remain below the level of private debt) are unsustainable and a burden

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on the future generations. There is still hope that this time these voices will not be heard: at least in the short term the policy course had indeed changed, and this opens the chance to debate new fiscal rules for the future with the overcoming of the Stability and Growth Pact as a *fait accompli*. But thinking of overcoming austerity (or structural reforms) without changing our long-term growth strategy would be an illusion.

### **The EU economic policy stance up to the pandemic**

In several prior rounds of our Next Left reflections, many of us have exposed the economic and political problems of the European growth strategy. All Member States (MSs) have agreed, and then they have been asked by the EU Commission and Council to follow the same overall strategy. Public sector austerity – in the loose sense of reduction and containment of general government deficits in all countries simultaneously, and independently both of economic conditions and at the level and composition of revenues and expenditures – is the most visible and openly debated ingredient of this strategy. But not less relevant are the so-called structural reforms, typically labour market reforms aimed at reducing workers' bargaining power and/or to increase labour supply, and privatizations and other reforms (eg of pension systems) aimed at increasing the reach of markets at the expense of the public provision of goods and services, in particular financial markets.

In some countries, these policies have had some relatively positive side effects, mainly a reduction of external debt and/or an increase in employment (though this is mostly low-wage and precarious employment, stimulated by the reduction of labour costs rather than



by an increase in the demand for goods and services).<sup>1</sup> However, these are side effects in the sense that they are not what these policies primarily aim at. Except for financialization and privatizations (which are more clearly neoliberal than ordoliberal policies, see below), the common overarching goal of austerity and structural (counter-) reforms is consolidating the EU as a whole as an export-led economy.

Within this strategy, all MSs simultaneously are expected to grow by exporting more and importing less, copying the growth strategy that several of MSs had successfully implemented when they were small independent economies. Austerity works almost automatically to fix current accounts deficits, through its negative impact on imports; structural reforms reduce labour costs in the hope of reducing (export) prices too, thus making Europe the “most competitive” region in the world.<sup>2</sup> If austerity created some unemployment, and structural reforms increased unemployment by reducing inactivity, this was only thought by the proponents of this strategy as a bitter pill: a temporary evil that is necessary as a means to an end, which again is to produce downward pressure on wages and therefore increase firms’ cost competitiveness. Conveniently, welfare state retrenchment is an example of how the two policies can go hand in hand.

There are other negative side effects of this strategy – increasing inequality and in-work poverty, decreasing wage share of income, worsening public services, etc. – but from the point of view of our overall growth strategy, one is crucial. The EU as a whole is the first or second largest economic bloc globally, and the rest of the world does

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1 This observation is perfectly compatible even with mainstream economic theory, which predicts a growth in employment and wages if there is an increase in firms’ demand for labour, and an increase in employment but a decrease in wages if there is an increase in workers’ supply of labour.

2 It must be a minor detail, then, that advanced economies typically compete on innovation rather than on costs, and that competition has probably taken place more among MSs than between the EU and the rest of the world.

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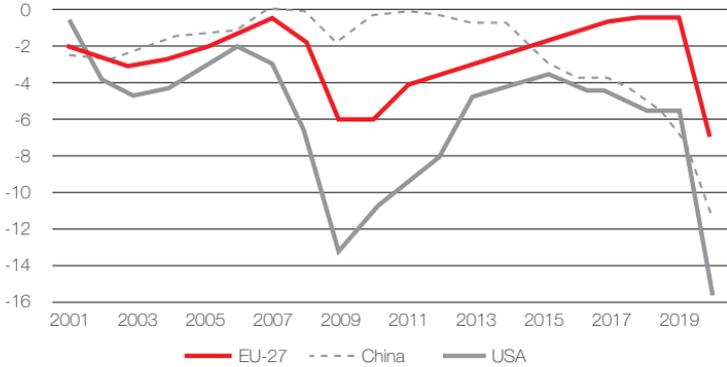
not have the capacity to create all the additional aggregate demand required to grow both the EU's economy and that of the rest of the world. This way, the EU is a drag on global growth and a threat for global financial stability (therefore tensions with the USA were bound to erupt independently of Trump's election); as well as that the US is a low performer in its own terms, given that the growth that can be produced by its exports has proved to be feeble and erratic.

In conclusion, we can characterize the EU's policy stance in the runup to the 2020 economic crisis as based on a structurally lower fiscal deficit than the USA (figure 1), slowly converging labour markets towards lower levels of employment protection (especially for workers on temporary contracts, figure 2), and a monetary policy that many perceived as having exhausted the levers at its disposal as well as, according to some observers, having exceeded its mandate in the quest to save the euro.

Then COVID-19 brought about a crisis of unseen proportions: first through a reduction of exports (due to the obstructions to global trade and international supply chains) and a collapse in investments due to the sudden uncertainty; then via a fall in consumption too, due to the necessary social distancing measures. Facing this challenge, Europe responded more quickly than many would have thought, and mostly in the right direction.

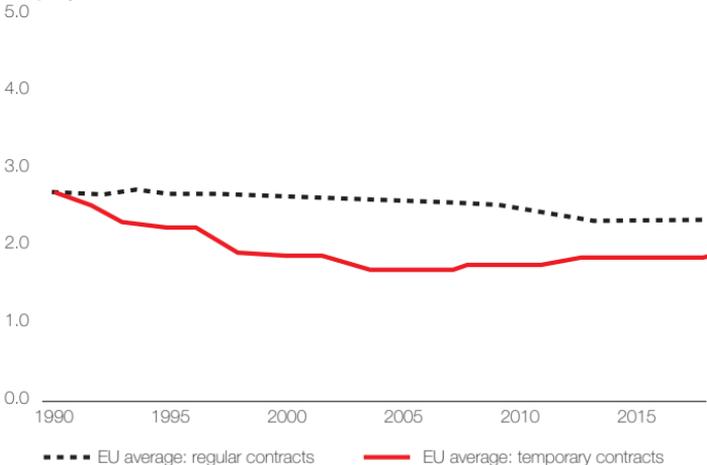
Facing a dramatic social and economic crisis due to the health crisis, this time Europe has reacted in a totally opposite way to the previous eurozone crisis. First, fiscal austerity has been quickly forgotten, with the suspension of the Stability and Growth Pact, now extended until 2022, and above all with the strong and effective backing of the European Central Bank (though after a little gaffe by its President). Where there was public sector retrenchment there is now a boost to aggregate demand, in all EU countries and, significantly, an even larger deficit has been allowed in the traditionally weaker countries

Figure 1. Fiscal policy up to the pandemic: general government deficit



Source: Eurostat.

Figure 2. Labour market policy up to the pandemic: OECD Strictness of Employment Protection indexes



Note: single Member States in grey, simple EU average in black (unweighted, data only available for 20 EU countries).

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than in the stronger ones – though overall the fiscal policy stance has once again proven less expansionary than in the USA and, this time, even China (figure 1).

Second, this expansionary response has been coordinated and partly centralized, with the creation of (sort of) Eurobonds and the protection of all Member States from the risks of financial markets tensions and speculation. The bulk of the fiscal answer still resides with the MSs, but at least now the EU is a help and not a hindrance to national policies – the ECB is here to close the spreads.

