THE GREAT UNRAVELLING

Ed. Patrick Diamond and Ania Skrzypek

←NEXT LEFT→

The Great Unravelling

← **NEXT LEFT** →

Patrick Diamond / Ania Skrzypek (eds)

The Great Unravelling

←**NEXT LEFT**→

Contents

Foreword

In 2024, we arrived at St. Catherine's College to celebrate the tenth Jubilee of the Oxford Symposium. It has always been a unique, flagship activity designed to create a space for more in-depth, long-term-focused deliberations by leading politicians, top scholars, outstanding experts, renowned trade unionists and remarkable civil society representatives. The 48 hours that they would spend together in the serious halls of one of the world's top universities would induce an atmosphere marked by a sense of responsibility for defining the progressive trajectories that could offer alternatives to the current world order, to the European Union (EU) and the UK's political directions, and to the developmental trajectories of contemporary societies. The intense, accelerated debates would always result in extraordinary, inspirational conclusions, as well as create a sense of an intellectual community forged through that exhilarating experience, and would see its members strive to disseminate the rich repository of unorthodox ideas resulting from these exchanges. As summarised last year, the past ten editions saw almost 500 participants contributing and several, always very well-received and quickly "sold-out", publications that followed.

The duty to ensure that this bequest continues growing means that we should not focus on contemplating past achievements, however genuinely proud we are of them, but in the spirit of social democracy, always look at them critically, with the intention of accelerating, improving and ensuring that the initiative continues to be a thriving one. With that inspiration, we planned the jubilee edition, which for all the organisations was the grand finale to a busy year marked by many activities and, herewith, also a moment to set the course for the new one to come. It was the first winter edition (as all the other Symposium's sessions took place alternatively ahead of or right after summer). And we set it to be devoted to the question of "The politics of polycrisis". The immense help in framing the debate derived from the book, which, as a collective volume under the same title, was ed-

ited by Patrick Diamond and Ania Skrzypek, and featured an impressive lineup of authors from both the EU and the UK, including leading academics on the questions of democracy and governance, as well as a Commissioner, MPs and several MEPs. Consequently, the point that both that publication, as well as the Symposium, tried to work on was how to go beyond the notion of the perpetual crisis that has evolved to be seen as a determinant, a reason and not infrequently an excuse. The argument there was that the time had come to switch gears, forging a new intellectual paradigm, which, in turn, would necessitate, as well as open, avenues for the much-needed dialogue going beyond the brackets of the traditional scope that is familiar and comfortable for political actors, especially on the left in Europe.

The reason to mention the discussions launched 12 months ago is that they are the foundations on which we built this year's programme, as well as see the book, which you are holding in your hands, emerging. Indeed, the daring thought to try to frame a new progressive paradigm has been preoccupying us as convenors with an attention to the perpetually changing circumstances in which social democracy strives not only with pressing political challenges, but also with the ideological hegemony that, globally speaking, is becoming even harder to deconstruct. This is especially true in 2025 alone; there were diverse developments that further reinforced the hypothesis of the dawn of the West, with further erosion of the transatlantic alliance and frailty, for which the EU has been exposed on several occasions. What this context implies is the rather decisive eclipse of the post-war global order and the fading away of several key principles on which it has been built. And along these transformations, the acceptance of the deterministic notion that this can only lead to ultimate outcomes on which both Europe and progressives would have little influence seems politically and intellectually inadmissible. Hence, the title of the book, *The Great Unravelling*, which invited outstanding contributions from across the EU and the UK to deliberate what, in fact, should be the progressive path forward amid the grand disruptions and geopolitical tectonic shifts.

While we are all in anticipation of the exchanges that this volume will inspire during the 11th Oxford Symposium in December 2025 and beyond, we would like to congratulate the two editors, Patrick Dia-

mond and Ania Skrzypek, on the thoughtful design of this publication and their immense work, which has led to the completion of possibly the most compelling book on the question of how to approach the new phase of globalisation, in collaboration with a truly extraordinary team of authors, whom we would like to thank for their efforts on our organisations' behalf; they dared to pursue the pertinent issues and connect them in a comprehensive manner, making it an essential read for the international – and especially the EU- and UK-based – readership.

On that note, we would also like to express our appreciation towards Lord Roger Liddle, Chair of Progressive Britain and one of the founding members of the Oxford Symposium, for the inspiration he continues to provide for both the written work that you hold in your hands and the events themselves. As well as to Paul Magnette, President of PS Belgium, who has been deeply engaged in our debates on the renewal and offered brilliant contributions in number of the exchanges, which stimulated us all and allowed us all to elevate the conversation onto a new level; and to Andreas Schieder, who has been chairing our Next Left Research Programme, providing an extraordinary leadership to this initiative and being the person to connect diverse threads, as well as visions deriving from numerous discussions about the renewal of social democracy. And consequently, while we remain most grateful to the community of politicians, scholars and experts from across Europe, the EU and the UK for joining us and contributing to both the Jubilee edition in 2024 and in advance for the upcoming one, we would also like to extend here our special thanks to the team that gears this exceptional Symposium with much enthusiasm and professional perfectionism – Céline Guedes, Tom Collinge, Gerhard Marchl and Joe Pollard.

Wishing you a great reading experience and looking forward to hearing your reflections,

László Andor
FEPS Secretary General

Adam Langleben
Executive Director of Progressive Britain

Sascha Obrecht
Director of Karl-Renner-Institut

The great unravelling: The next phase of globalisation?

Introduction

PATRICK DIAMOND and ANIA SKRZYPEK

This book examines the challenges that the new era of globalisation poses for progressive parties and movements in Europe, the European Union (EU) and across the world. It brings together leading thinkers and experts to debate the structural causes and political consequences of the new phase of globalisation that is reshaping western economies and liberal democracy.

It is clear that major alterations are occurring in both economics and politics as the form of "hyper-globalisation" that became dominant in western countries in the 1990s and 2000s is evolving, and in some instances, apparently in retreat. Many commentators insist that economic globalisation is going into reverse, symbolised by the Trump Administration's decision in the USA to break with free trade and impose "reciprocal tariffs" on the movement of goods, alongside the growing threat to democratic norms. Meanwhile, China is placing less emphasis on export-driven expansion, while Russia's invasion of Ukraine has led to its marginalisation from the liberal international order.[1] As a consequence, there is a belief that the process of globalisation, conventionally defined as the growing interconnectedness of economics and politics across the world, is going into reverse or even "unravelling".[2]

---

[1]   James, H. (2023) *Seven Crashes: The Economic Crises that Shaped Globalization* (New Haven: Yale University Press).

[2]   James, H. (2023) *Seven Crashes: The Economic Crises that Shaped Globalization*. On the great globalisation unravelling, see: J. Rothfeder (2015) "The great unravelling of globalization". The Washington Post, 24 April.

Across the global economy, there is little doubt that more trade barriers and protections are being erected. The COVID-19 pandemic and the energy price shock fuelled by geopolitical instability not only disrupted supply chains but reminded national governments of the importance of resilience in domestic production, initially reinforcing the move away from greater porosity across borders. To be clear, globalisation has not come to an end, but it has entered a distinctive phase that is generating a great deal of turbulence and instability. Disruption is rapidly becoming the new normal. As Baldwin and Ruta suggest, "This divergent acceleration is creating a transformation of globalisation rather than a retreat from it".[3]

Experts contend that three principal forces are fundamentally reshaping globalisation in the advanced economies.[4] The first is changes in technology that enable cross-border flows and processes such as the off-shoring of production. Such changes are likely to intensify given the growing adoption of artificial intelligence across the public and private sectors. The second force is public policy: globalisation is shaped by government intervention through instruments such as regulation and taxation, alongside the negotiation of trade agreements and multilateral treaties. In recent times, policymakers have been under pressure to reduce the impact of negative externalities generated by globalisation on workers and communities. The third is geopolitics, as security threats and growing geostrategic rivalry impact on economic integration and international co-operation.[5] In short, a decrease in the volume of international trade is believed to increase the potential for military conflict.

It is important to appreciate that there have always been peaks and troughs in the process of globalisation going back to the mid-19th century. Indeed, "The world economy has experienced a cycle of globalisation, de-globalisation and re-globalisation since 1850".[6] Crises lead to both the slowing down of globalisation and its accel-

---

3   Baldwin, R. and M. Ruta (eds) (2025) *The State of Globalisation* (London/Brussels: CEPR), p. 8.
4   Baldwin, R. and M. Ruta (eds) (2025) *The State of Globalisation.*
5   Ibid.
6   Daunton, M. (2006) "Britain and globalisation since 1850: Creating a global order 1850-1914". *Transactions of the Royal Historical Society*, 16: 1.

eration, depending on the character of the shock: for instance, the oil price shocks of the early 1970s were mainly on the supply side and led western governments to liberalise and deregulate their economies, deepening global integration.[7] Yet, the financial crisis of 2007-8 was a demand shock, which led to a reduction of both production and prices, in due course undermining the process of globalisation.

The historian Martin Daunton demonstrates that prior to the First World War, there was an acceleration of globalisation in the West due to increased migration, heightened capital mobility and trade flows. In the inter-war years, however, globalisation abated, as trade tariffs were imposed alongside restrictions on the movement of capital by national governments, partly in response to the financial crisis of 1930-31. The economist John Maynard Keynes was a strong advocate of imposing capital controls due to the destructive nature of speculative finance.[8]

Yet, the collapse of the Bretton Woods system in the early 1970s and the end of restrictions on exchange rates laid the foundations for a resurgence of globalisation in the 1980s and 1990s. By the turn of the millennium, the "Washington Consensus" centred on privatisation, liberalisation and free market globalisation was in the ascendency following the collapse of Soviet Communism.[9] It is evident that, over time, there have been dramatic fluctuations in openness to world trade. The long-term story, however, is that from the mid-19th century to the early 2020s, there was a four-fold increase in the ratio of world trade in goods to global output.[10] Many critics believe that the EU has itself served to enable the phase of "neo-liberal" globalisation through the emergence of the European single market in products, capital and labour.

Yet, for many observers, that period of dominant free market globalisation has come to a grinding halt. The economic historian Harold James avers that the globalisation of the 20th century cen-

---

7   James, H. (2023) *Seven Crashes: The Economic Crises that Shaped Globalization.*
8   Skidelsky, R. (2009) *Keynes: The Return of the Master* (London: Penguin).
9   Daunton, M. (2006) "Britain and globalisation since 1850: Creating a global order 1850-1914", pp. 1-38.
10 Wolf, M. (2024) "The world economy's story remains integration". *The Financial Times,* 23 January.

tred on intricate global supply chains made possible by innovation in railway networks, aircraft and container shipping has lost its momentum.[11] Nonetheless, it is clear that globalisation itself has far from ended. James foresees that the physical trade in goods and services across borders is likely to decrease, yet the amount of information transacted on a global scale will, in all likelihood, only accelerate.

The "unravelling" of globalisation undoubtedly creates renewed instability, while the structural changes taking place in the global economy are feeding directly into domestic politics. As Dani Rodrik puts it, "international economic integration seems to have produced domestic disintegration in many countries, deepening the divide between the winners and the losers of exposure to global competition".[12] It is apparent that, in recent decades, the impact of growing economic interdependence, free trade and technological change have fuelled increasing dissatisfaction with established political systems, leading to new forms of political polarisation that exploit the resentments fuelled by the rise of globalisation. Yet as Grzegorz Kołodko, Polish economy professor and former deputy prime minister, writes in his monumental book *Wędrujący świat*:

> Globalisation wasn't invented by anyone and wasn't organised by anyone. Nobody has written a screenplay […] It is evident that the actors of globalisation – national states and their governments, big transnational corporations, global investors, international intergovernmental and non-governmental organisations, global media outlets, even organised crime – all of them want to win the biggest possible influence. Some are more successful than others, and then, once there is a play – there are winners and losers.[13]

Kołodko observed that globalisation was a project of a certain historical era and did not need to follow the neo-liberal path by de-

---

11 James, H. (2023) *Seven Crashes: The Economic Crises that Shaped Globalization.*

12 Rodrik, D. (2021) "Why does globalisation fuel populism? Economics, culture and the rise of right-wing populism" *Annual Review of Economics,* 13: 133. DOI: 10.1146/annurev-economics-070220-032416

13 Kołodko G. (2008) *Wędrujący świat* (Warsaw: Prószynski i Ska), pp. 116-117.

fault. Its direction may be changed. Yet such an alteration, he wrote, would require both imagination and an "escape into the future".[14]

This shift in politics has been evident, firstly, in the growth of genuine protest movements, and secondly, in the rise of populist parties on the radical left and right throughout much of Europe.[15] It was reflected in the decision by UK voters to leave the EU in June 2016, and subsequently, the November 2024 election of Donald Trump to the presidency of the USA for a second term. In the other parliamentary and presidential elections across the EU, the electoral pendulum shifted strongly to the right in several member states. In some countries, such as the Czech Republic, there is no left representation in parliament. Several member states, including Italy and Hungary, have governments that are heavily influenced by hard-right parties. Right-wing populism is the spectre haunting western liberal democracy. And the centre-right is leaning towards greater cooperation with the hard- and extreme-right parties, as underlined by the recent vote in the European Parliament on the so-called Omnibus package. And amid that all, President Trump is asserting a new form of populist "geoeconomics" that favours tariffs and economic nationalism, which, in turn, threatens to undermine the liberal economic order.

Many commentators and scholars have attributed the alarming rise of political populism to the insecurity wrought by globalisation, the growing sense that the economy is "broken" and no longer provides stable jobs and incomes to the majority of workers, combined with the belief that conventional liberal democratic politics is failing. At the root of President Trump's appeal is the claim that globalisation is no longer working for many working people in the USA. The uncertainty generated by changes associated with globalisation is exacerbated in much of Europe by the belief that the institutions of the post-war welfare state that are supposed to provide security and social protection no longer appear to be functioning effectively.

Nonetheless, it is overly simplistic to attribute the rise of populism solely to a revolt among globalisation's "losers" given such parties

---

14   Ibid, pp. 120-122.
15   Halikiopoulou, D., A. Gugushvili and T. Vlandas (2025) "Losing ground: How class decline fuels far-right party support in Europe". Policy brief. ETUC, November, p. 1.

have been gaining ground in countries with relatively high levels of employment and living standards.[16] It is important to acknowledge the importance of national identity and culture in framing the populist appeal.[17] Age, gender, educational status and geography all play a role in creating new political divides.

Meanwhile, parties of the left and centre-left have struggled to forge a convincing response to this new phase of globalisation. The perception is that, in recent decades, many social democratic movements have lost their ideological distinctiveness by compromising with market liberalism, embracing the neo-liberal policies of their centre-right opponents. It was claimed in the 1990s and 2000s that there was little alternative to globalisation and that, if Europe were to flourish in the new global economic order, it must be prepared to compromise with markets to preserve competitiveness. Many leading European centre-left politicians and policymakers allegedly conspired in the deregulation of labour markets and the destruction of the manufacturing industry. The self-doubt, retreat to defensive narratives and obsession with narrow criteria of political delivery meant there was too little focus on what would constitute a better, fairer future.

This shift in ideology and ideas has undoubtedly fuelled mistrust. Nonetheless, explicitly rejecting globalisation was never a plausible strategy for most social democratic parties, operating in relatively open, small to medium-sized European economies. While globalisation's detractors insist that the purpose of the left is to resist globalisation, preventing the commodification and dehumanisation of labour, it is more tenable for the centre-left to focus on brokering a viable compromise between globalisation and social progress, between multilateralism and the nation state, between competitive markets and social justice, between growth and security. The chapters in this volume each address that central theme from a range of disciplinary and ideological perspectives.

---

16 Gros, D. (2016) "Is globalisation really fuelling populism?" Blog. Centre for European Policy, 11 May.

17 Inglehart, R. F. and Norris, P. (2016) "Trump, Brexit, and the rise of populism: Economic have-nots and cultural backlash". HKS Working Paper No. RWP16-026. DOI: 10.2139/ssrn.2818659

This volume

As such, the chapters elaborate such debates by raising a series of fundamental issues and questions. What are the prospects for economic growth in the European continent, the EU and the USA in the era of tariffs and trade protectionism? The contributions seek to learn from international experience concerning the most effective strategies to enhance growth and productivity in a new climate, including the role of new technology, innovation and science. There is a particular focus on how to build inclusive service- and knowledge-based economies that avoid alienating blue-collar workers as an antidote to right-wing populism.

In light of the new threats to western prosperity and the heightened risk of geostrategic shocks, the chapters examine what the role of public intervention and industrial policy is in the 21st century global economy? There is a willingness to revisit past assumptions once taken for granted: for instance, should governments be willing to bring industries back into state ownership to advance the public interest? How do we ensure that those who lose out from the effort to achieve net zero across Europe are protected? How does industrial policy aid dynamism and avoid national protectionism? It is crucial to elaborate the core functions of the active state against the backdrop of a form of globalisation that amplifies insecurity.

That is the core theme of **Pascal Lamy's** contribution to this volume. Lamy maintains that globalisation is not being reversed but is being radically restructured. The world remains deeply interconnected, even if the nature of interdependence is constantly changing. The form of capitalism that marked the previous phase of "hyperglobalisation" is being redefined by awareness of the limits imposed by climate change, security and technological dependency. The risk for national governments is that increasing protectionism and asserting narrow strategic interests will lead to even slower economic growth, fuelling inequality and further undermining liberal democracy. The task is instead to reform capitalism by revitalising the social contract, taming corporate finance, and investing in green and digital infrastructure, while strengthening and updating global govern-

ance. The aim is to fashion a model of capitalism that creates widely shared prosperity for all.

Victor Negrescu then analyses the growth situation facing Europe given the new challenges of competitiveness, particularly focused on defence, innovation and industrial policy. The chapter assesses the likely impact of the Trump administration's tariffs on the European economy. Negrescu focuses on the growth reforms necessary to overcome fragmentation in labour, product and capital markets. The refusal to enact such reforms, he argues, will undermine Europe's long-term growth potential given harsh global headwinds.

Moreover, sustainable economic growth requires a more climate-friendly economy: **Anita Sowińska** insists that to tackle future climate challenges, the EU will need to develop a "circular economy" (focused on reuse, repair, regeneration and recycling) both to protect natural resources and to open up new economic opportunities. Europe has a crucial role to play in accelerating the transition toward greater circularity of consumption and production, carving out a distinctive role within the global economy.

In his chapter, **Dimitris Tsarouhas** contends that the re-emergence of industrial policy is a major opportunity for European governments to devise a more sustainable economic model by using the power of the activist state to propel the green transition. Tsarouhas acknowledges that Europe faces challenges in pursuing the transition due to state aid rules, the nature of the single market, and its fragmented approach to policymaking, partly offset by initiatives such as the European Green Deal and Next Generation EU. Policymakers need to focus on how to support disadvantaged communities and displaced workers through the transition, particularly by developing participatory approaches to industrial policy.

João Martins Pereira demonstrates that globalisation and the associated forces of inequality and instability have impacted negatively on younger generations in Europe. Crucially, globalisation weakens state capacity, undermining essential services, notably education and healthcare. Young people are increasingly disillusioned, as governments are less willing to face up to existential threats, not least the impact of rapid climate change. Under these circumstances, it is scarcely surprising that voters are increasingly turning to populist parties. Social

democrats must offer programmes that reconcile globalisation with security, marrying open markets with social rights and citizenship.

The conundrum for many centre-left parties across Europe is that that they are now a very long way from power, or destined to be merely junior coalition partners. Even the relatively few social democratic movements lucky enough to be in power with viable majorities are realising that, while active government has never been more necessary, the pressures and strains on states are unprecedented. It is recognised, for instance, that economic challenges throughout the world economy are imposing renewed fiscal pressures on governments. At the same time, structural demands on public services are growing as populations in the West age, while new treatments and innovations lead almost inevitably to rising costs. Centre-left parties will need to put "prevention" at the heart of the welfare state, alongside health and social care, given the changing demography and ageing society. It will be necessary to revisit the balance between individual and collective responsibility, while ensuring that social investment can meet the emerging challenges of insecurity.

Dominic Afscharian powerfully argues that social democracy has in recent history relied too heavily on defending the gains of the past, especially in the welfare state, failing to provide a compelling vision of the future. There is significant potential in developing a prospectus for global social policy to address the questions posed by the next phase of globalisation. But centre-left parties will need to think creatively and avoid the temptation to follow narrow and short-term electoral imperatives.

In their contribution, **László Andor** and **François Balate** focus on the issue of ensuring adequate healthcare across Europe. They show that, at present, most healthcare systems focus resources on acute hospitals rather than prevention, treating symptoms rather than causes. There should be incentives to encourage social investment in preventative health and public services, if necessary, amending the Stability and Growth Pact to enable public financing. The EU can act to compliment the work of national governments, ensuring that health is viewed as a top policy priority.

In the climate of increasing social risks, **Krzysztof Gawkowski** avers that the historical role of social democracy must be to protect

citizens from the negative impact of globalisation. There is an urgent need for effective social protection funded by progressive taxation. Globalisation and interconnectedness across borders will continue, but their shortcomings are self-evident, notably the rise of inequality and insecurity in industrialised societies. The task for social democracy, Gawkowski maintains, is to develop a new model of globalisation to ensure democratic oversight of capitalism while regulating the adoption of disruptive technologies.

The chapter by **Giacomo Benedetto**, in turn, analyses how social democratic parties can build state capacity and direct EU funds for progressive purposes, notably, regional economic development; social investment; de-carbonisation; education and cultural programmes; and investment in research and development, the digital economy and international aid. It is critical to identify a sustainable approach to financing such initiatives, while using programmes such as *Next Generation EU* to invest in the sources of future competitiveness.

Concurrently, the unravelling of globalisation is creating instability in relation to security and defence. An urgent priority is to counter rising threats to the physical security of European countries, as well as expanding on political understanding of the term "security". The EU and the government of the UK will need to work together to meet common challenges, while addressing collective security risks given the new threats on the periphery of Europe. European governments have to manage the "defence burden" that will result from the USA's growing reluctance to safeguard the continent's security given President Trump's antipathy to "free riding" by European states. That will require Europe to participate actively in updating NATO, while continuing to work to secure an end to conflict around the world, including stabilising the situation in the Middle East.

Tobias Cremer rightly insists that Europe is now facing the most serious geopolitical threat on its borders since the end of the Cold War, as a result of Russia's illegal invasion of Ukraine. Hybrid warfare, combined with energy dependency, poses an existential threat to the EU. Cremer believes that centre-left parties have to reclaim the social democratic tradition of linking strong defence with social cohesion and solidarity not only to maintain credibility in a dangerous world, but to continue to advance the European project.

The subsequent chapter by **Michelle Haas** and **Tim Haesenbrouck** addresses the likely implications of the withdrawal of American military power from Europe. The US government is increasingly focused on the Indo-Pacific, with troubling implications for Europe. The USA will no longer be willing to act unconditionally as Europe's security guarantor, while it remains unclear which US military capabilities will be withdrawn. There is a great deal of uncertainty and ambiguity that European policymakers will have to navigate. The chapter's main argument is that Europe should act to reduce its military dependence on Washington DC by investing in military assets, including tanks, aircraft and attack helicopters. However, that requires a major uplift in military spending at a time when governments already face a stark fiscal squeeze.