Third, the EU answer aspires to have a forward-looking character and to extend beyond the short term, with plans on the “digital revolution”, social cohesion, and green and climate-friendly policies.

However, it would be premature for us to declare victory in the economic policy field. Member States still do not fully trust that a new course has indeed begun. No MS has applied for the health emergency program created within the European Stability Mechanism, despite formal assurances that its conditionality would not lead again to austerity.

What is even more worrying, for the moment most MSs, even among those who would possibly save in terms of debt service costs, do not plan to use the loans part of the “Next Generation EU” (NGEU) program. As shown in table 1, only Romania and Italy have requested 100% of the loans they would be entitled to, and Greece slightly exceeded the maximum. Cyprus, Portugal, Slovenia, and Poland have requested between 13% and 35%. All others, *schwarz null*. Moreover, most Member States plan to use these loans, and sometimes even the grants, to replace the source of funding of already planned expenditures, rather than to increase their planned expenditure.

As a consequence, NGEU as a whole will be smaller than the €750 bn agreed upon, and it will not add significant fiscal firepower on top of national fiscal policies. At the very least, one would hope that the

Commission could raise all the funds originally planned, and use the part not requested from the MSs for EU-wide investment projects.

Finally, the Eurobonds issued under this plan are – for the moment, at least – conceived as a one-off exceptional measure: without plans to roll over this debt indefinitely, the problem of who to pay it back emerges already from day one.

All in all, it seems fair to assume that the EU response to the COVID-19 crisis has been a small step in the right direction, but also that dark clouds are already appearing on the horizon. Even though the pandemic is not finally over yet, it is already time to discuss what the future of the EU economic policy will be. This requires considering both the political and the economic dimension. To consider the former, in the next section I discuss the recent political crisis in Italy from a European perspective, as a relevant example of a wider trend. The following section will then be devoted to the political economy side of the issue.

**Table 1. Member States' proposed take-up of NGEU (€ bn)**

	Grants	Loans requested	Loans requested (% of max)
Austria	4.5	0.0	0%
Belgium	5.9	0.0	0%
Croatia	6.4	0.0	0%
Cyprus	1	0.2	13%
Czech Rep.	7.1	0.0	0%
Denmark	1.6	0.0	0%
Finland	2.1	0.0	0%
France	40.9	0.0	0%
Germany	27.9	0.0	0%
Greece	17.8	12.7	102%
Hungary	7.2	0.0	0%

Ireland	1	0.0	0%
Italy	68.9	122.6	100%
Latvia	1.8	0.0	0%
Lithuania	2.2	0.0	0%
Luxembourg	0.1	0.0	0%
Poland	23.9	12.1	35%
Portugal	13.9	2.7	19%
Romania	14.3	15.0	100%
Slovakia	6.6	0.0	0%
Slovenia	1.8	0.7	22%
Spain	69.5	0.0	0%
Sweden	3.3	0.0	0%
<b>Total</b>	<b>329.7</b>	<b>166</b>	

## The political consequences of COVID-19: the case of Italy's political crisis in a European perspective

With a government crisis in the midst of a global pandemic, last winter the Italian case seemed very special – and characteristically irresponsible – to many European partners. But those developments, only facilitated by a more fragile Constitutional framework than in other Member States, reflect similar trends ongoing in several other MSs and in the EU as a whole. The pandemic struck while the political system was/is in a fluid state in many countries, torn between traditional party competition of the left-vs-right kind and the attempts to reframe the debate in terms of new-vs-old movements – this is true in many corners of our Continent, it only became more visible in Italy.

During the 2010s, years of failures of austerity policies have produced a gradual realignment of both economic thinking and politics. Across much of Europe, these two developments reflect similar trends going on, for partly different reasons, in the USA.

Concerning economic policy, the so-called “new Keynesian” economists regained prominence in the public debate, claiming that – although they agree with the proponents of “expansionary austerity”, that market forces and in particular international competitiveness are the main determinants of a country’s growth in the long term – there is a positive role for government action, including expansionary fiscal policy, when needed in the short term (the exact reach of “short” and “long” term is never clear in this debate). Soon the Brussels-Frankfurt consensus shifted from the urge to frontload fiscal consolidation and reduce public deficits at all costs, to the promotion of structural reforms. This more nuanced position even recognized that these reforms might entail a cost (again, supposedly only in the short term, of course). Top EU officials said increasingly loudly that countries may have to compensate those who stand to lose something when they enact reforms; instead of the “stick logic” of the Stability and Growth Pact, the “carrot” idea gained prominence, of allowing a little extra deficit spending when member states enacted these reforms (or, as was perceived by several national governments, *in exchange* for these reforms).

In the Italian case, this happened for example with the “Jobs Act” enacted by the centre-left government led in 2014. This was a typical set of measures aimed at reducing dualism in the labour market by reducing the job protection for the “insiders” rather than by increasing the protection for the outsiders. Upon approving this law, the government was immediately allowed some more decimal points of GDP in terms of deficit spending, which allowed then PM Matteo Renzi to enact a small but very popular reduction in earned income tax rates for the middle class. Fast forward, the logic of money in exchange for

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reforms is exactly the deal the Commission is now pushing within the NGEU, with its informal criticisms of several draft national recovery and resilience plans for their lack of effort and detail on the future reforms.

The shift from belt-tightening to structural reforms does not reflect a change in the economists' minds only. It arises from the repeated electoral failures of the two main parties that sealed the "Grand Coalition" at the EU level, in particular the social democrats. Coalitions had to grow in several member states, coming to include in some countries the whole spectrum of mainstream pro-EU parties. On the positive side, grander coalitions softened some policy extremes; on the negative side, criticizing EU policies became practically impossible if not by criticizing the EU itself.

As a consequence, and this is the political realignment I mentioned above, attempts emerged such as Macron's in France, to merge all mainstream parties in a new movement (the *bloc bourgeois*, to use Bruno Amable's, 2019, term) to counter the growing radical right. Significantly, La Republic en Marche claimed to be beyond left and right just as much as the populist parties' claim to be neither left or right. In fact, it would be more correct to say that both sorts of coalitions contain both a right and a left wing. They both tried to reorient the political debate from the traditional left-right cleavage, which admittedly had lost salience due to the social democrat's role of junior partners in most Grand Coalitions, and therefore the overall imbalance at the EU level, to a "new" cleavage: that between the centrist, pro-EU segments of society versus the anti-EU radicals.

In practice, this new agenda led to some electoral gain – notably the centrist bloc in France, and the populists in Italy, but also to some extent the expansion of the Große Koalition in Germany now to include the Greens, and the growth of populist movements in Spain. But both of the extremes, the establishment and the anti-establishment poles, had very little success when in government. Macron, as is well known,

quickly became one of the least popular presidents of modern France in the wake of widespread resentment against (higher) pollution and (lower) wealth taxes. The populists, in Italy, quickly began infighting both to attract the attention of the media, which had always been a prime ingredient of their strategy when in opposition, and because of real differences in terms of policy preferences.

When in government, these players had to make divisive choices and it became impossible for them to remain beyond or neither left or right. The bloc bourgeois quickly came to represent the interests of “the establishment” (a mixed bag by which I mean mostly the upper class and the variegated middle classes), and the populists in Italy just could not agree on an agenda that could satisfy both the League’s (richer) northern constituency and the 5-Stars Movement’s (poorer) southern voters. The French semi-presidential system allowed Macron to survive, though he had to reshuffle his government, and the epidemic is now giving him a tragic chance to show his administrative skills and possibly keep his post by showcasing administrative efficiency. Italy’s more fragile system, due to its dictatorship past and the subsequent decision to make the government stand in a weaker role vis-à-vis parliament, made the country a barometer of wider trends.

At first, the League seemed to have the upper hand on the inexperienced leaders of the 5-Stars Movement (M5S) and their government (PM Conte) ostensibly implemented a number of radical right policies, eg in the management of migration flows, or in its open favour in its tax policy towards the higher income strata of the self-employed. M5S, the party that had won a relative majority at the previous elections and controlled an absolute majority in the lower House, began bleeding votes in the polls, losing support in the country, and even facing an increasing number of departures of MPs from its parliamentary group. Its crisis became so evident that after one year, assuming its right-wing voters had by now flown

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to the League (which nearly doubled its support in the polls), the M5S did what had been unconceivable up to a few months before: it formed a new alliance, this time with a pro-EU mainstream party, the Democratic Party (PD).

Internal developments within the PD facilitated this outcome. Agreeing with Macron's vision of realigning the political cleavage along a centrist vs a populist field, Matteo Renzi left the PD to create a new pro-establishment party, leaving free rein to those within the PD who had been hoping for an alliance with the M5S all along. This way, the "Conte 2" government, supported by the PD and the left wing of the M5S (or what remained of it), constituted a second experiment, after Sanchez's government in Spain, of a progressive alliance between the mainstream and the populist left.

Without indulging in a "post-hoc ergo propter hoc" logic, it is noteworthy that the League has been the main winner in all this, in electoral terms, while remaining focused on its trademark policies geared to its northern, relatively well-off constituency and now turning back to its traditional alliance with the radical and the mainstream right. When, prompted by the PD, the M5S finally embraced a critical pro-EU stance (eg by rejecting 'sovranism' and excluding the option to leave the Euro) and it embraced a more clearly progressive stance, eg defending a more inclusive welfare state and regional convergence, the M5S finally stabilized in the polls. It then seemed the old left-right cleavage still matters after all.

This is when the pandemic struck. The relatively successful management of the health and economic crisis has indeed been a boon for the PM Conte and its M5S, even though the PD did not seem to fare badly in the polls. However, forces remained strong, both in the Parliament and within society at large, for a reconfiguration along the new pro- vs anti-establishment cleavage. Matteo Renzi's new-formed party, though very small, managed to induce a government

crisis that very quickly resulted in a new great-grand-coalition government, supported by all parties except the radical right. We are now facing a rethinking of its main stance within the League, which is gradually approaching a critical pro-EU position, which reproduces the establishment vs populists divide, this time with only one party among the populists (Fratelli d'Italia, which not by chance is quickly growing in the polls). This sort of outcome is not too different, after all, from Macron's attempt three years before.

To understand how the difficulties of the "populist bloc" are not a unique Italian phenomenon, let us consider the composition of its electorate by distinguishing between "left-wing" and "right-wing" populist movements, following Krouwel et al (2021). Using European Social Survey data (2019 wave), both similarities and differences emerge in the composition of this electorate.

**Table 2. Populist movements' voters by educational attainment**

	Lower secondary	Upper second.	Tertiary
Populist/far right	18%	13%	8%
Populist centrist	8%	5%	2%
Populist/far left	4%	5%	6%
Mainstream party	71%	77%	84%

**Table 3. Populist movements' voters by income quintile**

	Bottom 20%	2nd quintile	3rd quintile	4th quintile	Top 20%
Populist/far right	14%	14%	14%	11%	8%
Populist centrist	6%	5%	5%	3%	1%
Populist/far left	6%	6%	6%	6%	4%
Mainstream party	75%	74%	74%	80%	86%

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**Table 4. Populist movements' voters by activity status**

	Em- ployed	Unem- ployed	Retired	Inactive	In edu- cation
Populist/far right	13%	13%	13%	12%	6%
Populist centrist	5%	16%	3%	6%	9%
Populist/far left	5%	9%	3%	5%	13%
Mainstream party	77%	62%	81%	77%	73%

**Table 5. Populist movements' voters by main source of household income**

	Wages	Self-em- ployment	Social benefits	Other (rents, profits)
Populist/far right	12%	16%	13%	9%
Populist centrist	5%	8%	4%	6%
Populist/far left	6%	3%	4%	6%
Mainstream party	77%	73%	80%	79%

As shown in table 2, support for radical right and populist far right parties decreases with voters' educational attainment, and the same for centrist or nonaligned populist movements, but the opposite holds for radical left and far left populist parties. Similarly, support for populist movements decreases with voters' income, but less strongly so for the left populists (table 3). This evidence could partly be explained by the radical right parties' ability to attract unemployed voters and those whose primary income source is wages, than the left populist movements. Overall, it seems that populist movements partly reflect what Piketty (2019) has noted for mainstream parties, that is, the left attracts more often the more educated voters, and the right the relatively richer – except that in the case of the populist far right, it effectively attracts relatively poorer and less well-off voters

too, notably those in the bottom quintiles of the income distribution and the unemployed.

Given EU-wide heterogeneity in the support for left and right populism, as well as for centre-left and centre-right mainstream parties, difficulties to agree on an economic policy agenda appear only natural.

## **Post-COVID-19 economic policy choices for the European Union**

In this section I will describe the main options in terms of growth strategies and the associated economic policy prescriptions, along the lines summarized in the table below. I will highlight how “structural reforms” are clearly linked to the export-led-strategy only.

Defining national income as aggregate demand, we can decompose it into the sum private (C) and public (G) consumption, investment (I), and net exports (exports minus imports, NX). We can thus distinguish different growth models for the three largest economic areas of the world, depending on which component of aggregate demand drives income growth and what the conditions and policies are that support (or not) such growth.

Further, we can try and connect growth models with the income sources that they benefit most. Simplifying and rationalizing on the more complex scheme of table 6, in table 7 such exercise is proposed for the main philosophies of economic policy. Export-led and investment-led models benefit profits, though the former more than the latter because export-led models typically entail wage compression and thus an increase in the profit share. These growth models are characteristically sought by scholars and policymakers who are (consciously or not) influenced by Ordoliberalism. Debt-fuelled growth typically benefits financial rents, is supported by neoliberal orientations, and it manifests

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Table 6. Main sources of growth in the three largest economic areas

	Anglo-Saxon model	Chinese model	EU model
<b>Main sources of demand growth</b>	Individual and collective consumption	Investment	Net exports
<b>Main beneficiary sources of income</b>	Mostly wages, and rents	Mostly profits, and wages	Mostly profits, and rents
<b>Main sources of supply growth</b>	Employment, often imports	Productivity and employment	Productivity, and employment
<b>Main stimulus/support policies</b>	Expansionary fiscal policy, generous lending policies	Targeted fiscal and lending expansionary policies, incentives for FDIs	Expansionary monetary policy (currency depreciation), labour market reforms
<b>Frequent obstacles</b>	If productivity does not increase: unsustainable private and/or public debt, and assets price inflation	If not enough investment opportunities: wasteful capital accumulation, and non-self-sustaining growth	If competitiveness does not increase: imports grow in line with exports (stagnation)
<b>Political consequences</b>	Moderate growth. Debt overburden (personal income inequality), financial fragility	High growth. Stagnant living standards	Low growth. Unemployment, functional income inequality (in-work poverty)

itself through a debt-induced growth of consumption (in the USA) or of the expenditure of any sector other than the private sector. Wage earners will typically prefer an investment-led or at most consumption-led growth model, of the sort advocated by Keynesianism. And finally, those whose primary income source are public transfers will naturally



favour the expansion of public expenditure, as implied by Beveridge-type welfare states.