Similarly, **Nicoletta Pirozzi** reflects that Europe will soon be compelled to confront the limits of its "peace project", forging a new security paradigm rooted in strategic responsibility and resilience. The author underlines the fundamental importance of EU/UK co-operation on defence and foreign policy. Russia's aggression against Ukraine and the second Trump presidency have exposed the EU to unprecedented threats in a more confrontational security environment. Anxiety among European electorates is understandably growing.

Tomáš Petříček compliments previous chapters by arguing that the challenge for progressives is to forge a security approach rooted in five key principles: maintaining a rules-based international order; ensuring security policy is transformative; affirming the role of the state in guaranteeing security and protection; treating security as a public good; and finally, developing flexible global partnerships. The collaboration between the UK and the EU is likely to remain of vital importance, aligning security and defence with industrial policy to protect the European way of life.

Meanwhile, it is widely recognised that the consequence of structural economic change and rising insecurity is increasing support for political populism. In their chapter, **Ana Catarina Mendes**, **André Riberio de Costa** and **Maria João Dornetas** contend that populism is not a new phenomenon. There have long been attempts to frame politics as a battle between "the people versus the elite". Historical experience implies that populism gains traction at particular points

in history, not least when economic inequality is rising, attempting to exploit legitimate grievances. The threat posed by contemporary populism is its attack on democratic institutions and norms, which serves to undermine liberal democracy. Centre-left parties should promote inclusive governance that addresses the discontent of the powerless and marginalised.

In a similarly insightful analysis, **Kata Tüttő** seeks to explain right-wing populism not merely in political terms, but as a neurobiological and psychological phenomena. Tüttő's chapter insists that, "populist movements exploit the brain's fear circuitry – particularly the amygdala – to hijack public emotion. Chronic stress, acceleration and social disconnection weaken rational thinking and empathy, making people more susceptible to simplistic, tribal narratives". Progressives must acknowledge that populism taps powerfully into the psychological need for security, safety, reassurance, identity and belonging. As such, centre-left parties cannot rely on technocratic narratives rooted in policy alone, but must learn to tell "deeper stories", if they are to resist the drift towards authoritarianism and strengthen liberal democracy.

A compelling approach to inclusive governance is the decentralisation and devolution of political power. **Paul Magnette** in his chapter emphasises the central importance of the local level of governance, reviving the tradition of "municipal socialism", particularly in addressing issues such as environmental sustainability and climate change. Despite the backlash against climate action, social democrats can harness the tier of municipal and city government to pursue climate objectives through public investment and the Green Deal.

Another strategy for inclusive governance is to enhance the role of the university in fostering citizenship and critical thinking in our societies. **Eva-Maria Holzleitner** highlights the central role that universities play not only in identifying solutions to addressing societal problems, but in sustaining an active democracy, eliminating socio-economic barriers, reducing polarisation and promoting social cohesion. Strong higher education institutions, she argues, tackle the roots causes of democratic mistrust.

In his chapter, **Colin Crouch** contends that the core electoral constituency of social democracy has been steadily undermined in re-

cent decades, notably by globalisation and the impact of automation. In framing their electoral strategies, centre-left parties increasingly rely on educated, high-income voters who are internationally orientated and culturally confident. The strategic challenge for social democracy is the widening gulf between its more pessimistic traditional working-class constituency and the middle-class electorate. Social democrats must focus on devising forward-looking programmes that enable working-class voters to become more optimistic about the future, not least through supporting places most exposed to rapid deindustrialisation and structural economic change.

Mikael Damberg's chapter provides a final note of optimism, insisting that social democratic principles are as relevant as they were in the mid-20th century, but that centre-left parties need to find new tools and instruments to realise their goals in a rapidly changing world. Swedish social democracy has been effective historically by focusing on bringing about improvements in the everyday lives of working people through rising wages and the expansion of education, alongside high-quality public services. At the same time, a growing economy is vital for social progress and the revitalisation of the welfare state. The lesson of Swedish social democracy is that with growth comes security.

Conclusion: Politics in the age of populism

To address the questions and dilemmas posed by the authors throughout this volume, social democrats need, above all, to counter the growing disillusionment with liberal democracy. They need to resolve how incumbent parties and governments can better involve citizens in the policymaking process, while identifying further potential for political reform, including through the decentralisation of power. The key lesson is that centre-left parties need a politics that is both more social and more democratic, more empowering, bolder, and more visionary. That is the concrete message of this collection, a coherent and comprehensive catalogue of the concrete steps that the centre-left in Europe can take to improve and streamline the state, while ensuring that their politics empowers citizens in a changing world.

Bibliography

Baldwin, R. and M. Ruta (eds) (2025) *The State of Globalisation* (London/Brussels: CEPR).

Daunton, M. (2006) "Britain and globalisation since 1850: Creating a global order 1850-1914". *Transactions of the Royal Historical Society,* 16: 1-38.

Gros, D. (2016) "Is globalisation really fuelling populism?" Blog. Centre for European Policy, 11 May.

Halikiopoulou, D., A. Gugushvili and T. Vlandas (2025) "Losing ground: How class decline fuels far-right party support in Europe". Policy brief. ETUC, November.

James, H. (2023) *Seven Crashes: The Economic Crises that Shaped Globalization* (New Haven: Yale University Press).

Inglehart, R. F. and Norris, P. (2016) "Trump, Brexit, and the rise of populism: Economic have-nots and cultural backlash". HKS Working Paper No. RWP16-026. DOI: 10.2139/ssrn.2818659

Kołodko G. (2008) *Wędrujący świat* (Warsaw: Prószynski i Ska).

Rodrik, D. (2021) "Why does globalisation fuel populism? Economics, culture and the rise of right-wing populism" *Annual Review of Economics,* 13: 133-170. DOI: 10.1146/annurev-economics-070220-032416

Skidelsky, R. (2009) *Keynes: The Return of the Master* (London: Penguin).

Wolf, M. (2024) "The world economy's story remains integration". *The Financial Times,* 23 January.

Economic growth in Europe and the USA in the age of rivalisation: From hyper-globalisation to precautionary capitalism

PASCAL LAMY

1. Introduction – the great unravelling or the great re-wiring?

Is globalisation in retreat, or is it being reconfigured? In much of the public debate, the dominant story is one of unravelling: supply chains are breaking down; borders are being re-erected; and geopolitical blocs are hardening. The world appears to be moving from a phase of growing economic interdependence to one of fragmentation and conflict. This perception is understandable. We are living through what many have called a *polycrisis* or even a *permacrisis*: the global financial crisis; the eurozone crisis; the COVID-19 pandemic; the climate emergency; Russia's war of aggression in Ukraine; the war in Palestine; the intensification of the US-China rivalry; a return of inflation; and the resurfacing of profound social inequalities.

Yet, if we look not only at feelings but at facts, a more complex picture emerges on the trade side. International trade in goods is not collapsing; it has slowed, but it remains at historically high levels. Trade in services and, even more, cross-border data flows are expanding rapidly. Capital still moves across borders. Students, tourists, ideas, cultural products and digital platforms continue to circulate. The web of mutual dependence is being rewired, not c. What has changed is the *speed*, the *composition* and the *political meaning* of globalisation. The engine is no longer straightforward liberalisation and cost-minimisa-

tion, but the management of multiple risks – health, climate, security, technological – within a highly interconnected system.

The transformation is occurring against a backdrop of profound political turmoil. In Europe, far-right parties have progressed from the margins to mainstream coalitions. In the USA, Trumpism has reshaped one of the two major parties and challenged long-standing constitutional norms. In several EU member states, illiberal leaders contest the independence of courts, the media and the universities. The very legitimacy of representative democracy is being questioned, especially by citizens who feel that their voices no longer matter and that "politics" has little influence over the forces that shape their lives.

Of course, populism is not a simple response to globalisation. It is a reaction to *distributional failures* – when the gains from growth accrue to a few – and to *governance failures* – when institutions seem unable or unwilling to protect the interests of the many. Globalisation becomes the convenient face of a deeper dissatisfaction with contemporary capitalism and with political elites who promised that openness would bring prosperity for all.

This chapter takes that reality seriously but argues that the solution is not to turn back the clock. The key questions are the following: how has this next phase of globalisation affected growth in Europe and the USA? How does it intersect with democratic fragility and the rise of illiberalism? And what can progressive forces – in the broad context of social democratic, labour, green and liberal-progressive movements – do to shape this new phase, rather than merely seek to survive it? The argument is that we are not living through the death of globalisation, but through its *great re-wiring*. Our task is to ensure that that re-wiring process results in a form of interdependence that can be reconciled with democracy, social cohesion and environmental limits.

2. The long cycle of hyper-globalisation: Technology, ideology and growth (1989-2008)

To understand today's transformations, we must briefly revisit the previous phase of globalisation – roughly from the end of the Cold War to the financial crisis of 2008 – which I, and others, call the era of hyper-globalisation.

2.1. Two engines of hyper-globalisation

Two engines powered this phase of globalisation. The first was *technology*. Innovations in transport (containerisation, larger and more efficient ships, low-cost air freight), logistics (global supply-chain management, just-in-time production) and communication (the internet, mobile telephones, fibre-optic cables) dramatically reduced the cost of distance. Firms could slice production processes into different stages and locate each stage in the place where it was most efficient – due to labour costs, skills, infrastructure or regulatory conditions. This gave rise to global value chains that spanned continents and sectors. The world economy became "multi-local": products and services embodied contributions from many countries.

The second engine was *ideology*. After 1989, there was a broad convergence on the belief that markets, competition and openness were the best route to prosperity. The combination of Ricardo's comparative advantage and Schumpeter's creative destruction – international specialisation and domestic competition – was seen as the basic formula for growth. Trade and capital flows were liberalised, state-owned enterprises privatised and regulatory barriers lowered. The World Trade Organization (WTO) was created as the guardian of multilateral rules. China's accession in 2001 was widely, If not rightly, interpreted as a step towards both economic and political convergence. In Europe, the Single Market and then the euro were premised on the same philosophy: integration and competition would drive efficiency and innovation, thus generating welfare.

2.2. Growth dividends

This model of globalisation unquestionably generated tangible gains. At the global level, hyper-globalisation is associated with the largest reduction in extreme poverty ever recorded. China's rise; India's gradual opening; the export-led growth of Southeast Asia and, to a lesser extent, Latin America lifted hundreds of millions out of deprivation. Global inequality between countries narrowed, even as inequality within many countries widened.

The advanced economies benefited too. Consumers in Europe and North America enjoyed lower prices and greater variety, especially for manufactured goods. Firms gained access to larger mar-

kets and to cheaper inputs. Many companies increased profits by outsourcing labour-intensive stages of production. Aggregate GDP grew, and inflation remained low. For a time, it seemed that the promise of "win-win" globalisation was being fulfilled.

2.3. The neglected side of the equation: Winners and losers

Yet this picture of economic transformation was incomplete. Globalisation never promised equal gains for everyone, and its distributional impacts were underestimated. In the USA, manufacturing jobs have disappeared in large numbers in the Midwest. In Europe, industrial regions in the UK, France, Germany, Italy and elsewhere have suffered long-term decline. While new jobs were created in services and high-tech sectors, they did not always emerge in the same places or for the same workers, not least because of rising employment rates for women. Wage growth stagnated for many workers. Skills mismatches grew. Social mobility slowed.

Welfare systems, designed in the 20th century, proved ill-prepared for this speed and scale of transformation. Training and education systems adapted slowly; active labour market policies were often underfunded; regional policies were not ambitious enough to offset the decline of traditional industries. The political bargain underpinning the social-democratic model of capitalism – that losers from change would be compensated and supported – frayed.

As long as growth remained strong and unemployment relatively low, these tensions could be contained. But the 2008 financial crisis changed the calculus: the costs of hyper-globalisation became more visible; the benefits less tangible; meanwhile, globalisation itself was blamed for the systematic failings of capitalism.

3. From hyper-globalisation to polycrisis: Three shocks and their growth effects

The last 15 years have seen three major shocks that together transformed the global environment for growth: a financial shock; a planetary shock; and a geopolitical shock.

3.1. The financial crisis of 2008: Capitalism's first warning shot

The crisis that erupted in 2008 in the United States was initially a financial implosion, but it soon became a global systemic shock to the real economy. It revealed how deregulated finance, complex derivatives and global capital flows had created a fragile architecture vulnerable to sudden collapse. In both Europe and the USA, the aftermath was painful: bank bailouts; fiscal crises; deep recessions; and slow recoveries.

Beyond economics, the crisis eroded trust in institutions and elites. For many citizens, "Wall Street was saved, Main Street was not". Inequalities became more salient. Central banks stabilised the financial system, but many households faced unemployment, wage stagnation and cuts in public services. In Europe, the eurozone crisis added another layer of drama: austerity; high youth unemployment in Southern Europe; and a perception of Northern versus Southern moralising.

The crisis signalled that the version of capitalism underpinning hyper-globalisation was unstable – prone to excess, bubbles and abrupt crashes. It was a warning shot that we did not fully heed.

3.2. The planetary boundary shock: Climate and pandemics

The second shock came from the planet itself. Climate change, long discussed in scientific and diplomatic circles, became a lived reality: heatwaves; floods; fires; and droughts. The idea that we are operating beyond safe environmental limits entered mainstream political discourse. Globalisation came under fire as a driver of emissions through long supply chains and increased consumption, even though the relationship is more nuanced. Climate policy moved from the periphery to the core of economic strategy.

Then COVID-19 appeared and brought the world to a halt. It exposed vulnerabilities that had been accumulating largely unnoticed: dependence on a few suppliers for critical goods; underinvestment in public health; and a lack of global coordination. Services that had seemed local – restaurants, tourism, personal care – suddenly appeared dependent on global conditions. Vaccines were developed at record speed, but access was deeply unequal between North and

South. The pandemic added a layer of insecurity and fatigue to societies already grappling with increasing inequality and mistrust.

3.3. The geopolitical shock: US-China rivalry and Russia's war in Ukraine

The third shock is geopolitical. The assumption that economic in wrong. The USA and China have entered a long-term competition for power, technological supremacy, regional influence and narrative dominance. Tariffs, export controls, investment screening and technological bans have become commonplace. "Decoupling" in sensitive areas – semiconductors, telecoms, critical minerals – signals a departure from the vision of globalisation as a driver of peace.

Russia's invasion of Ukraine in 2022 added a more brutal dimension. The war triggered an energy crisis in Europe, short-term food and fertiliser shortages in many parts of the world, and a renewed emphasis on military alliances. Europe discovered how deeply it depended on Russian gas and on US security guarantees. The EU's talk of strategic autonomy collided with the hard reality that, in matters of war and peace, NATO remained central.

These three shocks together have created an environment where interdependence is no longer seen primarily as an opportunity, but as a source of vulnerability and insecurity. This perception is what fuels the calls for decoupling, reshoring and "taking back control".

4. The new faces of global trade: Securitisation, arsenalisation, mercantilisation

Globalisation has entered a new phase. To describe it, I employ the triptych of *securitisation; arsenalisation; and mercantilisation*. These three trends do not amount to de-globalisation; but they do profoundly change the way that globalisation operates.

4.1. From free trade to precautionary capitalism

We are moving from a world where the default was to remain economically open and manage the consequences, to a world where the default is to ask whether new links increase vulnerability. The concept of *precautionary capitalism* captures this shift. It does not mean

abandoning markets, but it does mean accepting that risk management is now a major objective of economic policy.

Societies increasingly demand that governments protect them from a wide range of risks: toxic products; dangerous technologies; unsafe data practices; ecological damage; and foreign coercion. Trade agreements that once focused mostly on tariffs now revolve around standards, regulatory equivalence, digital rules and sustainable development chapters. Negotiating these issues is not impossible, but it is more complex, because they touch on values and ways of life.

4.2. Securitisation: Resilience and "friend-shoring"

Securitisation refers to the process by which economic issues are framed as security concerns. The COVID-19 crisis, the war in Ukraine and growing tensions with China have all contributed to this reframing. Pharmaceuticals, semiconductors, energy, food, critical raw materials and digital infrastructures are now seen as strategic assets.

Governments encourage firms to diversify suppliers, shorten supply chains and relocate certain activities to "friendly" jurisdictions: friend-shoring. This does not mean abandoning global supply chains altogether, but it does mean accepting more redundancy and less pure cost-optimisation. In the short run, securitisation can raise costs and reduce efficiency. In the long run, it can foster innovation and resilience, provided it does not degenerate into indiscriminate trade protectionism.

4.3. Arsenalisation: Trade and finance as weapons

Arsenalisation is the use of economic interdependence as a political weapon. American controls on advanced technologies to China, China leveraging its dominance in transition minerals or even sanctions on Russia are all examples of this trend. Financial power – especially through the dollar's central role – has become a key determinant of geopolitical influence. Energy dependence is another powerful lever.

The danger is that if every form of interdependence can be weaponised, trust erodes and the incentive to maintain open exchanges diminishes. Firms, in particular, must now consider whether their investments or supply contracts could one day be blocked by geopolitical decisions. This uncertainty is part of the new "price of risk" in the global economy.

4.4. Mercantilisation: The return of industrial policy

Mercantilisation refers to the resurgence of industrial policy, often in a strategic or defensive form. States seek to shape the sectoral mix of their economies, to create "national champions" in key technologies and to secure domestic capacity in sectors deemed strategic: batteries; hydrogen; semiconductors; and clean tech.

The US Inflation Reduction Act was a massive effort by the federal government to accelerate decarbonisation, reindustrialise certain regions and reduce dependence on Chinese supply chains. Europe has tried to respond with its own initiatives: the Green Deal Industrial Plan; the Net-Zero Industry Act; and the European Chips Act, among others. China, for its part, has long practiced a form of state-led capitalism with self-sufficiency as an objective.

Industrial policy can be legitimate and productive, especially in the context of the climate transition, which requires incentives, large investments and coordination. But the risk of subsidy races, market fragmentation and new distortions is real.

5. Diverging growth models across the Atlantic

Against this changing global background, Europe and the USA enter the new phase of globalisation with different strengths and weaknesses.

5.1. The US model: Innovative, unequal, financially driven

The US growth model is highly dynamic. Its innovation ecosystem – built around research universities, venture capital, entrepreneurial culture and flexible labour markets – has produced world-leading firms in digital technology, biotech, artificial intelligence and green innovation. Energy abundance, including from renewables and shale gas, gives the USA an important cost and security advantage.

But this dynamism coexists with structural weaknesses. Inequality of income and wealth has reached levels unseen since the early 20th century. Access to healthcare, housing and quality education is often unequal. Many communities in deindustrialised regions have not recovered from the shocks of globalisation and long-term tech-

nological change. The financial sector remains powerful, and episodes of speculation and instability recur.

These economic fractures translate into political polarisation. Trumpism is an expression of resentment and fear, fuelled by disinformation and identity politics. It constrains US policymakers' room for manoeuvre in trade and climate policy, as any perceived concession to foreigners or international organisations is framed as a betrayal.

Yet, Trump's protectionist surge in 2025 might be shortlived given its impact on inflation, and it only impacts 13% of world imports which will should not contaminate the rest of the world.

5.2. The European model: Social, integrated, but under-innovative

Europe, by contrast, has created a model over recent decades that tempers markets with solidarity. Welfare states provide relatively generous social protection; income inequality is lower than in the USA; public services such as health and education are more widely accessible. The EU's Single Market has created a large integrated economic space, and the euro has reinforced integration.

However, Europe underperforms in innovation. Its digital sector is fragmented; few European firms lead globally in platform technologies; venture capital markets are underdeveloped compared to the USA. Demographic ageing, rigidities in some labour and product markets, and incomplete financial integration (notably the absence of a full banking and capital markets union) weigh on growth potential.

Europe thus risks becoming an "incomplete power": economically weighty but technologically dependent; normatively ambitious but militarily constrained. To avoid marginalisation in a world structured by US-China rivalry, Europe must raise its growth potential, its innovation abilities, and its strategic capacity.

5.3. Demography, productivity and climate constraints

Both sides of the Atlantic face structural headwinds: ageing populations; slower productivity growth; and the imperative to decarbonise. The climate transition requires massive investments in infrastructure, innovation and adaptation. In the short term, these in-

vestments can be inflationary and politically contested; in the long term, they are the only route to sustainable prosperity.

In this context, globalisation can either be an asset – through spreading clean technologies and lowering costs – or a liability – if it results in carbon leakage and unfair competition. The way we shape rules on trade, carbon pricing and subsidies will largely determine which of these outcomes prevails.

6. Globalisation, growth and populism: The political economy of discontent

The interaction between globalisation and domestic politics is now central. Economic dislocations have contributed to populist revolts, but the relationship is mediated by institutions, ideas and narratives.

6.1. Inequality, territorial fractures and social resentment

In both Europe and the USA, globalisation's benefits have been concentrated in metropolitan regions and in sectors connected to the global economy. High-skilled workers in finance, technology, advanced manufacturing and services have done relatively well. Meanwhile, manufacturing regions, small towns and rural areas have often stagnated or declined.

These territorial fractures generate a sense of abandonment. When hospitals close, shops disappear and young people move away; people feel not just economically disadvantaged but also culturally devalued. Populist parties tap into this resentment by linking economic grievances to issues of identity, migration and national sovereignty.

6.2. Failing social contracts

The social contract that underpinned post-war capitalism in Europe and, to a lesser extent, in the USA rested on three pillars: rising real wages; stable employment; and public services financed through progressive taxation. Globalisation and technological change, combined with domestic policy choices, have weakened those pillars. For many, wages have stagnated, jobs have become more precarious, while public services have been exposed to austerity and the pressures of an ageing society.

Welfare systems designed to protect against cyclical unemployment have not adapted quickly enough to long-term structural change. Education and training systems often fail to provide workers with the skills required for new jobs, especially in the digital and green economies. Social insurance schemes do not always fit non-standard employment patterns. As a result, many citizens believe that risks have been individualised.

6.3. Narrative failure of progressive forces

Progressive parties played a central role in designing and supporting the architecture of hyper-globalisation: the Single Market; the WTO; enlargement; and financial integration. For a long time, they emphasised the benefits of openness and modernisation. But they were slower to acknowledge and address the costs.

When crises hit, many progressives found themselves defending the status quo that was perceived to have failed for large parts of the population. They were viewed as technocratic, too close to economic elites and insufficiently attentive to those "left behind". Meanwhile, populists offered simple, emotionally resonant stories: that undoing trade agreements, closing borders or abandoning the EU would magically restore prosperity and control.

If progressives are to regain their credibility, they must create a new narrative that acknowledges the costs of hyper-globalisation, but that refuses false promises of isolationism and nationalism.

7. No to de-globalisation, yes to re-globalisation: A progressive growth agenda

The wrong lesson to draw from the past 15 years is that globalisation itself is the enemy. The right lesson is that the *form* of globalisation and the *type* of capitalism it accompanied must be reformed by an active state. This requires a political project of *re-globalisation*.

7.1. Why de-globalisation is a false remedy

There are strong economic reasons to reject de-globalisation. Interdependence increases efficiency by allowing specialisation, economies of scale and the diffusion of innovation. Simply cutting ties

– through tariffs, quotas or bans – would reduce growth, increase costs and limit consumer choice. Studies of Brexit and Trump's tariff wars show that such policies hurt those they purport to help.