**Table 7. Growth models and income sources in the main economic policy approaches**

	Profits	Fin. Rents	Wages	Fisc. Transf.
<b>Public sector (state)</b>			Keynesian	Beveridgian
<b>Private sector (market)</b>	Ordoliberal	Neoliberal	Keynesian	
<b>Preferred growth model</b>	<i>Export-led</i>	<i>Consumption-led (C)</i>	<i>Investment-led</i>	<i>Consumption-led (G)</i>
<b>Second choice</b>	<i>Investment-led</i>	<i>Export-led</i>	<i>Consumption-led (C)</i>	<i>Consumption-led (C)</i>
<b>Third choice</b>		<i>Consumption-led (G)</i>	<i>Consumption-led (G)</i>	

However, moving from economic philosophy to political families is tricky, because there is no one-to-one relation, and because party families could be inconsistent or change their economic ideology over time and/or between countries. Table 8 is my first attempt at a synthesis, that I very much look forward to discussing with you at our next meeting.

**Table 8. Growth models and party family preferences**

<i>Export-led</i>	Conservative*	Liberal*		
<i>Investment-led</i>	Conservative		Socialdemocratic*	
<i>Consumption-led (C)</i>			Socialdemocratic	Radical left
<i>Consumption-led (G)</i>		Liberal		Radical left *

\* : first choice

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**PROGRESSIVISM  
AFTER COVID:  
EXPERIENCES,  
IMPULSES, IDEAS**

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Matjaz NAHTIGAL and Mafalda DÂMASO

## **Active globalization and the EU: towards a more inclusive, decentralized and sustainable international development**

## **Keywords**

**European Social Democracy, International Sustainable and Inclusive Development, Reconstruction of International Legal and Economic Framework, Active Globalization, Knowledge Economy for Many**

## **Abstract**

The modern development dilemma of how to achieve an inclusive knowledge economy is a challenge that faces both the most developed and the least developing economies in the world. As the current crisis demonstrates, this is not a theoretical problem: partial global access to vaccines (namely, as a result of current intellectual property frameworks, which allow for the restriction of access to technical knowledge regarding vaccines and medical treatments even during a pandemic) has contributed to the emergence of new COVID-19 variants, endangering the prosperity of the wealthiest and the poorest. Development dilemmas in developing and developed economies can only be solved simultaneously, that is, by expanding access to the knowledge economy to the currently excluded parts of the global population. Institutional innovations in areas such as economics, law, politics, social welfare and culture can be spurred on and systemically supported through comprehensive reforms of international economic rules, institutions and practices. Reflecting its values and model of development based on democratized market economies, the EU – supported by a progressive international alliance connecting politicians, policymakers, experts, trade unions, civil society and citizens – can and should be at the helm of international structural improvements, proposing new priorities and tools across international institutions and governance levels to gradually replace the unsustainable global status quo.

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To develop a comprehensive European response to the post-pandemic world, the EU has launched a recovery plan, called The Next Generation EU. Its main purpose is to ensure more sustainable and equitable development across Europe. But the extent to which the announced plan will be more successful than the last decade (characterized by austerity, the erosion of social pillars, and the deepening of socio-economic insecurity in many European member states and their regions) remains uncertain. The main internal European challenge is building a new social and economic model based on an inclusive knowledge economy for the many (Unger et al, 2019).

This internal European challenge is intrinsically linked to international developments in trade, financial flows, technological development, and social and environmental developments in other parts of the world. If all other major trading blocks, most notably the United States, China and other large developing countries, embark on the effort to export themselves simultaneously out of the crisis, such an uncoordinated approach may be destined to unfold as a quasi-Darwinian struggle among these major powers. Such a development may exacerbate the already existing structural inequalities in developed and developing countries. Furthermore, such an uncoordinated and disorderly approach may further lead to a race to the bottom in social, environmental, cultural and democratic standards across the world.

Any possible attempt to revive the multilateral framework in its existing form without institutional reforms will prove inadequate. The international legal, economic, political and social framework, as established during the last four decades since the Bretton Woods collapse has created strong hierarchical segmentation of economies,

businesses, workforces and social groups. It has thereby contributed to the growing gap between a relatively small and privileged sector of society with access to finance, technology and global markets and large parts of excluded social and business groups with limited access to the resources necessary for prosperity. In short, the benefits of globalization, as institutionalized during the last decades, are highly skewed toward the privileged segments of society in different parts of the world – specifically, toward a small number of leading multinational companies, their top managers and their shareholders – whereas the costs (in the form of deepened inequalities, social and economic uncertainties and environmental degradation) are born primarily by the excluded population. The rise of populism in many parts of the world has to do largely, although not exclusively, with the highly uneven effects of globalization in its current form. The rapid rise and technological advancement of China only further complicates the discussion about the reform of the international legal framework. However, the recent analysis by Michael Pettis and Michael Klein that trade wars are class wars, not wars between countries or trading blocks, (Klein and Pettis, 2020) is essentially correct and serves as a point of departure for our discussion. With this statement, the authors highlight that trade disputes should not be understood as merely reflecting the competing interests of states; rather, they also result from the implicit decision, made by domestic political actors, to serve global elites to the detriment of the many.

Recently, Thomas Piketty has argued for reconstructing internationalism based on “a new model for development based on explicit principles of economic and climatic justice” (Piketty, 2020). Before him, Joseph Stiglitz wrote extensively about the discontent that the current form of globalization is creating and provided elaborate proposals on rewriting international economic rules (Stiglitz, 2017). Tamara Lothian, a legal scholar and an expert in finance and

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development, has elaborated under the term “active globalization” a series of proposals to pursue alternative pathways of globalization that would work for many people, societies and regions around the world, not just a few (Lothian, 2017). Crucially, the idea of “active globalization” also highlights that states continue to have scope to engage critically with the institutions that structure the world economy. That is, this idea recognises the continuing power of states to shape globalization, rejecting the idea that the latter necessarily hinders the possibility of national socioeconomic development projects. In particular, Lothian foresees the role of democratized market economies in bridging the scales of the global and the national.