There are also strong ethical reasons: de-globalisation would disproportionately hurt poor people in poor countries who rely on their present and future access to global markets. It would also make it harder to tackle transnational problems such as climate change, pandemics, narco traffic or tax evasion, which require cooperation rather than isolation.

7.2. Reforming capitalism: Domestic pillars for inclusive growth

If the goal is not to abandon globalisation but to harness it to progressive ends, then domestic reforms are indispensable. The starting point is to recognise that it is capitalism, rather than globalisation itself, that generates instability, inequality and environmental degradation. Reforms must, therefore, target the way capitalism is organised.

Firstly, *finance* must be tamed and reoriented. The financial sector should serve the real economy, not the other way around. This means stronger regulation of risky activities, better capital requirements and measures to limit speculative bubbles. It also means developing financial instruments and institutions that support long-term investment in infrastructure, green technologies and social housing.

Secondly, *social safety nets* must be updated for an age of permanent transformation. Lifelong learning should become a reality rather than a slogan, allowing workers to acquire new skills as technologies evolve. Income support schemes must be adapted to more volatile careers, with portable rights that follow individuals rather than being tied to specific jobs. Minimum income schemes can provide a floor below which nobody falls, while active labour market policies can help people transition between sectors.

Thirdly, *place-based policies* are essential to repair territorial fractures. Regions hit by long-term de-industrialisation or the climate transition – coal regions, carbon-intensive industrial areas, agricultural zones affected by drought – need targeted support, including infrastructure investment, innovation hubs and support for SMEs. This

is not about propping up declining industries indefinitely, but about enabling new activities to emerge.

Fourthly, *environmental externalities* must be properly priced and regulated. Carbon pricing, combined with regulations and standards, can guide investment and consumption towards low-carbon options. However, these policies must be accompanied by redistribution schemes to protect vulnerable households: revenues from carbon taxes or emission allowances can be recycled through lower electricity bills, targeted transfers or support for home insulation. The lesson from the "*gilets jaunes*" in France is clear: climate policy that ignores social justice is politically unsustainable.

7.3. Re-shaping global governance: From Westphalian multilateralism to polylateralism

Yet while domestic reforms are necessary, they are insufficient. The governance of globalisation itself must be overhauled. The current system is built on Westphalian principles: sovereign states are the main actors; international organisations derive their legitimacy from member states; decisions are based on negotiations among governments. This system has achieved much, but it no longer corresponds to the reality of global power and influence.

In many policy areas, non-state actors – multinational firms, large cities, non-governmental organisations, philanthropic foundations, scientific networks – play a crucial role. They possess resources, expertise and legitimacy that traditional diplomatic structures often lack. Yet they remain marginal in formal decision-making.

A more realistic and effective governance model has to be *polylateral*: combining states and non-state actors; multilateral institutions and flexible coalitions; legal agreements and voluntary initiatives. This does not mean abandoning states or the UN system; it means complementing them.

At a *neo-Westphalian* level, formal institutions such as the International Monetary Fund, World Bank and WTO need updating. Governance must reflect shifts in economic weight; rules must cover new issues such as digital trade, climate-related measures and cross-border tax competition; and dispute settlements must be restored and strengthened. A global platform for comparing carbon

prices and climate policies could reduce tensions and avoid trade wars under green pretexts.

At a *para-Westphalian* level, coalitions of willing stakeholders can drive progress in specific areas. City networks like C40 can push climate action; business coalitions can commit to environmental, social and governance standards; global health funds can coordinate responses to pandemics. The Paris Peace Forum and similar initiatives experiment with such coalitions and seek to amplify successful projects.

At a *post-Westphalian* level, regional integrations – the EU, ASEAN, the African Union, Mercosur and others – can serve as robust intermediate governance layers, aggregating preferences and building capacities. The EU remains the most advanced example, but it is not easily replicable elsewhere. Still, regionalism can help overcome the limitations of purely national or global approaches.

In all these instances, legitimacy should be judged not only by formal representation but also by *results*: whether institutions and coalitions actually improve people's lives and protect the planet.

7.4. The new geography of growth: Services, digitalisation and the Global South

Finally, progressives must understand and shape the new geography of globalisation. The future of trade lies less in goods and more in services and data. Cross-border provision of software, financial services, creative content, online education and telemedicine is growing rapidly and will likely be boosted by the spread of artificial intelligence. For Europe and the USA, these are areas of comparative advantage, provided that openness and interoperability are maintained.

For developing countries, particularly in Africa and South Asia, this new geography offers both opportunities and risks. On one hand, digital technologies can allow firms and workers in these regions to access global markets in new ways: software development; creative industries; remote services. On the other hand, fragmented digital standards, unequal access to infrastructure and restrictive data rules could create new forms of exclusion.

Moreover, the green transition complicates the picture. Rich countries' efforts to decarbonise can either support green development in

the Global South – through technology transfer, climate finance and fair trade rules – or lock it out of future markets through "green protectionism". The choice between these paths is fundamentally political.

A progressive re-globalisation must therefore include a strong development pillar. It must ensure that the Global South, and Africa in particular, is not treated as a peripheral supplier of raw materials, but as a partner in building a sustainable and inclusive world economy.

8. Europe's strategic choice: From market to green power

Europe is, once more, at a crossroads. It can either remain a "large market" shaped by others, or it can become a "green power" capable of influencing the global trajectory of capitalism.

8.1. Strategic autonomy and "rivalisation"

The world is increasingly structured by US-China rivalry. If Europe simply aligns without building its own capacities, it risks becoming a junior partner in a Western bloc – politically dependent, technologically subordinate and strategically constrained. This is what some call "vassalisation". To avoid this, Europe must develop a credible strategic autonomy – not against the USA, but within the alliance if the USA remains engaged in European security, which is less clear under Trump than in the past.

Strategic autonomy requires progress in several areas: defence, where an integrated conventional capability must complement a nuclear umbrella; the completion of the Single Market, especially for services, energy and digital sectors, as recommended by the Draghi and Letta reports; innovation policy, with stronger support for research, risk capital and scaling-up of innovative firms; and social cohesion, through efforts to reduce inequalities and prevent new east-west or north-south divides inside the Union.

Equally crucial is the renewal of European democracy in a digital age. The public sphere is increasingly shaped by global platforms, the algorithms and business models of which do not necessarily favour informed debate or pluralism. Protecting democratic deliberation from disinformation, microtargeting and opaque influence

campaigns is part of strategic autonomy. Europe's efforts to regulate digital platforms are a first step, but much remains to be done.

8.2. The European Green Deal as growth, power and narrative

The European Green Deal is more than an environmental strategy; it is a comprehensive project for transforming the European economy and redefining Europe's role in the world. It aims to achieve climate neutrality by the middle of this century through modernising infrastructure, fostering innovation and creating new jobs in clean industries. It also seeks to position Europe as a global standard setter in areas such as sustainable finance, carbon border adjustment, eco-design and biodiversity.

Internally, the Green Deal potentially offers a new growth model. By mobilising public and private investment in renewable energy, energy efficiency, sustainable mobility, circular economy and digitalisation, it can raise productivity, reduce energy dependence and improve quality of life. It will also support social protection if revenues from carbon pricing and environmental taxes are used to fund redistribution and public services.

Externally, the Green Deal offers a narrative of Europe as a "green power": not a traditional military power, but a regulatory and normative power harnessing its market size to diffuse higher standards. The Carbon Border Adjustment Mechanism, for example, is designed to prevent carbon leakage and encourage trading partners to adopt similar levels of ambition.

However, the Green Deal faces growing headwinds. The energy price shock following Russia's invasion of Ukraine has increased costs for households and firms, making climate policies more contested. Some industrial sectors fear loss of competitiveness and lobby for exemptions or delays. Agricultural protests reflect anxiety about new environmental rules. Political actors hostile to the EU or to climate action exploit these concerns, framing the Green Deal as an elitist project disconnected from everyday struggles.

To survive and succeed, the Green Deal must be buttressed by three types of complementary policies. Firstly, a *just transition* agenda which ensures that workers and regions affected by decarboni-

sation receive support, training and investment. Secondly, an *energy union* that improves interconnections, diversifies supply, accelerates renewables deployment and reduces price volatility. Thirdly, a *coherent industrial policy* that supports European champions in key green technologies while ensuring fair competition and avoiding a subsidy race that would fragment the Single Market.

Europe must also pay attention to how its climate measures are perceived in the Global South. If carbon border measures or deforestation regulations are seen as disguised protectionism, Europe's climate leadership will be contested. It must therefore consider its international climate and biodiversity strategy within a triangle that connects trade, the environment and development, a concept that the Jacques Delors Institute in Brussels has developed.

8.3. Rebuilding a partnership with the Global South – especially Africa

Europe's relationship with the Global South is marked by historical experienc, geography and necessity. The colonial past, interventions of the post-Cold War era and large disparities in vaccine access during the COVID-19 pandemic have created layers of mistrust. At the same time, Europe's future is intimately linked with developments in Africa and other regions.

Africa's population will double by mid-century; its share of the world's youth will be unparalleled. If African economies succeed in transforming their demographic dynamism into productive growth through industrialisation, urbanisation and digitalisation, Europe will benefit from a nearby, vibrant partner. If they fail and are overwhelmed by climate impacts, conflict and unemployment, Europe will face increased instability and unmanaged migration. In short, Europe needs Africa to succeed more than Africa necessarily needs Europe as a partner, because Africa has alternatives: China; Russia; Gulf countries; and others are already present.

A progressive European strategy must therefore treat Africa and the broader Global South not as passive recipients of aid, but as equal partners in building a new development model compatible with climate constraints. This involves trade policies that support African industrialisation rather than locking countries into raw material

exports; development finance that prioritises sustainable infrastructure, health and education.

Debt management is a key issue: many low-income countries are trapped by unsustainable debt burdens that were exacerbated by COVID-19 and by higher interest rates. Europe should work to design fairer restructuring mechanisms that include all major creditors, including China, and that link relief to investments in sustainability. Health security is another critical area, where partnerships on the local production of vaccines, medicines and diagnostics can build resilience. Education cooperation, especially in higher and vocational education, can build human capital that benefits both continents.

The Green Deal can be transformed into a shared project if Europe helps finance green industrialisation in Africa, supports access to clean energy and avoids excluding African exports through unilaterally defined standards. A credible Euro-African pact on co-development would be one of the best investments Europe could make in its own long-term security and prosperity.

9. America's strategic choice: Between rivalry and responsibility

The USA remains the central actor in the global system. Its choices in the coming years will profoundly shape globalisation's trajectory.

9.1. US growth: Strengths and vulnerabilities

As noted, the USA is unmatched in technological innovation and military power. Its labour market remains relatively dynamic, and it has abundant natural resources. But deep internal fractures – socio-economic, racial, regional and political – erode its capacity to provide stable and predictable leadership. Political polarisation has led to institutional gridlock and the second mandate of Trump may become a major threat to democracy in America.

These vulnerabilities translate into a foreign economic policy that is both ambitious and defensive: ambitious in its desire to maintain technological supremacy over China, defensive in its reluctance to enter new trade agreements or to accept binding international com-

mitments. Any progressive agenda must operate within this constrained political context.

9.2. From America first to "friends first"?

The Trump administration's "America first" policy was openly unilateralist and protectionist, undermining multilateral institutions and alienating allies. The Biden administration sought to repair alliances and restore a degree of normalcy. However, it did not fundamentally alter the strategic approach to China, nor did it embrace a return to the old model of free trade agreements and unfettered globalisation.

Instead, we see the contours of what might be called a "friends first" strategy. The USA aims to maintain and deepen economic interdependence with a circle of trusted partners – Europe, Japan, South Korea, Canada, Australia and others – while limiting dependencies and technology transfers in relation to strategic competitors, especially China. Friend-shoring is the economic expression of this strategy: supply chains for critical products should run through allied or friendly countries, not through systemic rivals.

For Europe and other partners, that approach offers both opportunities and challenges. On the opportunity side, it opens the door for closer collaboration on resilient supply chains, joint investment in green technologies, shared standards for digital governance and coordinated climate action. The USA and EU can, for instance, work together to design subsidies and regulatory frameworks that accelerate decarbonisation without unfairly disadvantaging each other or third countries.

On the challenge side, the USA is tempted to use its domestic policies in ways that discriminate against foreign producers, including Europeans. Export controls on advanced semiconductors or cloud services may be applied extraterritorially, forcing European companies to choose between markets. Financial sanctions can have spillover effects on European firms that do business with targeted countries. The tension between "buy American" impulses and alliance management is likely to remain.

A progressive transatlantic strategy must aim to channel US economic security concerns into forms that strengthen, rather than

weaken, multilateralism. The idea should be to build a community of democracies that upholds open, rules-based trade among themselves, while demanding respect for basic standards from others. This must be done carefully to avoid creating rigid blocs that exclude the Global South or force countries into binary choices.

9.3. The role of US progressives

US progressives have a crucial role to play in steering their country away from a purely nationalist course and towards a responsible internationalism. They can argue, with some credibility, that open trade must be balanced by strong domestic policies that reduce inequality and support the living standards of workers. They can promote investments in infrastructure, education, health and clean energy that both improve domestic welfare and underpin a more sustainable growth model.

They also have the responsibility to defend democratic institutions against attempts to undermine elections, judicial independence or the rule of law. The resilience of American democracy is not only a domestic matter; it has deep consequences for the credibility of democracy as a global model. European progressives, watching developments in the USA, know that if American democracy were to slide into authoritarianism, their own fight against illiberal forces at home would become much harder.

In short, US progressives are essential allies in any attempt to build a more equitable and sustainable globalisation. Their successes or failures will have direct implications for European progressives and for the future of the transatlantic partnership.

10. Conclusion – globalisation in retreat or under repair?

This chapter began with a question: is globalisation in retreat or undergoing a profound re-wiring? The analysis in this chapter suggests that, while some aspects of globalisation have slowed or partially reversed, the deeper reality is one of restructuring rather than collapse. The world remains deeply interconnected, but the terms of interdependence are changing.

We are witnessing the end of a particular phase of capitalism – hyper-liberal, finance-driven, blind to environmental limits and insufficiently attentive to distributional justice. The new phase is marked by greater precaution: about health; about climate; about security; about technological dependence. It is more green in its aspirations, more digital in its infrastructure and more rivalrous in its geopolitics.

For Europe and the USA, this shift poses strategic choices. If they merely add layers of protection and rivalry onto old growth models, they will likely experience slower, more fragile growth, greater inequality and continued democratic erosion. If, however, they use this moment to reform capitalism – by taming finance, rebuilding social contracts, investing in green and digital infrastructures, and updating global governance – they can shape a form of globalisation that supports both prosperity and democracy.

For progressives, this is both a challenge and an opportunity. The challenge is to regain ground lost to illiberal and nationalist forces, to defend democracy, the rule of law, independent institutions and pluralistic societies. The opportunity is to propose a credible project that combines openness with security, innovation with protection, and interdependence with sovereignty.

The task is to "re-enchant" European and American projects by showing that they can still deliver on their foundational promise: that citizens can live dignified lives; that they have a say in the rules that govern them; and that their societies can cooperate beyond borders to address common threats. It is also to rebuild the capacity to push back against mounting anti-democratic forces that exploit fear, anger and nostalgia.

Globalisation's fate is not written in the stars. It depends on political choices that are made in parliaments, in governments, in international institutions and in civil society. The progressive family, despite its recent setbacks, still has the intellectual tools and moral responsibility to make interdependence compatible with democracy, social justice and planetary boundaries. Whether it rises to the occasion will shape not only the future of Europe and the USA, but that of the wider world.

The new approach on growth: Leading the race for competitiveness

VICTOR NEGRESCU

1. Introduction

The post-pandemic world is marked by an acceleration of geopolitical unrest and global disruption. All of these changes generate debates marked by growing radicalism and divisive rhetoric that push political leaders towards what might seem abrupt decisions.

Should countries push for trade protectionism in front of global economic competition? Should they protect the current status quo, which seems to be incapable of maintaining stability, or should they demand more multipolarism? What can help them deal with supply-chain fragility or energy shocks while maintaining democratic legitimacy and economic freedoms?

These questions, to which Western democracies had already provided the answers, appear to be generating new debates of growing intensity. Populism challenges common sense or fact-based arguments. The social democratic values-based system suffers most due to its consensual and constructive approach to politics.

During the pandemic, the discussion was framed around economic resilience and preparedness to deal with unforeseen circumstances.[1] Now, the acceleration of artificial intelligence (AI) and technical evolution, as well as geopolitical pressure imposed by a growing number of conflicts,[2] shift the economic strategy towards competitiveness. On the one hand, the rise of national-populism nurtures a multi-verse of interpretations and non-sustainable economic

---

[1]   Damen, M. G. (2025) "Strategic foresight report 2025: Resilience 2.0". PE 774.690. European Parliamentary Research Service, October.

[2]   (European Parliamentary Research Service, 2024, passim)

solutions; on the other hand, the social-democratic, progressive and labour movement does not apparently offer an alternative model that could generate political support. The implementation of substantial tariffs by the US administration[3] has tapped into the TikTok-isation of European political debates, increased global economic uncertainty and poses considerable risks to international economic stability.[4]

In this context, what can the European Union (EU) do? Are we in competition with our global partners from America, Asia or Africa, or can we still count on them and believe in a common goal of prosperity that can be achieved through dialogue and trade? Is there any place for special international relations like the transatlantic partnership? Should traditional political movements resist or change?

The Draghi report asserts, "Europe will no longer be able to rely on many of" past assumptions and calls for "a new industrial strategy for Europe" to preserve competitiveness.[5] This approach is also reflected in the Letta report, which describes how the Single Market is under strain and needs modernisation to deliver growth.[6] Basically, two official EU reports, coordinated by centre-left politicians, are suggesting that the EU should gear up and be prepared for turbulent times and changes that were not foreseeable until recently. The EU seems to be bound to invest billions of euros in its own economy, and to accelerate digital, green, economic and societal transformations if it wants to survive the shocks and be prepared for the next financial decade.

All these questions could be resumed in the need to address growth from a new angle focused on competitiveness. Therefore, this chapter starts with a general outlook on growth and the economic situation in the European Union (including its legal consecration in the Treaties that form the so-called Constitutional Charter of the EU), the USA and the rest of the world, with a particular focus on industrial policies, innovation and defence. Our research continues with a general overview of the main topics and domains that need to

---

3   (External Policies Analysis and Support Unit, 2025, passim)
4   Gawer, A. and N. Srnicek (2021) "Online platforms: Economic and societal effects". PE 656.336. European Parliamentary Research Service, 2021.
5   (Publications Office of the European Union, 2024, passim)
6   (LETTA 2024, passim)

be addressed in the race for competitiveness. Lastly, our intention is to elaborate on possible policy and political recommendations that could lead to several general conclusions for decisionmakers and political movements.

2. Growth prospects in Europe: Between fragmentation, global dependencies and competitiveness opportunities

Based on projections by the European Central Bank, the "annual average real GDP growth for the EU is projected to be 1.2% in 2025, 1.0% in 2026 and 1.3% in 2027".[7] When it comes to inflation, it "is projected to move sideways, at around 2% for the rest of 2025, and then to 1.7% in 2026 before recovering to 1.9% in 2027".[8] Experts noticed three key trends: strong fluctuations in economic activity due to trade uncertainties; a decline of foreign demand driven by higher tariffs; and the underperformance of the single market due to fragmentation.[9]

These key outputs illustrate several conclusions. Firstly, the impact of the USA on the global economy and market is higher than expected upon seeing the effects of the tariffs imposed on global trade and economic growth. 60% of EU exporters must comply with multiple intra-European standards, which raise costs and provide legal uncertainty related to the European single market. This strengthens the role of the US market and explains the flexibility of the European Commission in accepting a 15% tariff base to export to the USA. The decision raises a lot of questions within traditional political movements, including within the ranks of social democrats and progressives, who have difficulties in accepting a weaker Europe while understanding the risks of non-agreement for the European economy and workers. Moreover, the procedure through which the trade deal got approved raised a lot of concerns regarding the legal, institutional and political framework currently in place in the EU. On the

---

7   "ECB staff macroeconomic projections for the euro area". European Central Bank, June 2025.

8   Ibid.

9   Ragonnaud, G. (2025) "Single market strategy". PE 772.869. European Parliamentary Research Service, May.

other hand, the populist left does not seem to have any constraints in attacking the deal, while the far-right populists are divided between those afraid to criticise Trump and those that blame the EU institutions for their weakness.

Secondly, the fragmentation still existing in Europe in terms of capital, labour and energy markets still represent a barrier for the potential existing in the EU, and prevent companies and innovators from scaling across European borders. Only 0.02% of EU pension assets are invested in venture capital compared with 2% in the USA. More freedoms for capital and assets also imply higher risks and less control over their sources and uses. Regional divisions within political movements transform the debate into one that is rather bureaucratic.

Lastly, the data indicates a deficit in performance and productivity for workers in Europe, namely, "the output per hour worked in the EU is now only 80 percent of the US level, down from 90 percent in 1995".[10] Only 4% of EU workers live in another member state due to what the Letta report mentions as the lack of an EU-wide approach on education, qualifications and portability of social benefits.[11] Is the social democratic and progressive movement really capable of taking the lead on these proposals beyond the competence debate?

In the face of these growing challenges, the EU has come up with several key initiatives:
- the 28th regime, which will create an EU-wide corporate and insolvency framework to simplify cross-border firm operations;
- using more EU regulations over directives to ensure uniform rule implementation;
- developing the Capital Market Union, coming up with several programs supporting the scale up of small and medium enterprises and the funding of EU venture capital or facilitated cross-border investments;
- the EU Skills Union, which is designed to ensure qualification recognition and new initiatives designed to improve social security coordination and pension portability;

---

10 (Letta, 2024).
11 (Redoulès, 2025)

- building on the EU energy market by developing a coordinated EU energy blueprint for interconnectors and clean energy infrastructure, while strengthening institutional frameworks to manage energy volatility; and
- the introduction of large-scale conditionalities related to accessing of EU funds through national plans conditioned by reforms and macro-economic requirements.

The evaluation of the European Commission is that these reforms could raise EU GDP by around 3% over the next ten years with benefits ranging between 2 and 5%, depending on national context.[12] These proposals are, nevertheless, designed to create opportunities for growth, but for them to materialise, they require clear provisions and adequate implementation.

The social democratic, progressive and labour movement could integrate its own approach into these rather technical proposals focused on cohesion, a rules-based system, accessibility for vulnerable actors or beneficiaries, or high social standards. Some of the left-wing ideas that could enhance EU competitiveness and growth could cover issues such as:

- boosting youth, female and senior employment, while closing skills gaps through education reforms and active labour market policies;
- fighting against tax evasion, tax avoidance or fiscal paradises; enhancing the rule of law; fighting against corruption; and reforming the judicial systems; and
- reducing red tape, simplifying procedures, and improving investments in research and development (R&D), digital opportunities and infrastructure.

Experts consider that such actions could raise GDP by 4.9% in advanced EU economies and +5.7% in the EU27.[13] While these measures are always listed as potential solutions for growth and competitiveness, they are likely to be dependent on global economic conditions.

---

12 Bouabdallah, O., C. Checherita-Westphal, S. Hauptmeier et al. (2024) "The reformed EU fiscal framework – potential macroeconomic implications for the euro area". *ECB Economic Bulletin*, 3.