Several international organizations, such as the ILO, UNCTAD and the UN General Assembly, have also contributed extensively to the proposals of how to reorganize world trade and international finance to accommodate the real needs of people and of communities better world-wide and to ensure more equitable and more sustainable development. However, navigating these goals is not devoid of difficulty as is illustrated by the SDGs. On the one hand, a reconstructed internationalism must recognize and address shared challenges, such as climate change, with agreed targets, and support their implementation. On the other hand, such goals stand a chance of being addressed only if all partake in the effort by embedding solutions in their own diverse cultural contexts. Therefore, central to the success of a reconstructed internationalism is the identification of a set of principles that will incorporate within multilateral institutions an ongoing, rapid negotiation of bottom-up and top-down demands. Enlightened parts of the EU should embrace the opportunity to reshape and redirect the current pathway of globalization, which is not sustainable on so many facets. EU trade policies and the model of socio-economic development should be reinvented to fit the purpose of an inclusive knowledge economy for all. Central to this shift is the adoption of a

socially-embedded understanding of innovation and the development of policies and programmes guided by this principle.

The post-pandemic world and the impossibility to return to status quo-ante should serve as a point of departure for institutional reconstruction at the international and domestic levels. The next step is not something utopian and/or unattainable, but the adjacent possible, based on the rich tradition of European social and liberal democracy, extended to the needs, possibilities and challenges of the 21<sup>st</sup> century. The economic, social, legal, political and cultural assumptions of such a reconstructed internationalism based on inclusive, decentralized and more sustainable development will be articulated in the present contribution. Namely, the paper will reflect on how these different principles can be combined and suggest that the global action of the EU can draw inspiration from its own internal negotiation of diversity and common values.

## **The development dilemma in advanced and developing countries**

Leaving aside for a moment the financial crisis of 2008, followed by massive bailouts of the financial institutions and austerity measures for everyone else, the rise of populism and illiberal democracy in many places, as well as the ongoing pandemic – which, altogether, reveal deep vulnerabilities and instabilities within modern societies – one can identify a deeper development dilemma. In all of the sectors of modern economy and society, the following pattern of development can be observed: there is a segment of highly innovative, competitive and advanced firms, research centres, and support institutions in almost every economy and society, whereas a large segment of the economy (mostly small and medium enterprises) and society remain excluded from access to the state-of-the-art technologies, know-how, long term

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financial support, high quality education and retraining, and all other necessary resources. The divide between the advanced sectors of the economy and society and the rest is growing in almost all parts of the world (Unger, 2019). That is, this structural divide can be witnessed both between and within countries.

The existing institutional arrangement of representative democracy, market economy and independent civil society remains too narrow to address the growing divide between the advanced, relatively privileged sectors of the economy and society on one hand and the excluded, stagnating sectors of the economy and society on the other. The regulatory attempts to alleviate the divide can only partly address the growing divide. The attempts to soften inequalities and the lack of opportunities with the help of tax-and-transfer policies have had only limited effect in addressing the embedded social status-quo. The inability of progressives and liberals to address the structural inequalities effectively had led to the steady erosion of trust and support among the many traditional and new social groups. The pattern of development in the absence of structural policies has led to the hierarchical segmentation of markets with a strong geographical concentration of technological progress, economic power, and financial support in the hands of a handful of leading multinational companies. Within the narrow set of institutions and policies that are currently at the disposal of the policymakers, even the most developed countries in the world cannot determine how to overcome the divide between the insulated advanced segments of the economy on the one hand and stagnating firms and regions with limited access to innovative technologies and know-how on the other hand, or how to support the latter so that they can acquire the necessary skills, or establish long-term financial support for start-ups and for small and medium sized companies.

If the puzzle of how to overcome the divide between advanced and stagnating parts of the economy and society remains unsolved in the

most advanced countries in the world, a similar puzzle remains unsolved in the developing countries to an even greater extent. The traditional post-war pattern of development was to move as many people as possible from the agricultural sector to manufacturing. Manufacturing was developed according to the Fordist-type of production, which required semi-skilled and low wage labour to perform routine tasks. The transition toward a post-Fordist style of production that emerged in the last two decades required highly skilled labour capable of mastering new technologies in the context of constant innovations and improvements of the processes of production. Such a transition presupposes cooperation and competition in the place of former rigid hierarchies and stark divisions between task-defining jobs and task-executing jobs. It requires a culture of trust, constant communication and the ability to shift rapidly from one mode of production toward another. It demands different legal protections and safeguards to establish an environment conducive to cooperation and competition among groups of workers, teams of experts in experimenting with new technologies, new processes and new products. In addition to changes to the nature and characteristics of work inside firms, institutional innovations in a broad external environment are also necessary to support innovation-friendly production processes inside firms.

Only a handful of regions around the world have been capable of shifting toward the knowledge economy. However, most regions (both in developed and in developing economies) have missed this transformation. Consequently, in the developing parts of the world, many regions and countries that were trying to industrialize in the past are experiencing the process of premature de-industrialization and specialization in exports of natural resources and agricultural products.

The modern development dilemma of how to achieve an inclusive knowledge economy in place of an insulated knowledge economy is a

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challenge facing both developed and developing economies in different parts of the world. In everyday discussions, this is often referred to as a growing gap between the “winners” and the “losers” of globalization, the latter being all social groups that are left behind and left to their own devices while coping with socio-economic uncertainties. An extensive range of literature deals with the question of how to alleviate the social and economic hardships of those left behind, especially in advanced economies. However, this debate is missing a discussion about the institutional reconstruction and structural improvements to establish an inclusive knowledge economy. This said, we note that the shift to a knowledge economy is not a magic bullet to address inequality; in fact, it can reinforce it. As economists Cristiano Antonelli and Matteo Tubiana have noted based on evidence from 1990 to 2016 from 20 OECD countries, “the shift to the knowledge economy triggers the polarisation of labour markets between creative workers, able to participate into the rents associated with knowledge exploitation, and standard labour, exposed to the fall of employment in progressively de-unionised manufacturing industries” (Antonelli and Tubiana,2020). The pre-distributive agenda (Diamond and Chwalisz, 2015.), which was originally focused on tackling inequality within countries, could be extended to the development of transnational solutions aimed at addressing inequality between countries. In particular, we note the importance of strengthening the skills and abilities required for this new economy – namely, creativity and continuous learning (Peters, 2010 ) – not least due to AI and robotisation, which may reinforce around the world the patterns identified by Antonelli and Tubiana. A pre-distributive approach to trade at the global level would start from the recognition of existing and reinforcing patterns of inequality and use trade as well as interrelated policy arenas as tools to avoid their future reinforcement. The discussion should take place at the regional, national and international levels of governance, and it should include

various social groups, teams of experts, NGOs, trade unions, and all other stakeholders.

All of the major trading blocks, the EU, the US and China, are dealing with internal structural imbalances that remain largely unaddressed by policymakers. Imbalances in the EU are well known and were comprehensively exposed during the last decade of austerity. Insufficient investment in public health in many places across the Eurozone and the entire EU were well exposed during the pandemic. The stagnation of large European regions, such as *Mezzogiorno*, and many other regions in the European periphery and semi-periphery, can be observed. The erosion of social welfare, the rise of precariousness and the deepening of social and economic insecurities started even before the austerity decade and have been exacerbated since. The lack of a competitive edge can be seen in the slow development of the 5G mobile network, which is key digital infrastructure of the future. The persistent disparities between the handful of the most innovative and technologically leading EU regions and the rest have led to the uneven development of the European single market.