13 (Letta, 2024, passim)

Three significant domains are now crucial for future trends. Innovation related mainly to AI and robotics could completely change our economies and our labour markets. Academics proved that "opening to trade induces more rapid technology adoption and generates faster growth".[14] Nevertheless, this also leads to market dominance by the companies that are the first to innovate or develop a successful business model for new technologies. In Europe, the debate about digital sovereignty or autonomy, also expressed by the adoption of AI and digital regulations, is a crucial debate for the EU's digital and innovation competitiveness. Similar rules involve maintaining the EU's leadership in other sectors like pharma or industrial technologies. Across the political spectrum, there is widespread support for a "made in the EU" competitiveness model. The question that remains to be determined is how to achieve this and what means can be used that will not isolate Europe and which will profit from global tech developments.

The second domain that will be at the core of future global investments is related to defence, security and dual use. The new EU defence programs, including the SAFE financial tool, will boost European investments in the field. The 5% GDP NATO target for defence will boost investments up to €5 trillion in the next ten years, if the aforementioned commitment is implemented correctly.[15] These investments consist of emerging technologies, ammunition production scaling, developing industrial bases and military mobility projects.

Lastly, education, skills and lifelong learning are key for European competitiveness. In his report, Letta calls for an EU that is much more than a market, calling for a "fifth freedom" – more exactly, the free movement of research, innovation, knowledge and education that could revitalise EU competitiveness.[16] Sharing knowhow, empowering people and liberalising access to lifelong learning across the EU will make our continent more attractive for investment and could boost innovation and entrepreneurship. This gentle and positive social democratic call for more education should be translated in an EU-wide, if not global, call for a plan that will reinforce our re-

---

14 (Perla, Tonetti, and Waugh, 2021, passim)
15 (Lunday, 2025)
16 (Letta, 2024, passim)

silience in the face of all challenges, including those represented by anti-democratic views and disinformation.

Beyond all these points, the call made by Draghi is to launch a massive investment program and to promote regulatory simplification to restore Europe's edge.[17] For them to succeed, the EU has to deal with strategic mistakes; more specifically, it has to reduce energy prices, avoid market fragmentation and maintain unity.

3. The ready-for-business US model and the use of power to increase growth and competitiveness

The USA has adopted a completely different model to deal with its competitiveness challenges and the growing threat represented especially by China. It decided to adopt shock therapies, with massive domestic investments, reducing the fiscal burden and promoting simplification models, while imposing a global trade and economic agenda correlated with its own objectives. Such measures come with additional challenges like widening internal inequalities, retaliatory measures, reduced foreign aid and supply-chain retraction.

Data shows that, despite some positive outcomes in the long term, the immediate effect would be a decline in economic growth, higher inflation and business uncertainty.[18] But to gather potential trends, we must look at the different initiatives developed in the USA to boost its competitiveness.

The first policy is the Chips and Science Act, consisting of $52 billion federal investment in domestic semiconductor production, as well as R&D. The aim is to reduce the reliance on Asian supply chains, counter China's technological rise and have an impact on an industry considered key for the US competitiveness agenda.[19] The notion that dominates US perspectives is the concept of leadership, in particular when referring to technology.

The second key policy is the Inflation Reduction Act (IRA), which consists of $370 billion subsidies for clean energy, electric vehicles

---

17 (Publications Office of the European Union, 2024)
18 ("Semiconductors and the CHIPS Act: The Global Context", 2023)
19 ("Semiconductors and the CHIPS Act: The Global Context", 2023)

and green infrastructure. IRA is based on strong protectionist principles, requiring local production and generating many EU-US frictions.

Another initiative is the Congressional initiative for a US Competitiveness Fund to finance innovation, advanced manufacturing and AI. Based on multi-year funding aimed at reinforcing the US industrial base and bridging the tech gap with China, it is co-financed with the Defense Department for dual-use technologies. The goal is to mirror the EU Competitiveness Fund.

The latest initiative is the "Big Beautiful Bill" promoted by the Trump administration. Its aim is to offer a large package of corporate tax relief and selective industrial support, politically framed as protecting American workers from "unfair trade". The bill reinforces a protectionist, state-aid-driven model with large fiscal injections designed to reduce energy costs; promote domestic manufacturing; and offer subsidies to strategic sectors like steel, automotive and semiconductors.

Complementary to all these measures, one of the drivers of the US economy is defence and security spending. The Pentagon budget is at a record high, close to $900 billion, reflecting a bipartisan consensus. Many of the funds are focused on high-tech defence (cyber, AI, drones, hypersonics), the need to reduce dependencies, and the development of strong industrial suppliers and multipliers that can compete at the global level in securing additional funds from the 5% NATO GDP target for defence.

It is particularly interesting to notice how, in a country quite attached to the liberal free-trade model and minimal state interventions, there are increasing subsidies and a growing influence of the government in business affairs capable of affecting global competition. Politically, it is like the Keynesian social democratic powerful central state being stolen by the nationalistic and protectionist rhetoric. On top of this, the recent tariff strategy developed by the US administration has managed to enable the USA to secure additional funds and impose an unequal trade system with several key partners, including the EU. This transactional approach, based on a protection versus tariffs system, seems, in the short term, to boost the competitiveness of the USA to the detriment of its strategic partners.

These policies are strongly associated with measures designed to strengthen central government, in particular on security and migration matters that have previously been outsourced to states. The USA first rhetoric is going as far as to reduce the presence of foreign students, employees and researchers in the USA, which seems to be opposite to the proposals made for the EU in the Letta report. These approaches and the potential successful economic results represent a real challenge for the EU, with fewer means to act, but also for social democracy as a whole.

4. The impact of the rest of the world on global growth and competitiveness

This race for competitiveness is fuelled by the growth in other places in the world. National subsidies, the implementation of substantial tariffs, and growing investments in defence and strategic sectors has actually increased global economic uncertainty and continue to pose considerable risks to international economic stability.

We provide a short overview of the competitiveness challenges in different parts of the world economy. For Japan, these uncertainties have been particularly difficult. Despite concluding a trade deal with the USA, manufacturers have difficulties in assessing the situation, exports could decline and consumption could be affected. While the political system is shaken by fragmentation, nationalism is gaining ground.

In contrast, South Africa and Canada are trying to resist pressure from the USA. While South Africa seems to be less affected, Canada has a large exposure to the US market. In this regard, the tariff war is harming both the USA and Canada, disrupting supply chains, raising prices and affecting the growth potential. Canada is therefore insisting on a fair deal and a partnership with its own business sector designed to increase its competitiveness and access other global markets. Canadians are betting on a solid institutional framework and the diversification of their export structure to increase their competitiveness.

Finally, China is playing hardball in the current competitiveness race. The communist state is focusing on a diversification strategy

when it comes to its imports and exports; it is promoting a pro-active trade policy with third-party countries, in particular Russia, India, and some African and Latin American countries, and it is trying to build and find alternatives to US-made technologies. The clashes with the US administration are likely to continue, despite some agreements having been reached. China is already embarking on a mission to lead the world by contributing actively to building another global model that could replace the current status quo. This model is based on a centralised state system capable of directing investments and regulating or amending the regulatory framework, including the global one, freely.

The EU is trying to take advantage of this search for alternatives at the global level by offering new trade deals. Recent agreements with Japan, Mercosur or India could have an important impact on trade flows at the global level but building economic links and trust requires time and sustainable partnerships. Alternatively, more regional integration is being pursued in Asia and Latin America, with countries looking to copy the EU's economic model and take advantage of local supply-chain connections.

When it comes to defence, the entire world seems to be embarking on a race for emerging technologies, including AI, cybersecurity and space-based capabilities. The core of this competition is based on the need to attract the most important companies in the world, which are capable of strengthening the industrial base, accelerating large investments and supporting strong public-private partnerships. The objective of most of these states is to dominate the global value chain, manage their deficits and trade balances, while having a greater influence on the market through their monetary policy.

5. Conclusions: Lessons, strategies, and opportunities for growth and competitiveness

Current global developments lead to many challenges but could also be the source of new opportunities for growth and competitiveness. To conclude, we underline some of the lessons and solutions that could be useful for the social democratic movement around the world.

Firstly, the main paradigm that requires a new conceptual framework is represented by the relationship between growth and productivity. Unfortunately, the productivity gains have been rather weak in developed countries over the last fifteen years. Today, with AI and growing investments in technology, mainly in relation to defence, productivity gains could increase exponentially. Countries and societies must be prepared to deal with these evolutions, integrate them into economic and production cycles, and avoid negative side effects. The social democratic movement could be at the forefront of a fair AI transition that is human-centred, balanced and economically prudent in the long term. A fair distribution of additional revenue gains will become crucial to build trust, reduce poverty, replace jobs affected by this transition and make sure that there will not be a concentration of wealth in the hands of a few for only some specific areas. An important debate will be related to the regulatory framework, in particular on who controls the technology, the need for transparency, and the fairness of access to AI tools and databases.

Secondly, a key debate will be related to the global perspective on trade. The classical discussion on protectionism, liberal trade, specialisation and technology diffusion will be likely to fuel the political debate. On this point, the social democratic, labour and progressive movement has long been divided. The societal debate on this issue will likely be divisive and generate fear and anxiety. Political parties and leaders will have to make a choice; any ambiguity, leading to ambivalence, could actually be used by radical and populist parties to defend their perspective on the world. The discussion will be even more complex, as some are challenging the current international rules-based system. The World Trade Organization, the OECD and even the UN must find solutions to develop a global regulatory framework for technological access, limits and diffusion.

Another relevant discussion will consist of the human capital and training regimes. In a global race for competition, adapting education and lifelong learning will be crucial. Vocational systems, an emphasis on STEM and life sciences, dual education models, and AI integration into learning are just some of the topics that will require efforts from every society. Some will increase costs for education, others will require efforts to scale up, but it is likely that any reforms will have an

impact on a domain that has not changed drastically in the last century. Political movements will have to elaborate on the best solutions for these necessary reforms. Social democratic parties have to do more than simply defend the status quo; they have to build a credible set of solutions that will rebuild trust in education, support teachers and make quality learning accessible for all.

Lastly, it seems likely that growth will be driven by innovation ecosystems, including defence. Countries will need to develop technological models that are consistent, protect their resilience and avoid institutional rigidity. Israel's start-up nation, the Nordic cluster models, the US risk capital system or the Asian monolithic company structures represent examples of success that may or may not be replicated at the global level. At the same time, there is growing debate on simplification versus regulatory models that require political will and clear decisions. The global race for talent is also very much in conflict with the anti-migration policies promoted by different governments.

The social democratic political movement needs to elaborate on all these challenges, while offering a perspective on progress that is both inclusive and protective. Avoiding fragmentation, dealing with scaling difficulties and elaborating a sustainable governance model are likely to have an impact on the structure of investment and growth. Social democrats will have to elaborate on new redistribution models, developing social safety nets, maintaining public trust, pushing for quality jobs and reducing alienation/isolation. The search for strategic autonomy is likely to create tensions between the need to act independently in critical domains, and the importance of maintaining alliances. Details will matter. Specific debates on standards, coordination and common rules will fuel political discussions.

Today, more than ever, the world is facing key decisions on its future growth and competitiveness agenda. As presented, there are five pillars that will impact politics and influence the future of the social democratic model: (1) human capital, inclusion and social protection; (2) internal integration, democratic legitimacy and reform models inspired by the Letta report; (3) innovation, R&D scaling and investment agenda inspired by the Draghi report; (4) trade synergies, strategic autonomy and supply-chain systems; and (5) governance, rules-based systems and a regulatory framework.

The goal of social democracy is to make sure citizens lead the race, not just keep pace. The relevance of our political movement depends on our capacity to influence the public agenda and impose our views on a world heavily affected by divisions and populist rhetoric. Growth, wellbeing and competitiveness are at the core of future political debates. It is up to us to decide the way forward.

Moreover, the concern not only for growth, but for development, wellbeing, and fair and humane competitiveness, is not only one of the key guidelines for social democratic action worldwide, but, in the particular case of the EU, it is an obligation imposed on all political and institutional actors of the Union by the provisions of the fundamental Treaties themselves.

For example, the very aim of the EU, as stated by article 3 para. 1 of the Treaty on the EU, is "*to promote peace, its values **and the wellbeing of its peoples***". For the purpose of fulfilling this goal, the Union established, as per article 3 para. 3 of the aforementioned Treaty, an internal market designed to

> work for the sustainable development of Europe based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement in the quality of the environment.

All these objectives are not only compulsory from a legal point of view, but also profoundly social democratic in their essence.

Moreover, article 9 of the Treaty on the Functioning of the EU imposes a general obligation on all institutional and political actors involved in adopting EU legal acts (or, in other words, in the EU decision process), namely:

> in defining and implementing its policies and activities, the Union shall take into account requirements linked to the promotion of a high level of employment, the guarantee of adequate social protection, the fight against social exclusion, and a high level of education, training and protection of human health

which are, again, social democratic requirements.

We conclude by underlining the fact that European social democrats have a constitutional mission: to safeguard and advance the so-

cial agenda of Europe, as stated in the Treaties; and to disseminate the core principles of the centre-left European movement. In order to revive and continue to lead the fight for fairness, social-democrats must learn again how to anticipate the global evolutions, not simply react, and come up with credible alternatives and forward-looking solutions for which they are ready to fight at all levels - local, national, European and international - both in an institutional set-up and beyond.

Bibliography

Bouabdallah, O., C. Checherita-Westphal, S. Hauptmeier et al. (2024) "The reformed EU fiscal framework – potential macroeconomic implications for the euro area". *ECB Economic Bulletin*, 3.

Damen, M. G. (2025) "Strategic foresight report 2025: Resilience 2.0". PE 774.690. European Parliamentary Research Service, October.

"ECB staff macroeconomic projections for the euro area". European Central Bank, June 2025.

Gawer, A. and N. Srnicek (2021) "Online platforms: Economic and societal effects". PE 656.336. European Parliamentary Research Service, 2021.

Ragonnaud, G. (2025) "Single market strategy". PE 772.869. European Parliamentary Research Service, May.

Letta, Enrico. 2024. "Much more than a Market - Speed, Security, Solidarity: Empowering the Single Market to deliver a sustainable future and prosperity for all EU Citizens." https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf.

European Parliamentary Research Service and Marcin Szczepański. 2024. "The geopolitics of technology: Charting the EU's path in a competitive world." September 27, 2024.

https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/762384/EPRS_BRI(2024)762384_EN.pdf

Semiconductors and the CHIPS Act: The Global Context." 2023. Congress.gov. https://www.congress.gov/crs-product/R47558.

Perla, Jesse, Christopher Tonetti, and Michael E. Waugh. 2021. "Equilibrium Technology Diffusion, Trade, and Growth." American Economic Review 111, no. 1 (January): 73-128. 10.1257/aer.20151645.

External Policies Analysis and Support Unit, Zaker AHMAD, and Peter-Tobias STOLL. 2025. EU's trade and digital economy – Challenges and opportunities for small and medium enterprises (SMEs).

https://www.europarl.europa.eu/RegData/etudes/STUD/2025/754479/EXPO_STU(2025)754479_EN.pdf

Redoulès, Olivier. 2025. "Understanding the EU-US labour productivity gap #1 – The broad perspective." https://eei-institute.eu/publications/understanding-the-eu-us-labour-productivity-gap-1-the-broad-perspective/.

Lunday, Chris. 2025. "NATO's Rutte embraces 5 percent defense spending goal The new target is expected to be agreed at next month's NATO summit." Politico.eu, May 26, 2025. https://www.politico.eu/article/mark-rutte-embrace-5-percent-defense-goal-nato-summit/.

Industry in transition: How to successfully implement transformation

ANITA SOWIŃSKA

We are at the beginning of the road

We are currently at a turning point, as the world begins to move away from the linear economy based on the principle of "take, make, use and dispose", which has dominated our approach to resources and production for decades. We are moving towards a circular economy, where effective material management plays a key role – through reuse, repair, regeneration and recycling – so that products and raw materials remain in circulation for as long as possible, thereby minimising waste and negative environmental impact. This transformation not only protects limited natural resources, but also opens up new economic opportunities, fostering innovation, creating green jobs, and building a more sustainable and resilient society.

What exactly is the circular economy? According to the Ellen MacArthur Foundation, **the circular economy is a system in which materials never become waste and nature is regenerated**.[1] Products and materials are kept in circulation through processes such as maintenance, reuse, refurbishment, remanufacturing, recycling and composting. The concept of the circular economy is best illustrated by the butterfly diagram, in which the two wings describe the technological and biological cycles of resources (Figure 1).[2]

---

1 „Circular economy introduction". Ellen MacArthur Foundation.
2 „The butterfly diagram: Visualising the circular economy". Ellen MacArthur Foundation, 12 February 2021.

Figure 1. The butterfly diagram: visualising the circular economy.
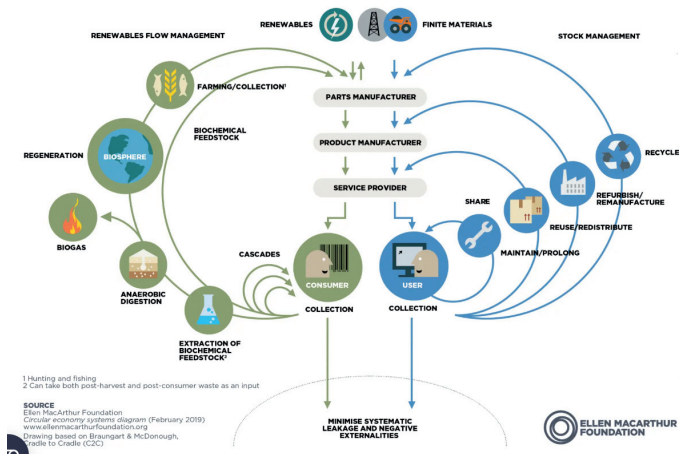
We are at the very beginning of the road to a circular economy. According to the latest Global Circularity Gap Report 2025,[3] **global circularity is only 7.2%**. This means that only a small fraction of all materials used in the global economy are returned to circulation after use – the rest ends up as waste, emissions or is permanently lost. Compared to previous years, this figure has fallen (e.g., in 2020 it was 8.6%), showing that, despite growing environmental awareness, the global economy still operates mainly on a linear model.

The key role of communication in change

Before I move on to the green transition in industry, allow me a small personal digression. About 20 years ago, I was a novice manager and was leading my first-ever large project – the implementation of a computer system in a company. I had my own vision of how to reform the entire company on this occasion – it was not just the implementation of an IT system, but a real, ambitious change in the way the company operated – from production processes, logistics and

---

3   Birliga Sutherland, A., Á Conde, M. Novak et al. (2025) „The circularity gap report 2025". Circle Economy, May.

customer service to accounting. I remember being very frustrated that some of the company's employees, including one member of the management board, were sceptical about the changes being implemented, and I saw this as an obstacle. It annoyed me that I had to spend valuable time listening, talking and persuading, without seeing any quick results. Then my boss, who was very supportive, said something to me that I remember to this day:

> You know, Anita, you're like an engine, and that's a very valuable trait for a manager. However, when you're rushing forward like that, you may sometimes not notice that a carriage has overturned or detached – you just keep going. Maybe it's worth stopping sometimes to check that all the carriages are in place.

It was very friendly advice. Today, I know that this is a general principle of change management – both on a company scale and on national, European and global scales. People are simply different – some are more progressive and open to change; others are more conservative and need more time to be convinced. There are no better or worse people – we are different and that is valuable because, by working together, we can develop better solutions and gain broader support for change. However, this also means that when managing change, we must **allow people to have a say** and **put effort into communication and education**. Without this, change may simply fail.

The importance of participation, communication and education became clear during the implementation of the European Green Deal (EGD),[4] which was announced at the end of 2019. For the first time in the history of the European Union (EU), environmental issues have been given priority – a goal of climate neutrality by 2050 has been set, and the European Commission has identified several key areas for transformation: energy; industry; construction; agriculture and food; transport; and biodiversity protection. During the programme's several years of operation, much has been achieved – changes are already visible, for example, in the area of energy, but progress has also been made in other areas. However, it must be honestly admitted that we have not managed to communicate this effectively, as

---

4   „The European Green Deal: Striving to be the first climate-neutral continent".
     European Commission.

evidenced by farmers' protests and the slowdown in reforms in the areas of agriculture and, to some extent, transport and construction.

What have we learned from this experience? And can we do better now?

In March 2025, the European Commission announced a new strategy for the coming years – **the Clean Industrial Deal** (CID).[5] Both strategies – EGD and CID – have common elements: both aim for climate neutrality by 2050; both envisage energy transition and emission reduction; and both promote clean technologies and support the circular economy. However, there are significant differences. The CID focuses exclusively on the economy, abandoning issues of nature conservation and agricultural transformation (which I consider to be a weakness of this strategy). On economic issues, however, the CID corrects the mistakes of the EGD, such as insufficient industry involvement, failure to take into account the geopolitical and economic context, and overly technocratic language. The CID emphasises competitiveness and security, showing that the green transition is not only about the climate, but it is also about economic resilience, supply-chain security and jobs. There is also a noticeable change in the approach to stakeholders – industry is treated as a partner, not just the target of the transition, and communication is expressed in the language of a "business plan", which is more understandable. The change in communication of the EU strategy is clear, although it is difficult to predict what effect it will have today. The challenge of transforming Europe's industry is so great that it is natural for it to provoke resistance, which manifests itself, among other things, in widespread disinformation. However, this does not relieve us of our obligation to educate, inform and persuade, because even the best economic strategy may fail if we do not gain public support.

Accelerators of the green economic transition

So what should Europe's economic strategy look like? Personally, I believe that, regardless of our political convictions, we need unity when it comes to the main strategic core outlined in the CID. Change

---

5   „Clean Industrial Deal: A plan for EU competitiveness and decarbonisation". European Union, 26 February 2025.

requires a great deal of effort from all of us in implementing this plan, so we cannot afford to undermine its foundations. This does not mean that we cannot differ in our emphasis on how it should be implemented. **There are certain factors that can become accelerators of green change**. It is like catalysts in a chemical reaction, which do not directly participate in the reaction as a substrate, but can significantly accelerate it. I have three favourite "catalysts" for the circular economy: **multiple use**; **extended producer responsibility**; and **sustainable public procurement**.

Multiple use

When we talk about the circular economy, we very often mean waste recycling, forgetting that the best waste is waste that does not exist. The EU also focuses (with a few exceptions) on waste management, as seen from its strategies and legislation.

We should definitely place a **greater emphasis on extending the life cycle of products and preventing waste generation**. These activities are much more valuable than recycling, because every waste treatment process requires a large amount of energy for transport and the production of recycled raw materials (plastic, paper, glass or metal). It should also be noted that, in recycling processes, we lose some of the original properties of the raw material. For example, in plastics, the structure of polymers degrades, resulting in lower quality after each processing (in fact, we should talk about downcycling rather than recycling, which is why it is difficult to call it a "closed loop"). In addition, no recycling is 100% efficient – at each stage of the process, namely, waste collection, transport and processing, we irretrievably lose some of the raw materials.

The most desirable form of use is sharing or reusing items, which can be summarised as **multiple use**. Examples can be found in all areas of our lives: public transport; car and bicycle rentals; office rentals or sharing; workshop equipment rentals; laundries; reuse of clothing; and so forth. The sky is the limit.

The key is to meet customer needs while minimising resource consumption. For example, the parents of a small child want to ensure comfort for themselves and their child when using a pram, and they also care about safety, functionality and the pram's appearance.

Instead of buying a new pram and getting rid of it after a few months, wouldn't it be better to rent a good-quality pram, and have the company take care of cleaning, repairing and refurbishing it? Such a pram will serve another child, and thanks to this, we save the Earth's resources and reduce CO_2 emissions.

If we achieve a sufficiently high economy of scale, multiple use is the most environmentally friendly way to use things throughout the entire product life cycle. As is usually the case with change, however, it is not easy to implement, as it is very difficult to change not only customer habits but also existing business models. The circular economy opens up many business opportunities, but it also infringes on the interests of some companies.

Take, for example, single-use packaging used in catering and fast-food restaurants. It is in the interest of a company producing disposable plastic cups or burger boxes to produce and sell more, so such a company will not be happy with the shift towards a circular economy. Similarly, a fast-food restaurant will likely try to block the transition to reusable packaging, as it may see it as an obstacle to market differentiation and business growth. The transition to reusable packaging may entail additional costs (e.g., washing, handling), and customers expect fast service and simplicity. Finally, most of the waste produced is not recyclable (e.g., greasy paper, plastic-paper cups), but this is not relevant from the company's point of view because the environmental costs are hidden (e.g., CO_2 emissions, microplastic pollution). Is it possible to imagine a different business model for fast-food restaurants, based on the circular economy? The answer is yes. Large chain companies in the HoReCa (hotel, restaurant, and catering or café) industry can use their economies of scale to ensure that all packaging is either reusable or compostable (i.e., 100% recyclable). One can imagine that each drink is poured into a reusable plastic cup (instead of a disposable one); a deposit is collected; and when the customer leaves the restaurant, they return the cup to a machine and the deposit is refunded to their card. Soft packaging (e.g., a bag of chips) can be made from fully compostable materials and, together with food scraps, biodegradable tea bags and wooden stirrers, be sent to an industrial composting plant. Is it possible? Absolutely! Such a system on a large scale will be economically and environmentally efficient.

The Ellen MacArthur Foundation states that to unlock the potential of reusable packaging, three key factors need to be optimised:[6] scale and shared infrastructure; standardisation and pooling of packaging; and a high return rate. Only by combining these three factors can we ensure the economic viability of returnable packaging and maximise environmental benefits at the same time.

Let us take the example of reusable bottles for alcoholic and non-alcoholic beverages. Economies of scale can only be achieved if there is a certain minimum number of bottles of one type in circulation. Large beverage producers, such as breweries, can afford to put their own non-standard bottles into circulation because they cover the whole country, and there are enough bottles to make the system economically viable. Unfortunately, small producers cannot afford this – a small-scale system would be too expensive and inefficient. Therefore, the key is a standard bottle, for example for beer or juice, or perhaps even standard jars for preserves. Standardisation increases the efficiency of the processes of collecting, transporting, sorting, cleaning and storing packaging, which, in turn, reduces costs and the ecological footprint.

All reusable packaging (both standard and non-standard) should be collected by the same operators, because – as rightly noted in the Ellen MacArthur report – shared infrastructure for all beverage manufacturers is a key success factor. Shared infrastructure, such as collection, sorting, cleaning and transport, provides economies of scale and ensures simplicity for customers when returning packaging. In turn, a high packaging return rate can be achieved through a well-chosen deposit amount while providing customers with a hassle-free service.

It is worth noting that the EU Packaging and Packaging Waste Regulation[7] adopted in December 2024 introduces an obligation to ensure that at least 10% of beverages are sold in reusable packaging from 2030 onwards. The regulation itself is absolutely right, but we must first ensure that shared infrastructure and standardised pack-

---

6   „Unlocking a reuse revolution: Scaling returnable packaging". Ellen MacArthur Foundation, 21 November 2023.
7   „Regulation (EU) 2025/40 of the European Parliament and of the Council of 19 December 2024 on packaging and packaging waste". OJ L 40, 22.1.2025.

aging are in place. If we do not do this in time, small and medium-sized enterprises will lose out because they will not be able to achieve economies of scale for reusable packaging.

In summary, the future of the industry lies in the production of goods with a long life cycle and in services – sharing, renting, reuse, as well as renovation and repair. The key to success is **systemic support for effective systems that promote multiple use**, that is, logistics and IT systems.

Extended producer responsibility

Financial incentives are the best motivator for large-scale change. In industrial transformation, the basic financial tool is extended producer responsibility (EPR). This concept originated in Sweden in the 1990s and was developed by Prof. Thomas Lindhqvist from IIIEE Lund University. The general principle of EPR is that producers are responsible for their product throughout its entire life cycle; that is, not only until the moment of sale, but until the end of the product's life. EPR is a tool that puts into practice **the "polluter pays" principle**, which states that the environmental costs associated with, for example, waste disposal (solid, liquid and gaseous) should not be borne by society as a whole, but by those who manufacture and sell the product. This gives us **a financial tool to motivate manufacturers** to design their products in such a way that they have less impact on the environment. It is also a tool to level the playing field for those companies that introduce environmentally friendly solutions to the market, but whose competitiveness may be lower due to higher costs, which hinders their development.

EPR can take both organisational and financial forms. The organisational form operates when producers, usually acting through organisations they have set up, create a system for collecting, sorting and processing waste – they organise the logistics themselves and bear the associated costs. Examples of organisational EPR can be seen in many countries in the form of systems for waste electrical and electronic equipment, medicine packaging, or deposit systems for beverage packaging. In the case of financial EPR, it is usually the state or local authorities that take responsibility for organising the waste management system, and producers are obliged to reimburse

the costs of waste collection, sorting and processing services. The most common example is municipal services for the collection of waste from residents, followed by sorting and processing. The forms of cost allocation in EPR systems vary between countries and even between product groups within a single country. Without going into technical details, I will just mention that fees can take the form of a packaging fee calculated on the basis of waste weight, a penalty for each percentage point of the recycling target not achieved or even a document trading system. Despite significant differences in organisation and form of financing, the general principle is – or at least should be – the same: "the polluter pays". The aim of EPR is to ensure the financing of a high-quality waste management system and to create an economic incentive for producers to eco-design their products.

The complexity of EPR systems is highlighted by Professor Thomas Lindhqvist[8] who also emphasises the challenges associated with varying levels of effectiveness in different EU member states.[9] Lindhqvist has pointed out that thanks to the implementation of EPR systems, Europe has made significant progress, for example, in the collection and recycling of waste electrical and electronic equipment. Nevertheless, too many resources are still being lost due to insufficient focus on durability, sharing, reuse and repair of products, as well as the lack of clearly defined quality parameters for recycling (leading to downcycling). According to the professor, **EPR systems should promote the eco-design of new products to a greater extent**, and a key element in achieving this goal is **to set high-quality recycling requirements** and **provide financial support for other, higher forms of waste treatment**.[10] Let us remember that recycling is only the third action in the hierarchy, preceded by prevention and preparation for reuse.

---

8   „https://packagingeurope.com/features/a-conversation-with-the-inventor-of-extended-producer-responsibility-/9416.article". Packaging Europe, 21 February 2023.

9   Lindhqvist, T. (2025) „EPR – quo vadis? Ad were could you go?". Presentation at „Circular Evening" organised by the Embassy of Iceland in Warsaw, the Royal Danish Embassy in Warsaw and Reloop, March.

10 „Waste hierarchy: Summaries of European legislation". European Commission.

The reform of EPR systems will be crucial to the success of Europe's economic transition, that is, the transition to a circular economy. Just as the Emission Trading System in the energy sector – despite its certain shortcomings – has been and continues to be an effective tool for energy transition, we need effective EPR systems in industries that generate large amounts of waste, such as packaging, textiles, and waste electrical and electronic equipment. It is also very important to address the issue of hazardous chemical waste, as its disposal is very costly and these costs are often passed on to society.

Undoubtedly, we should listen to scientists and experts and consider effective reform of EPR systems in Europe, because once ineffective solutions are implemented, they are very difficult to change. We should analyse whether models based on private producer organisations actually work in all industries. I fear that the principle of "being the judge in one's own case" applies here; that is, producers are supposed to motivate themselves to produce less packaging or fewer clothes and make an effort to switch to other business models. Theoretically, this is of course possible, but it would have to be accompanied by strict control and high efficiency in the enforcement of fees by state institutions, which of course comes at a cost. In private-business-based models, conflicts of interest may arise and, as a result, the environmental effects may be disappointing.

We do not know the answer to the question of which EPR model is the most effective in environmental and economic terms – here we need the support of experts in preparing reliable analyses and proposals for solutions. What we do know for sure is that financial mechanisms, namely, EPR, are key to the success of industrial transformation in a green Europe. We should strive to synchronise systems across the EU at the industry level.

Sustainable public procurement

Public procurement can play a key role as a catalyst for the transformation of industry towards a circular economy. Furthermore, it is a driving force for the development of local businesses, which promotes job creation and strengthens the economic potential of local communities. That is why I deliberately did not want to limit the title

of this section to "green" public procurement, because it should be viewed not only from an environmental perspective, but also from a social and economic perspective.

What do we expect from public procurement? The primary objective is to **purchase goods and services to meet public needs**, for example, in the areas of healthcare, education, transport, security and cleanliness in municipalities. The aim is also to spend public money in **a rational and effective manner**, as well as to maintain **transparency and fair procedures** that build citizens' trust in public institutions. There is another objective – **to support social, environmental and economic policies**, that is, promoting employment and social integration, protecting the environment, and supporting innovation and local and regional development.

Public institutions are making efforts to make their procurement as "green" as possible, but it must be said that these efforts are often inconsistent and not always effective. Sustainable public procurement should set an example of circular economy efficiency, which is why clear guidelines are needed, for example, in the form of an EU regulation, on what criteria should be met.

These criteria may include energy issues, for example, when purchasing electrical equipment or constructing new buildings. In the case of new public buildings, the direction is set by the Energy Performance of Buildings Directive,[11] which introduces new requirements for the energy performance of public buildings, which are to be carbon neutral throughout their life cycle from 1 January 2028 (other buildings from 2030). In practice, this means switching to renewable energy sources and phasing out fossil fuel heating systems. However, energy issues are not limited to buildings – they also include the purchase of machinery and household appliances used, for example, in offices, schools and hospitals. It seems obvious that public institutions should only purchase household appliances in energy class A (on a scale from A to G, where A means very high efficiency and G means the lowest). Unfortunately, what seems obvious to us is not so obvious to all purchasers, which is why the lower purchase price

---

11 „Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings". OJ L 1275, 8.5.2025.

often wins out over environmental considerations and even the economic cost over the entire life cycle of the appliance.

Another requirement for all public procurement should be a ban on single-use packaging. Many institutions already require catering for events to be delivered on reusable tableware (plates, cups, cutlery, jugs, glasses, etc.). The reasons for this are environmental and image-related – at formal events, single-use packaging is becoming unfashionable and even embarrassing. Of course, these are measures that should be appreciated, but they are not enough. We need large-scale systemic solutions, namely, a ban on ordering catering for schools and hospitals in disposable packaging. Thanks to such solutions, public procurement will not only contribute to the implementation of the circular economy, but will also support the development of local companies providing catering and logistics services, or create jobs in hospitals or schools.

There are many ideas for best practices in sustainable public procurement. One idea is the requirement to deliver documents in electronic form (drafts, reports, invoices, etc.) and, where possible, even a ban on delivering documents in paper form. Invoices are a case in point – all public institutions should already have IT systems in place for accounting purposes, and where these are not yet in place, they need to be introduced without delay. This will not only save natural resources such as trees, but also reduce CO_2 emissions by reducing paper production and transport costs.

Public procurement is diverse and certainly not everything can be described in a regulation or good practices. Therefore, EU guidelines should define the objectives of sustainable public procurement and how they are measured. As I mentioned earlier, the aim of sustainable public procurement should be not only to spend public money in a rational and transparent manner, but also to ensure that it contributes to sustainable development in environmental, social and economic terms. Indicators should be set for each of these aspects so that we can measure progress towards the objectives.

Thus, with regard to environmental objectives, **CO_2 emissions and resource intensity** should be measured throughout the entire life cycle. The latter is often overlooked, yet as much as 50% of greenhouse gas emissions are related to the use of materials. Reducing

greenhouse gas emissions can therefore only be achieved if material intensity and resource efficiency are also taken into account.[12] An example of an indicator that allows resource consumption to be estimated is Material Intensity,[13] which measures the amount of the Earth's resources consumed per unit of production (e.g., per item or kilogram of product, such as glass containers or aluminium cans).

Unfortunately, comparing the life-cycle assessment of products and services is currently quite complicated, costly and labour intensive. Therefore, to make rational environmental decisions in public procurement (and beyond), we need easy-to-use and freely available artificial intelligence (AI) based IT tools. This is an important task for the EU, as progress can only be achieved if we measure something reliably. Otherwise, there is a high risk of falling into the trap of 'greenwashing'.

Summary

In this discussion of the strategy for Europe's economy, I have focused on three factors, which, in my opinion, could become accelerators of the green transition in industry: multiple use; extended producer responsibility; and sustainable public procurement. These factors will also have a huge impact on the future of industry in Europe. Industrial transformation is not only a technical or economic challenge – it is also a profound social and cultural change that requires the involvement of the whole of society. In this context, the role of left-wing and centre-left parties is particularly important, as they traditionally focus on values such as social justice, solidarity and care for the most vulnerable.

Progressiveness, which is ingrained in the DNA of these parties, means openness to innovation and the courage to make difficult decisions that can bring long-term benefits, even if they require sacrifices at the outset. Social sensitivity, on the other hand, reminds us that transformation cannot take place at the expense of people – it

---

12 „Strategic research and innovation agenda on circular economy". EU Circular Economy Hub, September 2020.
13 „Material intensity of materials, fuels, transport services, food". Wuppertal Institute, 2014.

must take into account the needs of workers, local communities and those who may be excluded from new economic models.

In the example of standard reusable packaging cited earlier, I drew attention to the risk of overlooking the interests of small and medium-sized enterprises in the transformation process. From my own experience as Deputy Minister of Climate and Environment, I can see that representatives of big business play an active role in consultations on new legislation – they have legal teams, experts and sufficient financial resources to enable them to participate effectively in public debate and influence the shape of laws and directives. Small and medium-sized enterprises often do not have such opportunities, which is why it is the task of left-wing politicians to create regulations that will genuinely support local and regional companies, protecting them from marginalisation.

Left-wing and centre-left parties can act as guardians of the balance between the interests of powerful corporations and the needs of small and medium-sized enterprises, ensuring that economic transformation is fair and inclusive, taking into account the economic and social diversity of our country.

Finally, it is crucial to learn from the mistakes made so far and to develop **a professional, comprehensive education and communication strategy**. First and foremost, we must connect the passion displayed by younger generation to fight climate change with the path that allow them to get education– with a particular focus on managers and engineers. This means not only in-depth knowledge of the principles of the circular economy and waste hierarchy, but also the ability to understand and apply environmental impact metrics. Just as every manager or engineer today is able to assess the financial impact of a new product or process on a company's results, it is equally essential that they are able to analyse its environmental impact throughout its entire life cycle. At the same time, the ability to distinguish reliable information from falsehoods and misinformation is extremely important, as it is the basis for informed and responsible decisions.

Modern and effective social communication is no less important. This is not only about publishing content in traditional and social media – in the form of texts, graphics or videos – but also about

using smart tools that help people make informed and better decisions. A good example is suggesting alternative, more environmentally friendly solutions in everyday choices. For example, when someone searches for a car route on the Internet, map applications could suggest equally convenient public transport routes, while highlighting the benefits of this solution, such as time savings, lower costs and less impact on the environment. This is just one of many ways to communicate and educate the public effectively. Today, media communication specialists have at their disposal modern technologies and social tools, including AI, which allow them to engage their audience even more effectively. It is crucial to treat communication and education not as an "addition" or "supplement" to the industrial transformation process, but as an integral and inseparable part of it.

Bibliography

Birliga Sutherland, A., Á Conde, M. Novak et al. (2025) «The circularity gap report 2025". Circle Economy, May.

"Circular economy introduction". Ellen MacArthur Foundation.

"The butterfly diagram: Visualising the circular economy". Ellen MacArthur Foundation, 12 February 2021.

"Unlocking a reuse revolution: Scaling returnable packaging". Ellen MacArthur Foundation, 21 November 2023.

"Energy Performance of Buildings Directive". European Commission.

"The European Green Deal: Striving to be the first climate-neutral continent". European Commission.

"Waste hierarchy: Summaries of European legislation". European Commission.

"Clean Industrial Deal: A plan for EU competitiveness and decarbonisation". European Union, 26 February 2025.

"Strategic research and innovation agenda on circular economy". EU Circular Economy Hub, September 2020.

Lindhqvist, T. (2025) "EPR – quo vadis? Ad were could you go?». Presentation at «Circular Evening» organised by the Embassy of Iceland in Warsaw, the Royal Danish Embassy in Warsaw and Reloop, March.

«Regulation (EU) 2025/40 of the European Parliament and of the Council of 19 December 2024 on packaging and packaging waste". OJ L 40, 22.1.2025.

"Directive (EU) 2024/1275 of the European Parliament and of the Council of 24 April 2024 on the energy performance of buildings". OJ L 1275, 8.5.2025.

„https://packagingeurope.com/features/a-conversation-with-the-inventor-of-extended-producer-responsibility-/9416.article". Packaging Europe, 21 February 2023.

"Material intensity of materials, fuels, transport services, food". Wuppertal Institute, 2014.

Industrial strategy and the green transition

DIMITRIS TSAROUHAS

Abstract

This chapter argues that the resurgence of industrial policy offers an opportunity for Europe, and its governments, to reassert the role of the public sector in powering a new, more sustainable economic model through the green transition. My analysis contrasts approaches in the USA and China and highlights Europe's unique challenges due to the Single Market, state aid rules and fragmented policy frameworks. Key European Union (EU) initiatives, such as the European Green Deal, the NextGeneration EU and the Net Zero Industry Act, are assessed for their effectiveness. The green transition is, however, not only opportunity: the displacement of European workers is a real and growing challenge, while the shifting discourse on it compounds a sense of uncertainty. Overcoming this will require explicit and direct support to disadvantaged communities, extensive retraining opportunities, and a participatory approach to industrial policy governance. The latter, I argue, has profound political implications and can prove a way out for European integration, alongside its economic benefits, at a time of profound uncertainty.

1. Introduction

Industrial policy is back. The return of geopolitical competition and the shift in the economic environment spearheaded by technological innovation and the climate emergency have made industrial policy a pillar of the new economic landscape. For Europe, the challenge of ensuring that the revival of industrial policy will not happen at the

expense of other policy priorities is especially stark, for two reasons. Firstly, the European Union's (EU's) Single Market programme depends on fair, transparent and equitable rules that largely prohibit a traditional industrial policy strategy by its member states. Secondly, the adoption of the net-zero ambition by mid-century requires a shift in industrial strategy that is proving costly, both financially and, increasingly, electorally. The shift toward a low-carbon, resource-efficient and socially inclusive economy has become central to policy debates in Europe and across the developed world. At the heart of this transition lies the transformation of industrial strategy: a reimagining of the state's role in shaping markets, fostering innovation and steering economies toward sustainability.[1] To take an important example, the European green transition, as a driver of economic restructuring, is estimated to call for investments corresponding to almost 3% of GDP annually in some member states, while employment in green sectors may rise by over 10% by 2030.[2]

This chapter examines the evolution of industrial policy in the context of the green transition, examining the drivers behind the resurgence of industrial strategy, the new policy instruments and governance models being deployed, and the challenges and opportunities that arise in aligning economic and environmental objectives. I argue that the success of the green transition depends on the ability to coordinate innovation and investment, leveraging Europe's need to act as a sovereign entity in an era of heightened competition. In that process, the state's role is critical in ensuring that available opportunities will cease and to work alongside the private sector to foster innovation. The public sector is also critical in offsetting the inevitable cost of this transition by explicitly and directly compensating those who stand to lose out from it. Arguing that change will be positive on the aggregate, and therefore warrants no targeted intervention, is an approach that will only cause resentment among those who are asked to pay the price of decarbonising industry. At the EU level, an ambitious industrial strategy linked to Europe's fiscal strategy, and

---

1   Rodrik, D. (2014) "Green industrial policy". *Oxford Review of Economic Policy*, 3(30): 469-491.
2   Evenett, S., A. Jakubik, F. Martín et al. (2024) "The return of industrial policy in data" Working paper 2024/001. International Monetary Fund.

one that will acquire an institutional, semi-permanent dimension, is the best response to fears over inefficiency and a return to the "national champions" model that will set member states against each other.

In what follows, I begin with a brief discussion on how to define industrial policy in Section 2, and then move on to examples of how technology, geopolitics and the climate emergency have altered the landscape on which industrial strategies are placed in the USA and China in Section 3. Section 4 briefly discusses the return of industrial policy in Europe, spearheaded by member states but substantially strengthened at the EU level after 2019. Section 5 outlines recent initiatives at the EU level, and Section 6 points to the limitations of the current approach. Prior to the conclusion, Section 7 provides concrete recommendations for how the potential of this new industrial strategy era can be harnessed to maintain social cohesion and facilitate the transition to a sustainable economic model.

2. What is industrial policy?

Industrial policy is not subject to easy definitions, precisely because it can be expressed in policies as wide-ranging as state subsidies, tariffs, price controls or tax policies. A helpful distinction is between vertical and horizontal approaches to industrial policy, with the former referring to a selective approach aiming at "picking winners". Eder distinguishes between a reactive approach that aims to escape crisis conditions (and can thus be regarded as temporary in duration) and an active, vertical industrial policy seeking to tap into sectors not yet explored.[3] At the other end, is the horizontal approach, which has gained more traction over the last decade. This refers to a general attempt to boost the competitiveness of the economy through measures such as research and development (R&D) funding.[4]

---

[3] Eder, J. (2022) "Industrial policy in times of crisis: Reactive and proactive approaches". *Policy Studies Journal*, 3(50): 321-340.

[4] Aiginger, K. (2007) "Industrial policy: A dying breed or a re-emerging phoenix". *Journal of Industry, Competition and Trade*, 3-4(7): 297-323; Frauenlob, M. (2025) "The return of industrial policy in the United States and the EU: A comparative perspective". *Wirtschaft und Gesellschaft*, 2(51): 55-73.

A useful, general definition of industrial policy comes from War-wick, who refers to

> any type of intervention or government policy that attempts to improve the business environment or to alter the structure of economic activity toward sectors, technologies, or tasks that are expected to offer better prospects for economic growth or societal welfare than would occur in the absence of such intervention.[5]

It is therefore reasonable to submit that industrial policy is inherently political – and trade-offs linked to its consequences are inevitable when finite resources are to be put in use, and economic competitiveness remains a paramount criterion in resource allocation.