To a lesser extent, the multitude of Chinese internal imbalances are less known to Western audiences. As pointed out by Michael Pettis, China has developed an extremely unbalanced economy with the very low share of income that ordinary households retain (Pettis, 2010) . In addition to the weak social safety net, strong disparities between provinces in China remain persistent. Branko Milanovic has recently pointed that "in 2019, the income ratio between the three richest and the three poorest provinces was 4 to 1" (Milanovic, 2021). Even excluding the cities of Beijing and Shanghai as provinces, the ratio remains 3.5 to 1. China most recently celebrated the end of poverty in that country, but, as recently as last summer, its Prime Minister, Li Keqiang, stated in his annual press conference that China has more than 600 million people whose monthly income is barely 1,000 yuan

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(USD 140) and that their lives have further been adversely affected by the coronavirus (Global Times, 2020). Despite four decades of rapid economic and social progress, unmatched by any other country in the history of industrial and post-industrial development, internal social, regional, environmental and other imbalances remain a major challenge for the policy-makers in China at all levels of governance.

Structural imbalances in the US economy and society are also well-known. Wealth, finance, economic power, science and research are strongly concentrated in the coastal areas, whereas traditional industrial areas – most notably the “rust belt” – are unable to restructure and remain competitive in the conditions of global economy. Maximization of the shareholder value, irrespective of the interests and needs of all other stakeholders (employees, local communities, suppliers), weak training programs and industrial policy skewed toward the privileged sectors of the economy, are just some of the structural weaknesses that were so abundantly revealed during the period of the backlash against globalization and the rise of populism and demagogues.

All three major trading blocks are trying to recover from the pandemic. The risk is that, without addressing internal structural imbalances, they will try to export these imbalances to the world markets and contribute to the new round of global “race to the bottom” or “beggar thy neighbour” policies. We can already see such a scenario in a global race for renewables which risks becoming a part of clean energy global realpolitik. We can observe another similar scenario in the area of global microchips manufacturing and in the repositioning of global value chains.

Before accepting such scenarios as inevitable, we should pause for a moment and reflect on the insight by Klein and Pettis that modern trade wars are essentially class wars, not conflicts between different models of governance. Namely, none of the models of governance

currently in place – the so-called Washington Consensus, the Beijing Consensus and the Brussels Consensus, among others – have been capable of overcoming the deficit of structural imagination to address the internal structural imbalances described in this section. Therefore, we must ask ourselves what kind of international legal framework would be more conducive to generating a global cooperative equilibrium in place of global rivalries, conflicts and “race to the bottom”. The international law in various fields is not a mere derivative of global dynamics between the major powers. It is frequently misapprehended that the international law, its norms, doctrines and interpretations are there only to accommodate the interests and expectations of the major powers. When the international legal rules are carefully and thoughtfully designed, they are not there only to serve as an instrument of reproduction of existing structures, relations and interests, but also to serve as a channel of legal imagination, of new opportunities for development in the interest of humanity. Such an approach can never be static, but it presupposes active engagement of all the international stakeholders. It can never be completely neutral among a variety of different institutional models around the world, nor should it seek a global institutional convergence. Instead, the main challenge of active globalization and active role of international law should seek how to accommodate institutional divergences in a sustainable, inclusive, participatory and pluralistic manner.

## **Toward a new international institutional and legal development consensus**

The Doha development was launched in 2001 to address the needs of the developing countries in an open international trade regime. The initiative stemmed from the recognition that the WTO regime did

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not pay sufficient attention to the needs of developing economies despite certain exemptions. The initiative itself gradually turned into another regular round of international trade liberalization talks before the trade round ultimately collapsed. Many circumstances in international economic relations have changed in the meantime, most notably the integration of China into the international trade regime. While the focus on the developing countries lost its momentum, the leading countries accelerated the pace of establishing bilateral and (mega) regional trade agreements. The process has not only led to the fragmentation of the international trade regime and to growing tensions among the major trading partners, but it has also led to the rise of a populist backlash against free trade agreements in many different parts of the world, including the most developed parts.

The populist backlash against the free trade agreements, primarily in the United States (TTIP and TTP) but also in the EU (ratification of CETA), was the first sign that free trade agreements are not always and automatically beneficial to all trading partners and to all social groups. Trading partners may enjoy many benefits. As pointed out by John Van Reenen, an economist at MIT, trade brings four important opportunities: to specialize; to capture benefits from the larger markets; to innovate under competitive pressure; and to enjoy the benefits of the international flow of ideas (Van Reenen, 2018, May 4th). Yet, even though the pie is becoming bigger, not everyone is getting a bigger share, and some would have been better off with less trade. Western governments, such as the US and to a lesser extent also the EU, underestimated the rise of China and its impact on the world economy. Very frequently, missing domestic policies, such as an active labour policy; inadequate training programs, support for start-ups and young entrepreneurs; and the erosion of social welfare policies in combination with the liberalization of trade have led to growing distrust and backlash against free trade agreements.



Strong distributive effects of trade policies without adequate compensatory policies explain only part of the story about the popular backlash against free trade agreements and against globalization as such. Another part of the story relates to the rapid integration of China into the world economy, for which the West was largely unprepared. Due to the rise of China, the focus on the developing countries has almost completely disappeared from the perspective of major trading blocks. The only partial exception to the rule is the Chinese Belt and Road Initiative, the outcomes of which remain to be seen from the perspective of the developing countries. Thus, global anxieties, uncertainties and, above all, unresolved structural issues have only further deepened during the last decade. The pandemic has exacerbated the already unbalanced and unequitable international developments. The looming climate crisis and the competition for strategic resources – traditional and new resources, necessary for the transition from fossils to electronics – are contributing to global anxieties and animosities. At the core of the global issues and challenges, I would argue, lies the growing divide between the insulated advanced economic sectors and a majority of excluding sectors, firms, regions, local communities and social groups. For the first time in the post-WWII history, the divide is not only between the Global North and Global South; the socio-economic divide in the advanced economies is becoming more tangible and persistent. It appears that the knowledge economy in the existing institutional framework (legal, economic, social, political and cultural) is only accelerating the trend toward the domestic and international concentration of technologies, finance, know-how and other key resources in the hands of a few.

Therefore, a magnitude of challenges lies ahead of the international community, of the countries, the citizens and the international civil society. Not all of the challenges can be met at the same time. More important than stating certain (quantitative) goals is a redirection

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of international development toward more sustainable, inclusive, balanced and diverse development. Maximizing trade is not a goal in itself; it is a means towards more cohesive and sustainable overall development. Merely liberalizing trade and finance is generating more global imbalances that are becoming increasingly unsustainable. Only reimagining of an international trade regime beyond the traditional conflict between liberalization and protectionism can lead to the redirection of international socio-economic developments. The looming climate crisis can be effectively addressed in the context of redirecting the international trade and legal regime by simultaneously addressing global inequalities, enhancing global public goods and opening up opportunities for the excluded parts of population and regions around the world. In redirecting the international development, it appears that the inclusive knowledge economy for the many may play a crucial role.

## **Rethinking the intellectual property regime**

Where to start with the reconstruction of the international institutional and legal regime? How to actively reshape the processes of globalization? There are many possible and necessary points of departure to launch alternative pathways of globalization. The current vaccine nationalism in an interdependent world shows that the international legal regime is too strongly skewed toward the protection of interests of pharmaceutical corporations over public health.