3. The return of industrial strategy

The USA

During the Biden administration, US industrial policy was explicitly linked to Great Power competition in as far as initiatives such as the CHIPS Act sought to diversify the supply of critical semiconductors for US industry; therefore, insulating it from potential supply disruption resulting from tensions in East Asia and especially with China.[6] At the same time, the combination of climate change policy and industrial politics meant that, apart from supply-chain resilience (the centrality of which became manifest during the pandemic), the White House adopted the Inflation Reduction Act and the Infrastructure Investment and Jobs Act (IIJA) in an attempt to lure manufacturing back to the USA and enable a transition to clean energy through technological innovation subsided generously by taxpayers. Concretely,

---

5   Warwick, K. (2013) "Beyond industrial policy: Emerging issues and new trends". *OECD Science, Technology and Industry Policy Papers*. DOI: 10.1787/5k4869clw0xp-en

6   Chueri, J., C. D'Ippoliti and D. Tsarouhas (2025) "The twin challenges of technological progress and big power competition: The case of active industrial policy", in A. Schieder, L. Andor, M. Maltschnig et al. (eds) *Progressive Ambition: How to Shape Europe in the Next Decade* (Brussels: FEPS and Karl Renner Institute), pp. 116-133.

the IIJA foresaw $1.2 trillion to be spent on infrastructure, green technologies, broadband and electric vehicle investment.[7]

Trump's re-election in 2024 has meant that tax credits towards clean energy development have expired and the industry faces an uncertain future in the USA, as drilling licenses expand and the traditional fossil fuel industry succeeds in limiting the green transition in the country. However, the previous administration's goal of attracting investment back to the country and luring manufacturers to the USA remains: it is now served through a combination of tariffs and bilateral trade deals whereby issue linkage is leveraged, and US industrial and financial might is put to the service of White House negotiators to multiply national gains.

China

China used industrial policy early in its development and continues to do so. The way it utilises industrial policy, however, separates it from the USA in important ways. The economic miracle of the People's Republic is largely due to its expanded, export-oriented manufacturing sector, which, in turn, has been the result of record foreign direct investment (FDI) inflows.[8] China welcomed investment from advanced economies and encouraged (or, in some sectors, required) joint ventures that enabled technology transfer and skills upgrading. China's reliance on FDI peaked in the 1990s and 2000s as a share of its total investment, but FDI is still important for priority industries, especially in high-tech sectors. Foreign-funded enterprises dominated China's export growth in the 2000s, but since the 2010s, private Chinese manufacturing firms have taken over, reflecting at least partial success of Beijing's indigenous innovation strategy.[9]

Due to the country's political regime, long-term planning by the state is a stable feature of its industrial strategy. This cannot be replicated elsewhere. However, some other features of the Chinese ap-

7   Panda, A., E. Shears, F. Schenuit et al. (2025) «A framework to assess green industrial policy and inform the public debate». *PLOS Climate*, 4(5): e0000614. DOI: 10.1371/journal.pclm.0000614

8   Zeng, D. Z. and Y. Zhou (2021) "China's industrial upgrading and innovation policies: Achievements and challenges". Policy research working paper. World Bank.

9   Di Pippo, S., F. Ghiretti and P. Lenain (2025) "China's industrial strategy and global supply chains". *Asia Economic Policy Review*, 1(20): 45-67.

proach can prove useful in designing a coherent strategy. In recent years, China has expanded its R&D spending, especially in its attempt to gain momentum in basic research, while, at the same time, offering crucial tax incentives to firms for R&D spending directed to new technologies. At the current pace, China is on track to overtake the USA in R&D spending in purchasing power parity terms,[10] and its approach continues to dominate global supply chains for solar panels, batteries and electric vehicles. Its green transition leadership, not least through its large investment in such policies, is now well established but questions remain as to its absorption capacity of excess supply and strengthening domestic demand.

For both the USA and China, industrial policy is increasingly tied to national security. Europe's response to the environmental and technological challenge ought to incorporate such elements too, leveraging state capacity and using the window of opportunity offered by the new approach to industrial policy to boost its internal coherence. It is the only way to allow for the implementation of a truly autonomous policy in a rapidly changing world.

4. The evolution of industrial policy in Europe

Post-1945

In the post-World War II era, many west European countries adopted active industrial policies to rebuild their economies, aiming mostly to promote national champions. These were vertical industrial policies to support specific sectors, promote state ownership and offer targeted subsidies to select firms.[11] They were possible in the era prior to the launch of the Single Market and often proved inefficient and harmful to the greater good, promoting "insiders" at the expense of competition and innovation. They were also embedded in the specific form of capitalism prevalent in the Fordist era[12] and hardly in-

---

10 Ibid.
11 Frauenlob, M. (2025) "The return of industrial policy in the United States and the EU: A comparative perspective", p. 57.
12 Ruggie, J. G. (1982) "International regimes, transactions, and change: Embedded liberalism in the postwar economic order". *International Organization*, 2(36): 379-415.

terfered with the limited role played by the EU regarding competition policy. Things began to change in the 1980s: (1) the launch of the Single Market made state aid provisions a lot stricter and reduced the room for manoeuvre that member states used to enjoy; and (2) economic policy moved decisively towards market liberalisation and deregulation: "picking winners" lost its appeal and industrial policy was increasingly treated as a relic of the past that stifled innovation.[13] Economic policy activism, as exemplified by national industrial strategies, was therefore discredited. Moreover, the combination of the rise of the "regulatory state" as part of EU integration, combined with extensive competition law provisions and the rise of globalisation, made the old approach redundant and limited the role of the state in economic affairs.[14]

Over the last decade, however, industrial policy has become fashionable again, as illustrated by the US and China examples. In Europe, the most interesting aspect of the new momentum is the attempt, currently underway, to replace member states' industrial policy with an EU-wide industrial policy. This development reflects the changed economic and geopolitical environment of our time, as well as the failures of the recent past, with the 2007-08 global financial crisis and subsequent eurozone crisis being the most obvious examples.

After the Lisbon Strategy

The origins of today's evolution lie 25 years ago, specifically in the 2000 Lisbon Strategy. Its goal was to transform the EU into the "most competitive and dynamic knowledge-based economy in the world" by 2010,[15] and to do so, it prioritised increased R&D spending and a focus on innovation to drive growth. Nevertheless, Lisbon remained limited in scope, with its emphasis on shaping a level playing field for intra-market competition as the dominant policy approach. Moreover, geopolitical competition and the vocabulary of autonomy and dependence remained foreign to EU policymakers. Things began to

---

13 Dullien, S. (2024) "European industrial policy in the 2020s: Rationale, challenges and limitations". *Intereconomics*, 5(59): 249-253.

14 Strange, S. (1996) *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press); Scharpf, F. W. (1998) *Governing in Europe: Effective and democratic?* (Oxford: Oxford University Press).

15 European Council 2000.

change in the aftermath of the global financial crisis. The goal of European reindustrialisation was articulated in the 2012 Commission report on "A stronger European industry for growth and economic recovery",[16] which identified specific priority areas to achieve that goal, including advanced manufacturing, smart grids and clean vehicles.[17] From early on, the new approach to industrial policy encompassed a dimension, the green dimension, usually reserved for environmental policy and associated targets. In addition, the report's rationale, subsequently confirmed through policy initiatives, reflects the principles of the new industrial policy, as outlined by Rodrik.[18] In contrast to past approaches, the public and private sector ought to work in tandem, alongside civil society groups. They would need to foster collaboration across sectors and actors; back up policy proposals through reliable, cost-efficient data analysis; and be ready to take risks at the frontier of new technology.

A change of heart on industrial policy at the EU level was facilitated by the eurozone crisis because member states changed their stance too. France was instrumental in that, having pioneered a *dirigiste* approach earlier. In 2013, the Hollande government outlined a ten-year industrial policy agenda aimed at boosting manufacturing in core sectors, such as biotech, pharmaceuticals and robotics, to boost employment and lift growth. At the same time, France convened a Friends of Industry (FoI) alliance of states, comprising nine member states (including the UK), calling for a new approach to state aid and EU initiatives to curb unfair subsidies from outside the EU.[19] A year later, in 2015, China published its "Made in China 2025" roadmap, which sought to transform Chinese industry from a recipient of FDI and a low-cost manufacturing hub into a globally competitive manufacturing colossus.

Germany was not part of the original FoI, but a change of heart occurred in Berlin once a Chinese conglomerate acquired the German

---

16 European Commission (2012).
17 Tagliapietra, S., C. Trasi and R. Veugelers (2023) "Europe's green industrial policy". *ICE Journal of Economics*, 3: 51-62.
18 Rodrik, D. (2014) "Green industrial policy".
19 Di Carlo, D. and L. Schmitz (2023) "Franco-German industrial policy and the EU: Between cooperation and competition". *Journal of European Public Policy*, 12(30): 2075-2095.

robotics firm Kuka in 2016. The formation of a solid Franco-German alliance, historically the motor of EU integration, contributed decisively to the EU's subsequent initiatives in the field. In 2019, France and Germany issued a Franco-German Manifesto for a European industrial policy based on the need to (1) invest in, and enable, innovation; (2) adapt the EU regulatory framework to the new global challenges (through regulatory facilitation favouring state aid and innovation); and (3) protect the EU single market by limiting the capacity of foreign competition to undercut European competitiveness.[20]

5. EU instruments and initiatives

Below we identify the core funding instruments and policy initiatives that comprise the EU's recent (post-2014) attempt to launch a new industrial policy through the prism of the green transition.

To start with, Important Projects of Common European Interest (IPCEIs) were introduced in 2014 in the context of a wider modernisation of state aid rules to facilitate the disbursement of aid targeted at identified market failures and objectives of common EU interest. To qualify for support, a project must contribute to strategic EU objectives, involve several EU countries, involve private financing by the beneficiaries, generate positive spill-over effects across the EU, and be highly ambitious in terms of research and innovation. IPCEIs seek to bring together knowledge, expertise, financial resources and partners throughout the EU by supporting cross-border projects. As of March 2023, the European Commission has approved state aid in the context of five IPCEIs to support the development of a European clean-tech industry.

IPCEIs stand out because of their political and economic/competitiveness-oriented substance. The recent Letta and Draghi reports, both of which have been interpreted as a call for more pan-European solutions to boost competitiveness and growth, consider IPCEIs as a blueprint for a European industrial policy strategy. In that vein, they propose to reform the governance scheme of IPCEIs to speed up the review process and ensure effective monitoring and evaluation. As

---

20   Ibid, pp. 2075-2076.

Letta puts it, the IPCEI approach can be useful because it "already incorporates a comparatively European approach to policymaking".[21] Similarly, the Draghi report on IPCEIs highlights their added value as a special form of state aid necessary in today's economy but underlines the need to reduce the administrative complexity of the project and allow for an extension of the instrument to more areas than breakthrough technologies.[22]

Three waves of IPCEIs have been launched or planned since 2018; the first concerned microelectronics and batteries, in an experimentation phase in which participating states and European institutions started to develop procedures for initiating the first projects. With €1.9 billion of national public investments, the participating states were expected to unlock an additional €6 billion from private investments. A second wave coincided with the launch of the Recovery and Resilience Facility (RRF; see below): the 2021 revision of IPCEI engagement rules made the procedure more transparent and inclusive, while the size and scope of projects increased, covering the hydrogen sector as well as microelectronics and ICT. A third wave of IPCEIs is expected after the conclusion of the NextGenerationEU (NGEU) in other strategic sectors, like solar photovoltaics, low-carbon industries and healthcare.[23]

The 2019 European Green Deal (EGD), following sustained civil society initiatives, climate strikes and mobilization, sets the ambitious goal of making Europe the first climate-neutral continent by 2050, reducing carbon emissions by 55% compared to 1990 levels. Key initiatives aim to accelerate decarbonisation across sectors, promote clean technologies, and ensure a just transition for workers and regions affected by structural change.[24] The EGD has stood out in recent years, not merely because of its ambitious targets, but

---

21 Letta, E. (2024) "Much more than a market: Speed, security, solidarity – empowering the Single Market to deliver a sustainable future and prosperity for all EU citizens". European Council, April, p. 40.
22 Draghi, M. (2024) "The future of European competitiveness". European Commission, p. 305.
23 Eisl, A. (2022) *IPCEIs and the Future of EU Industrial Policy* (Brussels: European Policy Centre).
24 Dechezlepretre, A., L. Diaz and G. Lalanne (2025) "What are the latest trends in industrial policy? Three key findings from OECD data". OECD, 11 September.

because, at the same time, it represents the most concrete example of Europe's conscious effort to combine its new industrial policy with the green transition. To do so effectively, the amount of public investment necessary is very large; at a time when decarbonisation efforts meet with increasing political resistance, the scale of the financial challenge is compounded by higher debt worries.

The 2020 NGEU is a temporary €806.9 billion recovery instrument (2021-2026) designed to help EU countries recover from the COVID-19 pandemic and accelerate the green and digital transitions. Its centrepiece is the RRF, which provides grants and loans to member states based on national recovery and resilience plans. NGEU is the largest stimulus package in EU history, aiming to transform economies for resilience and sustainability, and the RRF has represented the main financing pillar for the EGD, to the tune of €200 billion (and alongside other funds discussed below, as well as the standard EU budget, the Multi-Annual Financial Framework 2021-27). Nevertheless, its temporary nature (NGEU and associated funding is set to expire in 2026) calls into question the capacity of states to scale EGD-oriented projects. The think tank Bruegel suggests a funding gap of about €180 billion following the end of the RRF, an amount hardly replaceable by other sources.[25]

The 2021 Just Transition Fund is a €19.2 billion fund (2021-2027) designed to support regions and workers most affected by the transition away from fossil fuels and carbon-intensive industries. Funds are allocated based on territorial just transition plans, which identify the most affected regions and outline investment priorities. The OECD rightly states that such policy instruments aim to mitigate the social costs of structural change and foster inclusive growth.[26] This immediately raises the issue of financing firepower, given the limited resources available to the fund, as well as the divergent priorities of member states, many of whom will seek to use such funding for wider purposes of redistribution instead of targeted support to those most in need.

---

25 Pisani-Ferry, J. and S. Tagliapietra (2024) "Bridging the EU's green investment gap". Policy Contribution. Bruegel.
26 Dechezlepretre, A., L. Diaz and G. Lalanne (2025) "What are the latest trends in industrial policy? Three key findings from OECD data".

The 2024 Net Zero Industry Act (NZIA) aims to scale up EU manufacturing of clean technologies (solar, wind, batteries, hydrogen, etc.) to meet at least 40% of annual deployment needs by 2030. The NZIA identified a series of "net-zero technologies", from solar photovoltaic to battery technologies to heat pumps, geothermal, electrolysers, and carbon capture and storage technologies. But the NZIA has two main weaknesses. Firstly, it imposes a (perhaps wishful) blanket target of 40% deployment across very diverse industries. Secondly, it was not accompanied by additional programmes, nor did it refinance existing programmes with additional funds to meet such deployment goals. For these reasons, it has, so far, remained a target-setting exercise, with its most concrete innovation being an attempt to accelerate permit procedures associated with deploying net-zero technologies.

6. Contemporary challenges

The contemporary landscape of EU industrial policy is shaped by a series of persistent challenges that reflect both institutional constraints and real-world limitations. To start with, the EU's legal framework limits the capacity of Europe to act, since state aid rules and competition policy, despite their looser interpretation and the introduction of the General Block Exemption Regulation, continue to circumscribe the available policy space. The timing of state aid has become more flexible, allowing for its approval in a wider range of situations and at shorter intervals. However, these exceptions are usually short-lived, which restricts the ability to make long-term plans.[27] A similar argument can be made as to the financial support that the EU offers to firms for a more structured industrial policy: the fact that instruments such as the RRF are temporary poses great difficulties, despite the fact that financing is not a major problem for the EU. According to Criscuolo et al.,[28] once NGEU ends, there will likely be a funding gap of €180 billion – a deficit that current mechanisms are unlikely to cover.

---

27 Fontana, M. and S. Vannuccini (2024) "Industrial policy in the permacrisis: From exception to rule". *Journal of Economic Policy*, 2(59): 112-134.
28 Criscuolo, C., A. Dechezleprêtre and G. Lalanne (2023) "7 industrial strategies for the green transition". *Bruegel Blueprint*, 33: 123-152.

This points to a second, more structural, issue that inevitably arises at a time of heightened geopolitical competition and the need for Europe to act in unison. While competition policy is a supranational competence, industrial policy remains national.[29] National and supranational policies are sometimes uncoordinated, which can lead to conflicts whenever important decisions need to be made. Related to this challenge is the fact that the industrial policy landscape in Europe remains severely fragmented, with cities, localities and regions following their own policy frameworks and reducing the efficiency of policy overall. While coordinated approaches, such as Eco-Industrial Parks, can boost resource productivity by up to 20%, the absence of harmonised frameworks leads to inconsistent outcomes.[30] It is estimated that adopting effective policy measures can boost competitiveness by as much as 15% and cut waste by about 20%. However, maintaining resilience against external shocks continues to be a significant challenge.[31]

7. Policy recommendations

A progressive approach to EU industrial policy must go beyond market efficiency and competitiveness, placing social justice, environmental sustainability and democratic participation at its core. The following recommendations aim to address the challenges outlined while harnessing the transformative potential of industrial policy for Europeans.

1) The EU has a plethora of funding instruments, some of which are genuinely new instruments and many of which recycle existing funding or utilise future resources. Regardless, the result is a time-limited set of tools that are, on their own, unlikely to make the difference in the long run. Therefore, it would make a lot of sense for Europe to move away from temporary instruments, such as the NGEU and the RRF, to a

29 Di Carlo, D. and L. Schmitz (2023) "Franco-German industrial policy and the EU: Between cooperation and competition".
30 Dechezlepretre, A., L. Diaz and G. Lalanne (2025) "What are the latest trends in industrial policy? Three key findings from OECD data".
31 Panda, A., E. Shears, F. Schenuit et al. (2025) "A framework to assess green industrial policy and inform the public debate".

permanent, well-resourced European Green Investment Fund. This fund would support long-term industrial transformation, prioritising regions and sectors most affected by the green transition and entail criteria that would explicitly include the social impact of the transformation, especially for remote communities and disadvantaged regions. The fund ought not to work merely as a second-chance fund, however; it ought to entail redistributive elements to provide comprehensive support for retraining, income protection and community-led development.[32] This is the current purpose of the Just Transition Fund – but its resources are limited and the extent to which it can overcome legal and bureaucratic hurdles to ensure employee support across the EU is questionable.

2) The industrial policy strategy pursued by China and the USA is devoid of participatory processes. This is no accident: the former relies on the heavy-handed state approach followed by fierce competition at the lower end, while the latter concentrates on federal dollars that then spur on competition in the private sector for subsidies and tax breaks. In neither are citizens, employees and communities at the heart of industrial transformation. Therefore, European industrial policy has an opportunity to distinguish itself from other models by adopting a participatory process involving workers, local communities, civil society and labour unions.[33] This could, for instance, entail the formation of councils at the sectoral or regional level that would have real decision-making powers, empowering citizens and bringing industry closer to citizens. This could pave the way for new bonds of trust and legitimacy for new initiatives on the ground and embed the existing social dialogue mechanisms in a new industrial policy structure.

3) European industrial policy cannot be separated from European fiscal policy. The current fiscal rules work well regarding

---

32 Nicoli, F. and M.-S. Lappe (2025) "European green industrial policy at a crossroads? A pilot set of conjoint experiments among policy experts". *Contemporary European Politics*, 4(3): e70022. DOI: 10.1002/cep4.70022

33 Mazzucato, M. (2018) "Mission-oriented innovation policy: Challenges and opportunities". *Industrial and Corporate Change*, 5(27): 803-815.

objectives such as low inflation and keeping public debt levels under control, but they circumscribe the room for manoeuvre available for long-term policy restructuring. In that context, joint debt issuance should be allowed at the EU level for specific purposes that will result in genuine European value being added: for instance, joint debt issuance to finance IPCEIs would unlock a large part of Europe's productive potential and enable genuine steps forward in European integration, while safeguarding member state autonomy in economic policy decision-making.

8. Conclusion

EU industrial policy today is undergoing a profound transformation driven by the dual imperative of sustaining competitiveness and achieving a green transition. The re-emergence of industrial policy as a central pillar of economic governance reflects a paradigmatic shift driven by the dual imperatives of geopolitical realignment. As this chapter has demonstrated, the contemporary industrial strategy landscape is characterised by a complex interplay between national interests, supranational coordination and the structural transformation required to achieve climate neutrality.

The EU's evolving approach to industrial policy signals a welcome departure from the orthodoxies of market liberalism that dominated the post-Maastricht era. Yet, this transition remains fraught with institutional, fiscal and political tensions. The coexistence of a federalised competition policy with a fragmented industrial policy framework underscores the need for a more coherent and durable governance architecture. Without such institutional realignment, the risk of policy incoherence and intra-EU fragmentation remains acute. Empirical evidence presented in this chapter underscores the transformative potential of coordinated industrial policy. When effectively designed and implemented, such strategies can yield significant productivity gains, enhance technological diffusion and foster green innovation. However, these benefits are not uniformly distributed. The green transition, while offering aggregate welfare improvements, entails substantial adjustment costs for workers and structurally disad-

vantaged regions. This necessitates a recalibration of policy instruments to include robust redistributive mechanisms, targeted support for vulnerable communities and sustained investment in institutional capacity at all levels of governance. Doing so would allow the EU to both boost its integration potential and adopt a forward-looking industrial policy strategy premised on popular legitimacy and consent. The benefits of such a pluralistic, participatory approach will not be just economic, but political as well. At a time of profound soul-searching and anxiety, this would be the biggest gain of all.

Bibliography

Aiginger, K. (2007) "Industrial policy: A dying breed or a re-emerging phoenix". *Journal of Industry, Competition and Trade*, 3-4(7): 297-323.

Chueri, J., C. D'Ippoliti and D. Tsarouhas (2025) "The twin challenges of technological progress and big power competition: The case of active industrial policy", in A. Schieder, L. Andor, M. Maltschnig et al. (eds) *Progressive Ambition: How to Shape Europe in the Next Decade* (Brussels: FEPS and Karl Renner Institute), pp. 116-133.

Criscuolo, C., A. Dechezleprêtre and G. Lalanne (2023) "7 industrial strategies for the green transition". *Bruegel Blueprint*, 33: 123-152.

Dechezlepretre, A., L. Diaz and G. Lalanne (2025) "What are the latest trends in industrial policy? Three key findings from OECD data". OECD, 11 September.

Di Carlo, D. and L. Schmitz (2023) "Franco-German industrial policy and the EU: Between cooperation and competition". *Journal of European Public Policy*, 12(30): 2075-2095.

Di Pippo, S., F. Ghiretti and P. Lenain (2025) "China's industrial strategy and global supply chains". *Asia Economic Policy Review*, 1(20): 45-67.

Draghi, M. (2024) "The future of European competitiveness". European Commission.

Dullien, S. (2024) "European industrial policy in the 2020s: Rationale, challenges and limitations". *Intereconomics*, 5(59): 249-253.

Eder, J. (2022) "Industrial policy in times of crisis: Reactive and proactive approaches". *Policy Studies Journal*, 3(50): 321-340.

European Commission (2012) "Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions *A Stronger European Industry for Growth and Economic Recovery Industrial Policy* COM/2012/0582 final.

Evenett, S., A. Jakubik, F. Martín et al. (2024) "The return of industrial policy in data" Working paper 2024/001. International Monetary Fund.

Fontana, M. and S. Vannuccini (2024) "Industrial policy in the permacrisis: From exception to rule". *Journal of Economic Policy*, 2(59): 112-134.

Frauenlob, M. (2025) "The return of industrial policy in the United States and the EU: A comparative perspective". *Wirtschaft und Gesellschaft*, 2(51): 55-73.

Letta, E. (2024) "Much more than a market: Speed, security, solidarity – empowering the Single Market to deliver a sustainable future and prosperity for all EU citizens". European Council, April.

Mazzucato, M. (2018) "Mission-oriented innovation policy: Challenges and opportunities". *Industrial and Corporate Change*, 5(27): 803-815.

Nicoli, F. and M.-S. Lappe (2025) "European green industrial policy at a crossroads? A pilot set of conjoint experiments among policy experts". *Contemporary European Politics*, 4(3): e70022. DOI: 10.1002/cep4.70022

Panda, A., E. Shears, F. and Schenuit et al. (2025) "A framework to assess green industrial policy and inform the public debate". *PLOS Climate*, 4(5): e0000614. DOI: 10.1371/journal.pclm.0000614

Rodrik, D. (2014) "Green industrial policy". *Oxford Review of Economic Policy*, 3(30): 469-491.

Ruggie, J. G. (1982) "International regimes, transactions, and change: Embedded liberalism in the postwar economic order". *International Organization*, 2(36): 379-415.

Scharpf, F. W. (1998) *Governing in Europe: Effective and democratic?* (Oxford: Oxford University Press).

Strange, S. (1996) *The Retreat of the State: The Diffusion of Power in the World Economy* (Cambridge: Cambridge University Press).

Tagliapietra, S., C. Trasi and R. Veugelers (2023) "Europe's green industrial policy". *ICE Journal of Economics*, 3: 51-62.

Terzi, A., M. Sherwood and A. Singh (2023) "European industrial policy for the green and digital revolution". *Science and Public Policy*, 5(50): 842-857.

Tucker, T. N., K. Kim, S. T. Omarova et al. (2024) "Industrial policy 2025: Bringing the state back in (again)". Roosevelt Institute, 11 February.

United Nations Industrial Development Organization. (2024). *Industrial development report 2024: Turning challenges into sustainable solutions* (Vienna: United Nations Development Organization).

Warwick, K. (2013) "Beyond industrial policy: Emerging issues and new trends". *OECD Science, Technology and Industry Policy Papers*. DOI: 10.1787/5k4869clw0xp-en

Zeng, D. Z. and Y. Zhou (2021) "China's industrial upgrading and innovation policies: Achievements and challenges". Policy research working paper. World Bank.

Globalisation's impact on a generation

JOÃO MARTINS PEREIRA

Abstract

This chapter examines the contradictions and consequences of globalisation through the lens of younger generations. While globalisation has often been portrayed as an inevitable force for progress, the chapter highlights its growing association with inequality, instability and disillusionment. Successive global crises – financial, geopolitical, sanitary and environmental – have deeply affected young people, shaping precarious economic prospects, mental health challenges and declining trust in institutions. Globalisation's liberal economic model has weakened state capacities, exacerbated wealth concentration, and undermined social services such as education and healthcare, leaving governments ill-equipped to address climate change or social cohesion. Faced with these failures, young people have increasingly turned towards anti-establishment and far-right movements. The chapter concludes that progressives must reclaim globalisation as a tool for emancipation, social justice and sustainability, offering concrete, coordinated policies that reconnect younger generations with hope and collective purpose.

Globalisation. This term alone raises a plethora of debates, whether ideological, economic, environmental or political, and the concept, as also the parallel concept of "crisis of globalisation" has been discussed so extensively that it may seem daring or even pretentious to imagine being able to offer a perspective on the subject that is, if not innovative, at least relevant.

Among these debates, the question of the ineluctable nature of globalisation, its particularity (for its advocates) of being ontologi-

cally a vector of progress for humanity and for trade, and therefore, the question of whether globalisation is an implacable self-evident truth, is almost contemporary with the emergence of globalisation at the end of the last century.

To mention just a few examples, while Jesús Posada Moreno, Spanish Minister of Public Administration from the Partido Popular, said in 2001 during a round table discussion at the UN that "globalisation is an inevitable phenomenon";[1] Charles Pasqua, French MEP (UEN) and French Minister of the Interior, had already responded to him in 1999 in an opinion article in *Le Monde*, entitled "Globalisation is not ineluctable".[2]

On the left side of the political spectrum, the same debates have always been present. For example, to take the political leaders of the same countries mentioned above, in 2017, there was a debate between Pierre Moscovici, then European Commissioner for Economic and Financial Affairs, Taxation and Customs from the French Socialist Party, who was in favour of Comprehensive Economic and Trade Agreement (CETA), and Pedro Sanchez, then Secretary General of the Spanish Socialist Workers' Party (PSOE), who was opposed to it.[3] This debate continues today with regard to Mercosur – this time between Pedro Sánchez, now Spanish prime minister,[4] and the French Socialists, who are largely opposed to it.[5]

The complexity of the left's relationship with globalisation seems to be part of its DNA, given how tightly the socialist position is caught between two stools. According to Jean Jaurès, in his 1897 speech to the Chamber of Deputies:

> Socialists are not protectionists [...], but neither are they free traders [...]. Socialism, that is to say, the social organisation of produc-

---

1   „Panel hears range of views on 'globalisation and the state'". Press release GA/EF2972. United Nations, 2 November.
2   Pasqua, C. (1999) „La mondialisation n'est pas inéluctable". *Le Monde*, 8 December.
3   Díez, A. and L. Doncel (2017) „Moscovici insta a Sánchez a no enfrentar izquierda y globalización". *El País*, 23 June.
4   „Spain and Paraguay call for swift ratification of the EU-Mercosur Agreement". Press release. La Moncloa, 23 July 2025.
5   „Contre l'accord UE-Mercosur et pour le juste échange: Rendez-vous le 29 janvier". Press release. Le Parti Socialiste's, January 2025.

tion and exchange, excludes both protectionism, which today can only benefit the minority of the wealthy, and free trade, which is the international form of economic anarchy.[6]

Beyond this ideological discussion, which we see permeating all political families, the debate also takes place in the intellectual and scientific arena, as reported by David Bolduc and Antoine Ayoub Green:

> For proponents of orthodox economic liberalism, globalisation must continue unhindered by states because its benefits outweigh its costs. Drucker[7] warns those who claim that economic integration is an inevitable and irreversible process, pointing out that in 200 years, whenever economic rationality and the political passions of the nation state have clashed, the latter have always prevailed.[8]

However, despite these debates, for the wider population, globalisation has been seen as a natural and unstoppable progression of events, or even a means of ensuring peace between nations through trade, economic growth, political interdependence and the cultural exchanges that this phenomenon brings.

And there are many indicators that demonstrate this universal drive towards increased globalisation. Let us take, for example, the KOF Globalisation Index,[9] which measures the economic, social and political dimensions of globalisation. This index has had a constant general upward trend since 1970 – with just a few exceptions. Even if at different levels and paces, all the regions have seen this index grow significantly between 1970 and 2022.

---

6   Jaurès, J. (1897) *Socialisme et Paysans* (Paris, A. Désiré), p. 34.
7   Drucker, P. F. (1997) „The global economy and the nation-state". *Foreign Affairs*, 5(76): 159-171.
8   Bolduc, D. and A. Ayoub Green (2000) *La Mondialisation et ses Effets: Revue de la Littérature* (Québec: University Laval), pp. 93-94.
9   Gygli, S., F. Haelg, N. Potrafke et al. (2019) „The KOF Globalisation Index – revisited". *Review of International Organizations*, 3(14): 543-574. DOI: 10.1007/s11558-019-09344-2

Figure 1a. KOF Globalisation Index (green line: de facto; blue line: de jure).
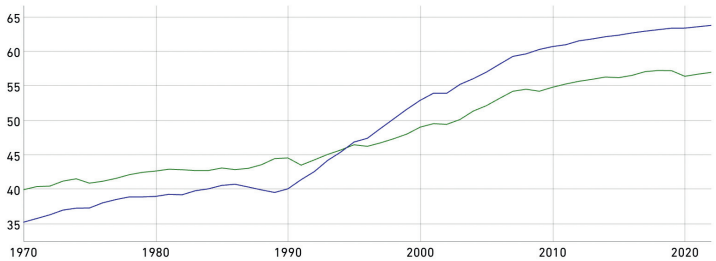
Figure 1b. KOF Globalisation Index in 1970.
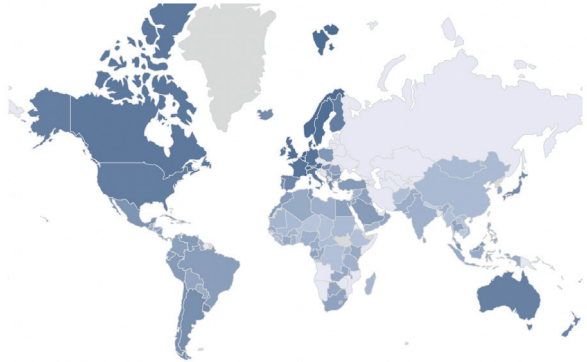
Figure 1c. KOF Globalisation Index in 2022.
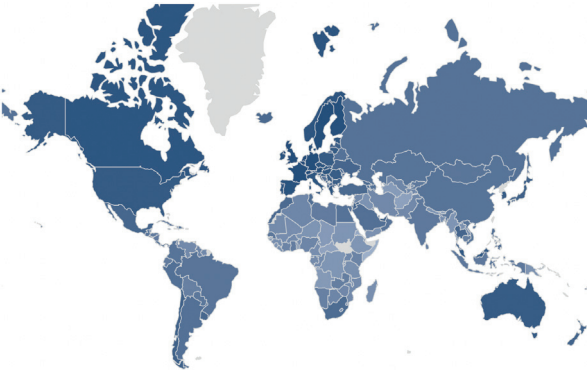
Figure 2a. Evolution of the Human Development Index and KOF Index between 1990 and 2021.

HDI and KOF
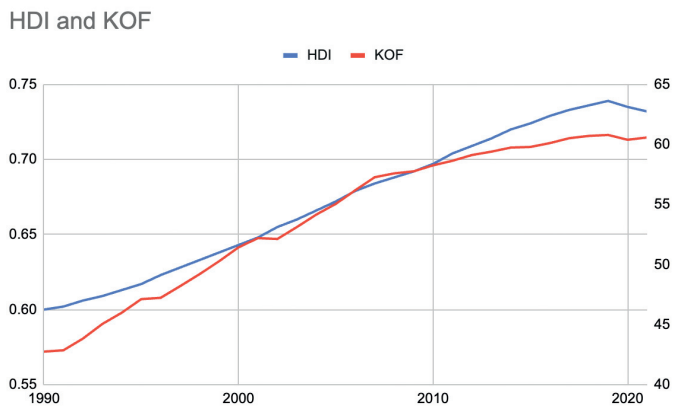
Figure 2b. Correlation between KOF and HDI Indexes between 1990 and 2021.

KOF vs. HDI
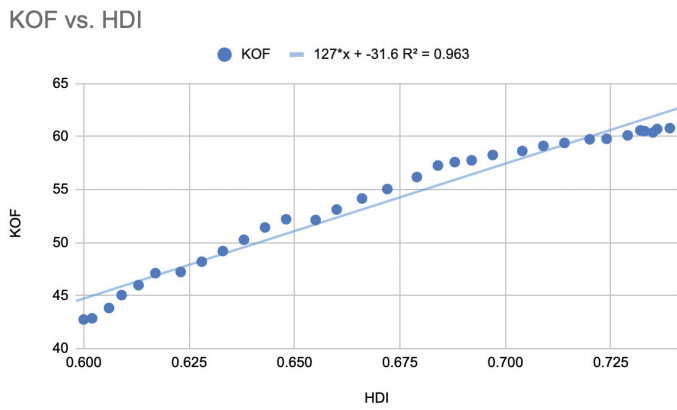
Figures 1 and 2 show an undeniable correlation between the evolution of the KOF Globalisation Index and the Human Development Index. We can also mention the decrease in the number of people in the world living in extreme poverty (with less than $2.15/day), both in absolute and relative terms when compared to the 1900s (even though the number of people with less than $6.85/day in 2022 is at the same level as in 1990…).[10] And this correlation has been used, erroneously of course, by liberals of all stripes to try to explain that uncontrolled globalisation was a prerequisite for human progress.[11]

This vision, even if erroneous, of the obviousness of globalisation made it possible to give a certain form of coherence to the changes, whether sudden or more gradual, brought about by globalisation, all within a forced march towards progress. This coherence naturally led to a form of confidence in a better future and hope for new generations. However, this vision, forged at the end of the last century in the context of the end of the Cold War and the imagery of the End of History,[12] has not stood the test of time, revealing the limitations and the consequences of globalisation.

In a survey conducted in 25 OECD countries in 2021,[13] while a large majority of the population considers "expanding trade to be a good thing", less than half of those surveyed consider "globalisation to be a good thing for their country". In this regard, all of the countries analysed show a decline in the perception of globalisation between 2019 and 2021. This situation and trend are even more marked in Western European countries. However, this does not translate into general blind support for customs duties, nor does it mean that globalisation is being blamed for all the difficulties facing societies in

---

10 „Poverty, prosperity and planet report 2024: Pathways out of the polycrisis". World Bank Group, 2024. DOI: 10.1596/978-1-4648-2123-3

11 Some examples: Fontanet, X. (2022) „Pourquoi la mondialisation est un progrès pour l'humanité". Contrepoints, 18 August; Prados de la Escosura, L. (2019) "Human development in the age of globalisation". Centre for Economic Policy Research, 15 June.

12 Fukuyama, F. (1992) *The End of History and the Last Man* (New York: Free Press).

13 „World opinion on globalisation and international trade in 2021". Ipsos, August 2021.

the countries surveyed, such as implementing effective economic policies or ensuring the proper functioning of democracy. Criticism of globalisation going forward is therefore circumstantial, focusing specifically on its specific impacts on our societies.

In particular, those impacts are extremely acute in areas to which young people are globally exposed, starting with their economic situation and outlook for their future. The younger generations have experienced a succession of crises, for most of them, at magnitudes never witnessed before. Those crises may have different causes (geopolitical, economic, etc.), but they have shaped the current world and have tremendous impacts on priorities for governments and the mechanics of the economy, at both the macro- and microeconomic levels. The Internet bubble (2001), 9 September 2001, wars in Afghanistan (2001) and Iraq (2003), the Great Financial Crisis (2007-2008), the eurozone crisis (2010-2018 for Greece), Arab springs (2010-2012) with prolonged conflicts in some countries (Syria, Libya etc.), the economic crisis in Venezuela (2010-today), Russian annexation of Crimea (2014), terrorists attacks (2015), the Lebanon crisis (2019-today), the COVID-19 pandemic (2020-2021), the Russian invasion of Ukraine (2022-today) with the energy crisis that followed, the terrorist attack by Hamas on Israel and the current genocide ongoing in Gaza (2023-today), the Chinese property crisis and diminishing growth rate (2020-present), Trump's tariffs, and so forth. This is of course a non-exhaustive list, and we could add to that all the bailouts in Latin America, the political and economic crises in Africa, the geopolitical tensions in Asia (Taiwan, India etc.), and a series of nuclear tensions (Iran, North Korea etc.), but we can definitely say that young people are probably the generation most exposed to international crises ever, or since World War II at least. This is also one of the effects of globalisation, where conflicts or instability somewhere in the world may affect us more and faster than in the past.

Referring to instability, according to the Bank of France:

> As a result of globalisation, economies have become less resilient in three key respects: there is greater vulnerability to shocks, less capacity to absorb shocks, and less capacity to rebound quickly after a shock has taken place. Due to adjustments by economic agents, extreme globalisation therefore increases the

macroeconomic impact of uncertainty on the real economy, and even modest international uncertainty shocks can lead to a sharp decline in output, prices and short-term interest rates in order to offset their effects.[14]

With economies becoming more fragile, globalisation has also brought with it increased dependence on capital flows and access to technology. These two factors appear to be among the main drivers of within-country inequalities measured by the Gini coefficient,[15] in particular since the Great Financial Crisis.

This analysis should, however, be nuanced, since not all countries see their Gini coefficient move with the same trends, in particular when comparing the biggest European economies (with Gini coefficients that no longer follow downward trends) and those benefiting from a catch-up effect (with Gini coefficients that are still decreasing).[16] Although, the same result appears if the analysis is done at the wage level.[17]

As a result, the economic impact of globalisation for future generations is to make the world more volatile, less predictable, and without guarantee of social and economic justice. Even though the T10/T50 ratio between the average income of the top 10% and the average income of the bottom 50% peaked in the 1980s and has been decreasing since then (from 53 to 38 times), implying a certain reduction of wealth concentration, the global bottom 50% income share remains historically low despite growth in the emerging world in the past decades. [...] Global multimillionaires have captured a disproportionate share of global wealth growth over the

14 de Bandt, O., J.-C. Bricongne and L. Fontagné (2024) „Mondialisation et Incertitude". Billet no. 205. Banque de France, 25 July, quoting Crespo Cuaresma, J., F. Huber and L. Onorante (2020) "Fragility and the effect of international uncertainty shocks". *Journal of International Money and Finance*, 108: 102151. DOI: 10.1016/j.jimonfin.2020.102151

15 Pavcnik, N. (2011) „Globalization and within-country income inequality", in M. Bacchetta and M. Jansen (eds) *Making Globalization Socially Sustainable* (Geneva: International Labour Office and the World Trade Organization), pp. 233-259.

16 „Gini index". World Bank Group.

17 Heimberger, P. (2019) „Does economic globalisation affect income inequality? A meta-analysis". Working paper 165. Wiener Institut für Internationale Wirtschaftsvergleiche, October.

past several decades: the top 1% took 38% of all additional wealth accumulated since the mid-1990s, whereas the bottom 50% captured just 2% of it. This inequality stems from serious inequality in growth rates between the top and the bottom segments of the wealth distribution. The wealth of the richest individuals on earth has grown at 6 to 9% per year since 1995, whereas average wealth has grown at only 3.2% per year.[18]

Even if Europe is the least unequal region in the world, the top 10% income share is around 36%. Considering the concentration of wealth among the top 1% or 10% has been at the expense of the bottom 50% and of national governments, in particular during crises, younger generations are even more likely to be exposed to the effects of economic inequality.

To rebalance these inequalities, many citizens cannot even count on enhanced public services, because of reduced public means versus private wealth (Figure 3):

> Over the past 40 years, countries have become significantly richer, but their governments have become significantly poorer. The share of wealth held by public actors is close to zero or negative in rich countries, meaning that the totality of wealth is in private hands. This trend has been magnified by the Covid crisis, during which governments borrowed the equivalent of 10-20% of GDP, essentially from the private sector. The currently low wealth of governments has important implications for state capacities to tackle inequality in the future, as well as the key challenges of the 21st century such as climate change.[19]

Furthermore, cuts in public services are also due to the liberal ideology that free trade, free markets and globalisation will by themselves solve each and every social problem, allowing governments to reduce the scope of public services, exacerbating geographical polarisation. As pointed out by Joseph Stiglitz,

> politicians have neglected [the rise of inequalities]. They believed that globalisation and the financialisation of the economy would

---

18 Chancel, L., T. Piketty, E. Saez et al. (2022) „World inequality report 2022". World Inequality Lab, pp. 13-14   .
19 Ibid, p. 15.

Figure 3. The rise of private wealth versus the decline of public wealth in rich countries, 1970-2020.
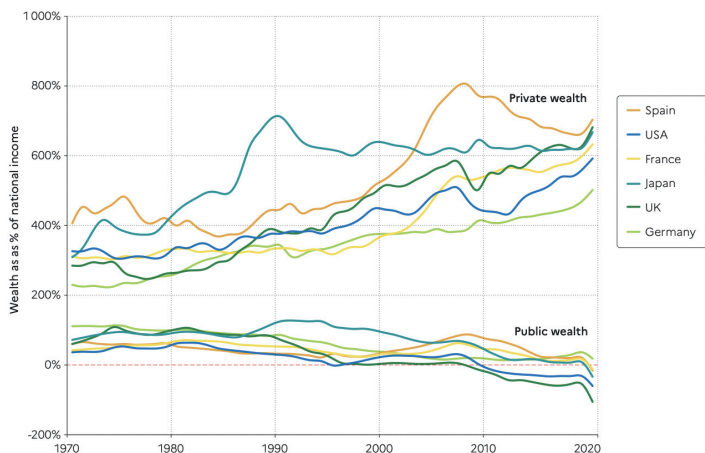
benefit everyone. However, large sections of the population have seen no improvement. In France and the United States, this has led to disillusionment, a feeling of loneliness and social disorganisation. In many places, cafés, shops and post offices have disappeared. People find themselves alone.[20]

Globalisation, alongside technology and mediatised social networks, paradoxically reinforced the feeling of isolation and loneliness. And if that is true for the population in general, it is even more critical for young people. Moreover, the underlying data remains worrying:

Trends towards increased loneliness are most evident among young people. In 2023, 19% of young adults across the world reported having no one they could count on for social support, a 39% increase compared to 2006. However, they often underestimate the benevolence of other people.[21]

---

20 Bohineust, A. and F. Nodé-Langlois (2019) „Joseph Stiglitz: 'L'égalité des chances, au c'ur du rêve américain, est menacée'". *Le Figaro*, 26 September.

21 Helliwell, J. F., R. Layard, J. D. Sachs et al. (eds) (2025) „World happiness report 2025". University of Oxford.

"Young people are becoming more like their beleaguered parents, who have always reported themselves to be exhausted and weighed down by life's cares, and not like older people, who still score highly on [happiness]".[22] From this feeling of loneliness and distress can stem the vulnerability of young people to thoughts and threats that have been exacerbated by unregulated economic activities and social media, with business models built around algorithms and artificial intelligence working globally based, among other things, on attention retention, addiction, trash content or violence, with dramatic consequences for mental health and sometimes physical health.[23] In the meantime, public resources to invest in healthcare seem to have reached their peak during the COVID-19 pandemic, as the share of government spending on health declined in 2022 for all country income groups.[24]

Generally speaking, globalisation based on its current fundaments has often been mentioned by governments as one of the main reasons (either with good faith or using it as a scapegoat) to launch privatisation waves and arbitrage its resource allocation, making it more difficult to finance new public services, invest in health and mental health in particular, or new policies orientated towards young people. This is due to either ideology, as we have seen, or geopolitical or economic contingencies that encourage these governments to redirect their limited resources towards other priorities often considered to be productive and capitalist. This redirection is, of course, not free of consequences, and those who will primarily pay will be young people and those on low incomes.

The same considerations apply to education costs and public spending. While government expenditures, expressed as a percentage of GDP, have broadly been contained between 4 and 6% since the 2000s[25] (Figure 4a and 4b), the growth in GDP couldn't offset the

22 Inman, P. (2024) „World happiness report sounds alarm about the welfare of young people". *The Guardian*, 20 March.
23 Delaporte, A. and L. Miller (2025) „Rapport fait au nom de la Commission d'enquête sur les effets psychologiques de TikTok sur les mineurs". Assemblée Nationale.
24 „Global spending on health: Emerging from the pandemic". World Health Organization, 2024, p. 20.
25 „DataBank: World development indicators". World Bank Group.

rise in education costs, which have been increasing at an even faster rate than global inflation, in particular for higher education (Figure 4c and 4d); the recent exception is the inflation episode stemming from instability caused by the 2022 Russian invasion of Ukraine and tensions on global supply chains and energy prices. The increase is then borne by students and their families.