On this topic, the European Commission's continued opposition to a temporary TRIPS waiver on vaccines and related health products associated with diagnosis and treatment of COVID-19 goes in the wrong direction. Specifically, its decision to push back against the call by the US and China to temporarily waive intellectual property rights



(following a proposal by South Africa and India at WTO) goes against the EU's value of universal and equitable access to healthcare. We recognise the Commission's support of COVAX; however, the latter's plans remain insufficient to provide everyone in the world with access to vaccines.

Additionally, the Commission's argument against such a waiver is weak from an economic and an ethical perspective. In stating that future innovation would be limited by TRIPS the Commission is making an incorrect argument, as noted by renowned innovation economist Mariana Mazzucato alongside Jayati Ghosh and Els Torrelee. More, the Commission's position privileges pharmaceutical companies over social values, which explicitly opposes the commitment of EU Member States in their capacity as UN Members. As the UN Committee on Economic, Social and Cultural Rights stated in April 2020, "intellectual property is a social product and has a social function and consequently, States parties have a duty to prevent unreasonably high costs for access to essential medicines." (UN Committee on Economic, Social and Cultural Rights, 2020)

After an amendment voted by the European Parliament in support of the temporary waiver of the WTO's TRIPS, the Commission is now almost isolated politically. In any case, this disagreement highlights the absence of a progressive approach by the European Union to IP frameworks.

The existing intellectual property regime clearly calls for rebalancing intellectual property rights and legitimate public interests, not only in the pandemic crisis but in general. Namely, IP reforms could strengthen recognition of traditional knowledge (usually associated with the knowhow, techniques and skills developed by indigenous peoples) and Traditional Cultural Expressions (tangible and intangible forms that may include oral stories, songs, ceremonies, etc). The recognition of Traditional Knowledge in particular could play an important role

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in supporting a faster transition towards a sustainable model of development not only beyond but also within the EU.

Disagreement regarding this topic is rife. Some authors argue that it is possible to expand IP to recognise Tangible Knowledge and Traditional Cultural Expressions; others argue that the assumptions underlying Intellectual Property Rights are incompatible with indigenous worldview. Notably, IP frameworks assume the existence of an individual creator who creates on a specific moment in time. The concepts of ownership, originality, and of ideas that take a fixed form does not sit well with indigenous knowledge. To be consistent with its internal recognition of the value of cultural diversity and the urgency of achieving a carbon neutral global economy, the EU should play a leading role in rethinking IP and non-IP laws to safeguard and promote indigenous knowledge and intangible heritage.

In the short- and medium term, the EU could also support the economies of the Global South by giving their Creative Industries access to northern markets with IP transfer – particularly, regarding process knowhow. This would not only contribute to addressing global economic imbalances but could also speed up progress towards the SDGs. Indeed, as stated in an article by Elisabeth Eppinger, Professor in Textile Technology and Sustainability at HTW Berlin, et al “IP transfer within and across countries and industries appears to be crucial for diffusing sustainable technology”. (Elisabeth Eppinger et al., 2021)

Indeed, such a rebalancing can serve as a starting point toward much broader structural improvements of the international economic and legal regimes currently in place. The rebalancing of intellectual property rights should be complemented with the enhancement of labour and environmental standards in international trade rules. These standards should be carefully designed to encourage developing economies to improve those standards while preventing developed countries from applying these standards for their own protectionist

purposes. Only in this context will the strengthening and enforceability of labour and environmental standards serve more sustainable and inclusive international development. Finally, the reform of the widely discredited ISDS clauses in investment agreements should again rebalance the relations between the state regulatory autonomy and accountability on one hand and the interests of multinational companies on the other hand.

## **Rethinking regional and national development strategies**

The most crucial step toward redirecting and rebalancing international trade relations must deal, however, with opening up the policy space and returning the instruments and tools for regional and national development strategies. The development of the WTO regime, accompanied by the economic orthodoxy espoused by the international monetary, financial and fiscal regimes, led in the last several decades to the opposite outcomes: disempowerment of stagnating regions in developed and developing countries, leaving the majority of working people to their own devices, while fatalistically waiting for the trickle-down effects of globalization. The transition from the GATT toward the WTO trade regime further reduced the flexibility of governments – developing in particular, but also the middle-income countries and the developed countries – to steer their economic progress. Perhaps the strongest evidence for this claim can be seen in the Doha Declaration in paragraph 44: “We therefore agree that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective, and operational.” (Doha Ministerial Declaration, 2001)

This statement can be seen as a recognition that the policy space has never been sufficiently defined and operationalized, primarily to

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the detriment of developing countries trying to integrate within the open world economy. Moreover, the policy space has shrunk along with the progress of the international trade regime, further precluding possibilities for developing countries to climb the ladder of industrial development. It should not be surprising, therefore, that, despite the strong commitments stated in the Doha Ministerial Declaration, progress regarding the operationalization of the special and differential treatment has never materialized. This insight may sound trivial to circles outside the expertise in international trade law, but it reveals built-in discrepancies and contradictions within the existing international trade regime. As long as these inequities affected primarily the developing countries, international concerns were not emphasized. After the financial crisis of 2008, followed by a decade of uneven recovery both in the European Union and in the United States, the rise of populism on both sides of the Atlantic and the pandemic show that the current international legal and economic framework is inadequate. It cannot anticipate or prevent many of the unfolding economic, financial and other international crises. Moreover, it is incompatible with a reorganization of the legal framework – domestic and international – that is conducive to an inclusive knowledge economy for the many.

## **Reviving the global development round**

In terms of policy space, expanding the Special and Differential Treatment to developing and developed countries would enhance their flexibility to implement their development strategies. It would facilitate establishing strategic partnerships between the public and private sectors to strengthen competitiveness, increase innovations and improve productivity growth of the economy. The current stalemate in the WTO presents an opportunity to revive the global



development round not only to improve prospects for developing countries, but also to improve prospects for the many stagnating regions and their populations across the EU and the US (Bacchus and Manak, 2021).

Such a redirection of the international trade regime in no way presents a return to the discredited practice of protectionism in several historic instances of international economic development. Existing safeguards in international economic rules to prevent harmful practices, such as social, environmental or tax dumping, “beggar thy neighbour policies” (for example, with the help of competitive devaluation), and other similar practices should be strictly implemented. They should not be implemented, however, to allow for a hidden form of protectionism by rich countries against poor countries. Rather, they should stimulate and reward the efforts of the latter by enlarging their access to advanced markets. Resolving international trade and trade-related disputes in the spirit of the reorientation of international trade requires both technical skills and a sense of direction. Legal technical expertise should go hand-in-hand with the goal of more sustainable, inclusive and balanced international trade and development.

More concretely, about the rules on subsidies that belong together with the “policy space” and development to the so called “trilateral agenda” (Howse, 2021), the Subsidies and Countervailing Measures (SCM) Agreement was adopted in 1995 at the height of neoliberal orthodoxy under the premise that industrial policy is outdated and should be as constrained as possible at the international level to exercise the necessary discipline over the governments. The adoption of the SCM Agreement presented a break with the previous GATT arrangement, which did not contain any enforceable legal disciplines on domestic subsidies (id, 6). Moreover, the SCM regime put subsidies in three categories: prohibited subsidies, actionable subsidies and non-actionable subsidies. While the first two categories contain

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broad definitions of subsidies (export subsidies and domestic content subsidies), no subsidies are explicitly protected as nonactionable (id, 7, relevant SCM articles: 1, 3, 8 and others). The implications of the SCM Agreement are manifold, direct and indirect for the developing and developed countries. Within the broader constraining international economic context, industrial policy in the last several decades – in its traditional and its more sophisticated modern version – has been substantially limited.

To tackle the challenges of transitioning toward a green economy and a socially inclusive knowledge economy, there is a need for new forms of industrial policy. The discussion should move beyond the existing counter-productive discussion between international trade protectionism versus trade liberalization (Chang, 2010). It should embrace the finding that certain types of subsidies are increasingly harmful (for example, fossil fuels subsidies), other types of subsidies are potentially – and temporarily – positive (such as measures to support the development of renewable energy), and many other subsidies are in between. Another harmful version of subsidies are hidden subsidies that may lead to hidden forms of protectionism that can be pursued primarily by the rich developed countries. Hence, a more transparent and adjusted form of subsidies rules is required that is closer to the original GATT flexibility and is adjusted for the transparency and prevention of “beggar-thy-neighbour” policies.

International economic law in its current form, as developed by WTO rules, doctrines and jurisprudence, is not the only source of constraints. It combines with other international factors, such as policy recommendations by various international bodies, leading to further constraining effects. From empirical practice we know that the leading industrial countries in the world are prone to depart from international economic constraints when they need to intervene on the markets to rescue a strategically important company (for example, GM), or industry

(for example, steel industry) or to support technological advancement (for example, semiconductor manufacturing). During the financial crisis, we observed massive interventions on both sides of the Atlantic to prop up the financial sector in distress. A similar situation applies in the car industry. To align with international trade rules, many state aid measures were declared green investments, primarily not to redirect the industry but at least superficially to comply with international trade rules on subsidies. According to Ha-Joon Chang, such approaches reveal the inherent contradictions and inequities of the international trade regime currently in place. It allows for many of the policies and measures that developed economies need (R&D subsidies, agricultural subsidies, regional subsidies) and ban many others required by developing economies (direct subsidies and the regulation of foreign investments), (Chang, 2019).

In the current period of the knowledge economy, the inherited constraints by the international economic law, formal and informal, seek reimagination not only to rebalance the persistent global inequalities, but to facilitate more inclusive and sustainable development both in developed and developing parts of the world. Institutional innovations in law, economics, social policies and culture are necessary to develop at the national, supranational and international levels to open up policy space for a more inclusive, sustainable and decentralized model of development. Perhaps such a redirection is not in the interest of multinational companies and their shareholders. But it is in the interest of the citizens, employees, local communities and regions around the world. It is in the interest of preserving global public goods.

## The role of the EU in shaping active globalization

The EU can and should play a key role in establishing an international legal and economic framework more conducive to an inclusive knowledge economy. Such an initiative presupposes that the EU more effectively addresses persistent internal imbalance between the North and South and the West and East. Perhaps the establishment of the NextGeneration EU is the first such step in redirecting its internal and global developments.

To overcome internal and global imbalances, institutional innovations are necessary. The stagnant regions across the EU should be able to articulate their own development strategies based on comparative advantages and the initiatives bottom-up. In so doing, all of the stakeholders – local entrepreneurs, employees, groups of experts, trade unions, various social groups – should participate in articulating and implementing such development strategies. A decentralized strategic partnership between public institutions and local businesses should be facilitated. Institutional innovations, such as regional public venture funds, regional development banks, and support centres to support start-ups can be envisaged. Social innovations, such as the inclusion of precarious workers, small entrepreneurs, part-time workers and self-employed workers, should be elaborated to fit the conditions of the modern labour market. New forms of property rights, such as bundles of rights owned by different owners, can complement traditional unified and consolidated property rights. This could be accompanied by an examination of possibilities for expanding or redefining intellectual property frameworks. New forms of democratic control of public ownership based on broader participation of stakeholders can be further developed. Competitive competition in place of traditional competition rules can be added

to enable small and medium size companies to compete and cooperate in the same segments of production and innovations. A pre-distributive approach to inequality, addressing not only existing inequities but also emerging trends in the labour market should be adopted. This model is developed and practiced in the most advanced and cohesive regions in the EU, and it could also play a role in recognising and activating extra pathways for economic and social transformation. Strategic coordination between the public and private sectors in decentralized, participatory and experimental ways presents an opportunity for a new advanced model of industrial policy and a new model of global development.

Such a comprehensive list of institutional innovations is far from exhaustive. An overview of institutional possibilities is listed here to strengthen the argument about the need to open up a policy space at the local, regional, national and international levels. In so doing, the opportunities for the stagnant localities and regions, and for the large segments of excluded populations, should open up. By deepening and broadening the opportunities for precarious workers and other vulnerable segments of society, the process of institutional innovations emerges as one of political empowerment.

The EU cannot completely and successfully restructure its economy and society without institutional and structural reforms of the global economy. This is the main reason why it should be the leading proponent of alternative futures of globalization. It is partly a matter of greater global justice and partly a matter of enlightened self-interest. Legal institutions, national, European and global, are at the juncture of institutional forms of life for peoples and their interests, ideals and practices. The existing international legal structure is inadequate to provide opportunities and sustainable development well beyond the interests of limited segments of privileged social groups and multinational companies.

## Conclusions

A scholar of international law and social justice from the University of Amsterdam, Ingo Venzke, is right to point out that “Europe cannot lead the ecological transition without recognizing the irony of genuinely ‘free trade’ only to the extent the regulation enables it.” (Venzke, 2020). The just green transition in Europe cannot be achieved without reshaping the international economic rules to facilitate more inclusive and sustainable global developments. This is also a win-win development compromise for the EU, its citizens, diverse communities and its businesses.

To achieve the “possibility of coexistence among different development strategies, institutional systems, and forms of social life, the room for national and regional diversity, deviation and heresy must be created” (Unger 2007). A variety of institutional models is available that suits the potential and comparative advantages of different regions and countries around the world. They can offer more balanced, inclusive and sustainable development in the future. Development dilemmas in developing and developed countries can be solved only by simultaneously expanding and enlarging access to the knowledge economy for the excluded parts of the population. Institutional innovations “from below” in areas such as economics, law, politics, social welfare and culture can be spurred on and systemically supported by comprehensive reforms of existing international economic rules, institutions and practices. The EU can and should be at the helm of international structural improvements in place of maintaining the currently unsustainable global status-quo.

More policy space – both from a conceptual and from a practical perspective – instruments and tools are needed to restructure the economy and empower individuals and social groups. International economic, legal, social, cultural and political frameworks need to be reformed in ways that broaden opportunities for stagnating regions and

excluded populations in all parts of the world. Yet these instruments and tools will only emerge if a set of committed actors joins forces, directs international debates towards the mismatch between the needs of populations and the current model of globalization, and proposes new priorities and tools across international institutions and governance levels. Only a progressive international alliance connecting politicians, policymakers, experts, trade unions, civil society and citizens can combine a high level of intellectual diversity and sustain the energy that is required to find, test and implement solutions that build a more inclusive, sustainable and decentralized model of international development, protect the planet, and improve the lives of the many.

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