Figure 4a. Government expenditure on education as a percentage of GDP.
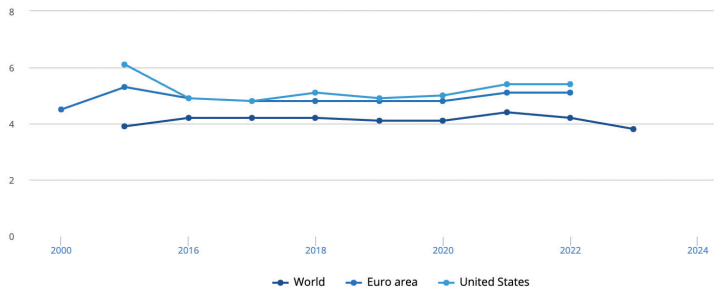
Figure 4b. Government spending on education as a share of GDP.

a. Government education spending as a percentage of GDP by income group, 2010–2022

b. Government education spending as a percentage of GDP by region, 2010–2022
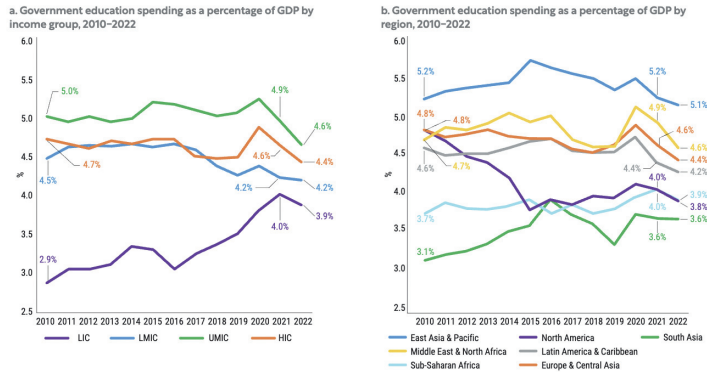
Source: UNESCO, Education Finance Watch 2024.

Figure 4c. Evolution of the Higher Education Price Index versus the Consumer Price Index (CPI) in the USA.

HIGHER EDUCATION PRICE INDEX

1961-2024

Legend: HEPI Year-Over-Year; CPI Year-Over-Year; Cumulative HEPI; Cumulative CPI
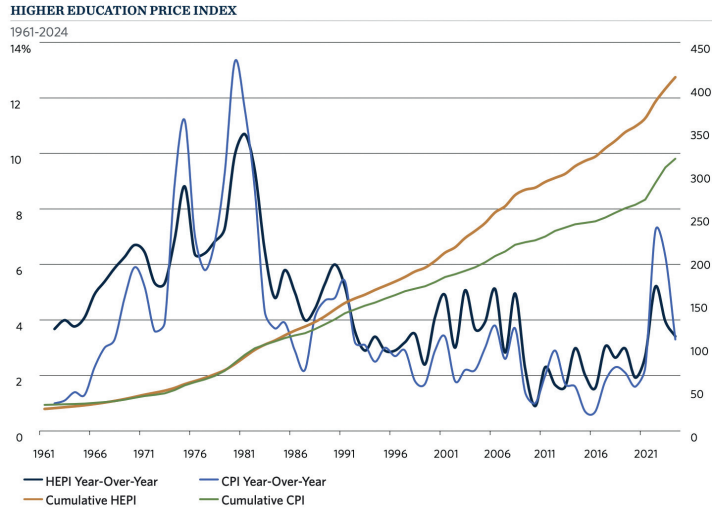
Source: Commonfund Institute, 2024 Higher Education Price Index Report.

Figure 4d. Evolution of the historical CPI (general and education) in the eurozone.

Legend: HICP-Education; HICP-General; HICP-Education (1996 = base 100); HICP-General (1996 = base 100)
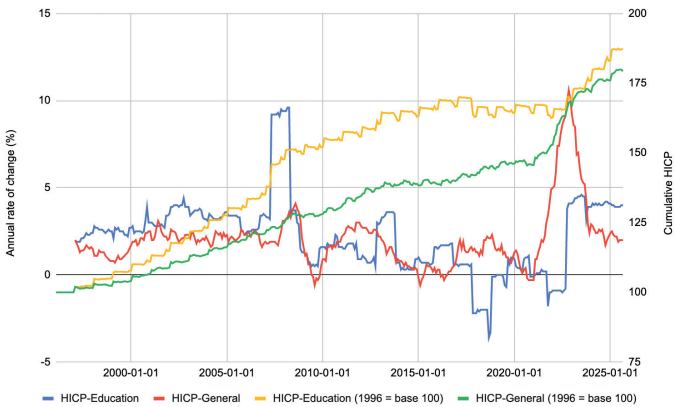
Source: Banque de France CPI Datasets based on Eurostat.

The situation described is not expected to change fundamentally, as UNESCO points out: "Many countries are unlikely to increase budgets adequately due to low tax revenues, resulting in an estimated annual financing gap of US$97 billion (21% of the total cost) for achieving national targets between 2023 and 2030".[26] Considering that we took the examples of the eurozone and the USA, two economic areas where government spending on education is the highest in the world – for which we have seen that the increase in the cost of education is not borne by governments but by households – the financing gap is even worse for low- and lower-middle-income countries:

> In low-income countries, households spend less than 1% of their budgets on education, constrained by economic hardship. In contrast, households in lower-middle-income countries allocate a median of 2.9% and an unweighted mean of 3.6% of their spending to education, with their spending distribution being the widest among all income groups. The high level of spending in lower-middle-income countries suggests that households face pressures to supplement inadequate public funding. In upper-middle-income countries, the median share of household budgets spent on education drops to 1.5%, with an unweighted mean of 2.3%. Finally, households in high-income countries dedicate a median of 1.3% or an unweighted mean of 1.7% to education.[27]

Globalisation led to greater student mobility, more focus on education to tackle new issues –implying massification in higher education but also a brain drain – and comparison-competition between education systems and schools.[28] It appears to have failed so far to guarantee students equality of opportunities worldwide, to provide low- and lower-middle-income countries enough means to structurally close the gap with high-income countries, in such a fundamental aspect of human development and economy as education.

After mentioning the failure of globalisation to bring people, and young people in particular, economic and social stability, or peace – referring to the increase in wealth accumulation by a small minority

---

26 „2026 GEM report". UNESCO.
27 Ibid.
28 Cariou-Charton, S. (2016) „L'impact de la mondialisation sur les enjeux d'éducation". *Études*, June(4228): 7-18. DOI: 10.3917/etu.4228.0007

at the expense of the majority and public services such as health and education – we could also highlight the impact of globalised financialisation on housing scarcity.[29] Moreover, globalisation is seen as a strong contributor to climate change.

Even if some macroeconomic data tend to link climate change to the economic growth of the period from the 1900s to 1970s, rather than to later globalisation,[30] and even with the opportunities globalisation can create for innovative tools to limit climate change, it is undeniable that stronger internationalised trade has a huge climate footprint, not only through the transportation sector, but also through geographical specialisation and an impact on local biodiversity.

Without going through the extensive literature on the impact of globalisation on climate change,[31] we can still highlight the need for public investment to mitigate and adapt to climate change, within the context we described above of scarcity of fiscal resources for governments. In other words, globalisation not only contributes to climate change, but it also limits the means of governments to tackle its consequences, resulting in condemning future (and current) generations to live in a world where "the temperature will increase by 1.5°C [versus pre-industrial temperatures] in the first half of the 2030s, and will make it very difficult to control temperature increase by 2.0°C towards the end of 21st century" with all the consequences this will have for the Earth, biodiversity and human activities.[32] Globalisation doesn't bring, so far, a solution for the issue of climate change, or, at least, it doesn't seem to be part of the tools our societies may activate to tackle it, a time where words like "climate change distress" or "eco-anxiety" are more present in the public debate (Figure 5), and climate is one of the major items making up voting decisions, in particular for youth, as we will see.

---

29 Madden, D. and P. Marcuse (2024) *In Defense of Housing*, 2nd Ed. (London: Verso), pp. 34-35.
30 „Change in per capita CO_2 emissions and GDP". Our World in Data.
31 Zhang, L., M. Xu, H. Chen et al. (2022) „Globalization, green economy and environmental challenges: State of the art review for practical implications". *Frontiers in Environmental Science*, 10: 870271. DOI: 10.3389/fenvs.2022.870271
32 Lee, H., K. Calvin, D. Dasgupta et al. (eds) (2023) „Climate change 2023: Synthesis report". Intergovernmental Panel on Climate Change. DOI: 10.59327/IPCC/AR6-9789291691647

Figure 5. "Eco-anxiety" research in Google Trends.

Lastly, globalisation, through capitalism and liberalism, questions all the historical cultural markers and references in our societies, confronted for instance with migration (and the subsequent debates on integration and assimilation) or political and ideological confrontation (when concepts of democracy and freedom reach countries where these are not the norm or when far-right ideologies influence, whatever the media, countries that were not so exposed to this in the recent past), at levels never seen before.

As a result, perhaps for the first time since World War II, younger generations, in general, consider they will be worse off than their parents. In the UK,

> a significant proportion of Gen Z does not believe the State Pension will exist by the time they retire. Less than half (46%) think it will survive, with nearly one third (31%) expecting it to be abolished. Those who believe that the State Pension will continue anticipate it will be available later, with an average expected state pension age of 71. Most (73%) expect the State Pension to be reduced, with 25% expecting a significant cut.[33]

This appalling assessment is not only made by the younger generation itself but by all of society (Figure 6), even if it doesn't translate into radical changes yet. This implies a feeling of fatality, when "on average, for a large share of respondents [to the OECD survey], circumstances beyond people's control are as important as (48%) or even more important than (24%) working hard".[34]

---

33   Okello, S. (2025) „The concerns of Gen Z". Pensions Policy Institute, February, p. 24.

34   „Hard work, privilege or luck? Exploring people's views of what matters most to get ahead in life". Policy paper. OECD, 28 November 2023. DOI: 10.1787/e1903ab2-en

Figure 6. Opinion from adults on the future of their children.

*% who say that when children today in (survey country)
grow up, they will be ___ financially than their parents*

	Worse off	Better off	Same (VOL)
Japan	82%	12%	2%
France	78	17	2
Italy	76	23	1
Canada	75	20	2
Spain	72	22	0
UK	72	25	1
Australia	72	27	0
U.S.	72	27	0
Belgium	71	23	3
Greece	70	26	2
Netherlands	66	27	5
South Korea	60	36	1
Germany	53	42	1
Malaysia	53	45	1
Hungary	51	29	15
Sweden	46	47	6
Poland	42	39	13
Singapore	42	56	1
Israel	27	42	24
19-COUNTRY MEDIAN	70	27	
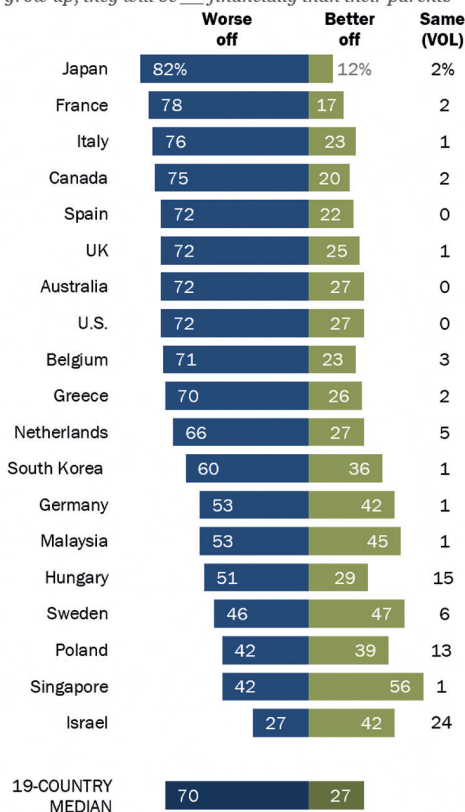
Source: Clancy et al. Pew Research Center, 2022.

Younger generations also have a feeling of unfairness and disempowerment, justified or not, when they compare this outlook to the opportunities previous generations have had. They see that, even with more education, bigger salaries and more technology, it is more difficult to leave their parents' house and have autonomy,[35] purchase

35 Qu, L. (2019) „Young people living with their parents". Australian Institute of Family Studies, May.

a house, build a family, and have a decent life than it was for previous generations, when, back then (this is at least the image they have), only one person in the household earned a salary, with which households were able to get married young, have plenty of kids and own their own home. If globalisation was supposed to bring prosperity, young people feel this horizon is moving further and further away to become unachievable. They also believe that they will have to make more efforts and sacrifices to compensate for the actions of older generations, not least in relation to climate change and government debt, for instance.

This is, of course, not a situation our societies can easily endure. It is of utmost importance to identify the critical issues young people are facing and find solutions for them at all possible levels (local, national, global), as well as ensuring intergenerational solidarity.[36] From the social and economic risk analysis framework, the OECD identifies several of them,[37] sometimes with gender or minority biases:

- the ability to pay for expenses in the short term and housing;
- job insecurity; and
- lack of public intervention to ensure socio-economic security and wellbeing for young people.

At the European level,

the top three topics that young people would most like to see prioritised by the EU in the [near future] are rising prices, cost of living (40%), the environment and climate change (33%), and the economic situation and creation of good jobs (31%), closely followed by social protection, welfare and access to healthcare (29%). Each of the following topics are seen as a priority for the EU by more than one in five respondents: education and training (27%), housing (23%) and the EU's defence and security (21%).[38]

We also see biases, where:

Young women are more likely than men to select rising prices and cost of living (42% vs 37%), the environment and climate change

---

36 Balate, F. and M. Dressler (2025) „Intergenerational solidarity in Europe – a progressive vision". Policy brief. FEPS, September.

37 „Risks that matter for young people: Concerns, perceived vulnerabilities and policy preferences". OECD, 2024.

38 „Youth survey 2024". European Parliament Eurobarometer, 2024.

(36% vs 31%), social protection, welfare and access to healthcare (34% vs 25%), education and training (29% vs 26%) and gender equality (20% vs 14%) as priorities for the EU.

The same biases exist for people living in urban areas, and those who have completed post-secondary or higher education.[39] (Those biases may, however, be country specific, as, for instance, the gender bias goes in the opposite way in the case of French youth.[40])

According to voting trends among young people, it appears that "traditional" parties (social democrats, liberals, conservatives), often associated with the defence of globalisation and that have been sharing power since World War II, do not appear to be part of the solution. Against the "failure of compensation" and the "failure of representation",[41] the far right is seen as a credible alternative, also thanks to their social media strategy and support from magnates who hold in their hands several traditional media sources that they transform into opinion weapons to service their agenda.[42]

In Europe for example, in 2019:

> young Europeans voted for parties advocating climate action, social justice, and democratic reform. […] June's [2024] European Parliament elections showed that many young voters have shifted to the far right, enabling Eurosceptic, anti-immigrant, and anti-establishment parties to make significant gains.

This trend is not confined to Europe. Young Kenyans protesting against new taxes stormed Parliament [in June 2024], and several were killed when the police opened fire. Around the world, a new youth politics is emerging. While not always aligned with the far right, this movement is often anti-status quo, serving as a powerful warn-

---

39 Ibid.

40 Tétaz, A., D. Lamotte and F. Vascas (2025) „Avoir 20 ans: État d'esprit des jeunes". Ipsos and Article 1, January.

41 Frieden, J. (2019) „The political economy of the globalization backlash: Sources and implications", in L. A. V. Catão and M. Obstfeld (eds) *Meeting Globalization's Challenges: Policies to Make Trade Work for All* (Princeton, NJ: Princeton University Press), pp. 181-196.

42 Rost, S. (2024) „Media concentration in Europe, a growing threat to democracy". Voxeurop, 4 January; "Why accurate measuring of media ownership concentration matters". Center for Media Pluralism and Media Freedom, 4 March 2024.

ing to politicians about the need to reconsider both their message and their medium in appealing to disaffected young voters.[43]

It's interesting to note that here again there is a gender bias.

> For young men, we see a sharp increase in the predicted probability of having the far right in the consideration set. The predicted probability of the propensity to vote for the far right among men under 30 is now close to 0.6. For men, there now is a nearly linear relationship in which the predicted probability of considering voting for the far right decreases over age groups. While we also see an increase in the propensity to vote for the far right among women, we do not observe the same over-proportional increase among young women. Women under 30 are still less likely to consider voting for the far right than those between 31 and 50.[44]

As progressives, it is our political family's duty to present citizens and in particular, younger generations, with an alternative to the far right, and an alternative to the current model of globalisation while addressing its failures. Certainly, doing so doesn't mean adopting the far right's rhetoric, nor falling into the defence of autarky and throwing international trade and ties away without any other consideration.

Progressives and social democrats have already put several propositions on the table and anticipated this debate. For instance, Frans Timmermans, when he was First Vice President of the European Commission, issued a "Reflection paper on harnessing globalisation"[45] back in 2017, where we can find an objective of "[reconciling] the *means* of globalisation – opening markets and technological progress – with its *ends* – projection of rights and increased human well-being", and the assessment of the lack of global, efficient, enforced rules that would allow globalisation to be truly a tool of human progress, and understood as such by citizens. It was already clear that social policies were key to tackling the issues we

---

43 Woods, N. (2024) „Why young Europeans are embracing the far right". Project Syndicate, 28 June.

44 Abou-Chadi, T. (2024) „A gendered far-right wave among young voters in Western Europe?" *European Journal of Politics and Gender*. DOI: 10.1332/25151088Y2024D000000065

45 Timmermans, F. and J. Katainen (2017) „Reflection paper on harnessing globalisation". COM(2017) 240. European Commission, 10 May.

mentioned previously. However, eight years after this paper, it is clear that global institutions, the European Union and national governments have not achieved all of these objectives.

As the world keeps changing, with pandemics, geopolitical plate tectonics and all the crises mentioned, the ideas of social democracy are constantly being updated, including about trade,[46] of course, but also about global governance, democracy, workers' rights, taxation, social justice, climate change, housing, healthcare, equality, education and so forth, all topics that are important for the future of young people and actually matter to them.

We won't make a list here of all the propositions that we may want to push for. However, we have the obligation to propose a coherent alternative to fight against the far right while proposing a model that unites against the fatality of individualism and division. This proposition shall be rooted in our DNA: as we are socialists and social democrats, our objective is to ensure emancipation for people, in particular workers and those most exposed to poverty. This emancipation wouldn't be complete if it didn't apply globally. As a result, internationalisation, then globalisation, must be a tool for emancipation, pursuing the objectives of global peace and progress. In other words, pursuing a form of globalisation that doesn't care about social progress, climate and peace is doomed to continue failing. Consequently, we need to advocate for strong international institutions that are exempt from a certain form of bliss with regard to free trade.

However, the cultural battle, the war of position, cannot be held only on the field of values. Our propositions, however complex they may be, should be as concrete, clear and effective as possible, so that younger generations can find in them a real alternative. This supposes that political parties, leaders and think tanks rethink their way of engaging and communicating and their presence in – physical and virtual – places where young people are. Producing our own ideas, based on and focused on what really matters to citizens to shape political debate, communicate them and coordinate our political family; all of this is a unique recipe for exiting our defensive

---

46   Gonzalez, A. and Y. Bourgeois (2023) *Making Trade Work for Prosperity, People and Planet* (Brussels: FEPS).

position and really being a progressive force on the offensive. The far right has been able to coordinate itself at an international level; it is our turn, with all our progressive partners at the European and international level, to occupy this ground, for the benefit of young people and indeed, all our citizens.

Bibliography

Abou-Chadi, T. (2024) "A gendered far-right wave among young voters in Western Europe?" *European Journal of Politics and Gender*. DOI: 10.1332/25151088Y2024D000000065

Balate, F. and M. Dressler (2025) "Intergenerational solidarity in Europe – a progressive vision". Policy brief. FEPS, September.

"Euro area (member states and institutions of the euro area) changing composition - HICP - overall index, annual rate of change, Statistical Office of the European Commission (Eurostat), neither seasonally nor working day adjusted". Banque de France.

Bohineust, A. and F. Nodé-Langlois (2019) "Joseph Stiglitz: 'L'égalité des chances, au c'ur du rêve américain, est menacée'". *Le Figaro*, 26 September.

Bolduc, D. and A. Ayoub Green (2000) La *M*ondialisation et ses *E*ffets: *R*evue de la *L*ittérature (Québec: University Laval).

Cariou-Charton, S. (2016) "L'impact de la mondialisation sur les enjeux d'éducation". *Études*, June(4228): 7-18. DOI: 10.3917/etu.4228.0007

Catão, L. A. V. and M. Obstfeld (2019) *Meeting Globalization's Challenges: Policies to Make Trade Work for All* (Princeton, NJ: Princeton University Press).

"Why accurate measuring of media ownership concentration matters". Center for Media Pluralism and Media Freedom, 4 March 2024.

Chancel, L., T. Piketty, E. Saez et al. (2022) "World inequality report 2022". World Inequality Lab.

Clancy, L., R. Gray and B. Vu (2022) "Large shares in many countries are pessimistic about the next generation's financial future". Pew Research Center, 11 August.

"2024 higher education price index report". Commonfund Institute.

Crespo Cuaresma, J., F. Huber and L. Onorante (2020) "Fragility and the effect of international uncertainty shocks". *Journal of International Money and Finance*, 108: 102151. DOI: 10.1016/j.jimonfin.2020.102151

de Bandt, O., J.-C. Bricongne and L. Fontagné (2024) "Mondialisation et Incertitude". Billet no. 205. Banque de France, 25 July.

Delaporte, A. and L. Miller (2025) "Rapport fait au nom de la Commission d'enquête sur les effets psychologiques de TikTok sur les mineurs". Assemblée Nationale.

Díez, A. and L. Doncel (2017) "Moscovici insta a Sánchez a no enfrentar izquierda y globalización". *El País*, 23 June.

Drucker, P. F. (1997) "The global economy and the nation-state". *Foreign Affairs*, 5(76): 159-171.

"Youth survey 2024". European Parliament Eurobarometer, 2024.

"Age of leaving the parental home steady in 2023". Eurostat, 30 September 2024.

Fontanet, X. (2022) "Pourquoi la mondialisation est un progrès pour l'humanité". Contrepoints, 18 August.

Fukuyama, F. (1992) *The End of History and the Last Man* (New York: Free Press).

Gonzalez, A. and Y. Bourgeois (2023) *Making Trade Work for Prosperity, People and Planet* (Brussels: FEPS).

Gygli, S., F. Haelg, N. Potrafke et al. (2019) "The KOF Globalisation Index – revisited". *Review of International Organizations*, 3(14): 543-574. DOI: 10.1007/s11558-019-09344-2

Heimberger, P. (2019) "Does economic globalisation affect income inequality? A meta-analysis". Working paper 165. Wiener Institut für Internationale Wirtschaftsvergleiche, October.

Helliwell, J. F., R. Layard, J. D. Sachs et al. (eds) (2025) "World happiness report 2025". University of Oxford.

Inman, P. (2024) "World happiness report sounds alarm about the welfare of young people". *The Guardian*, 20 March.

"World opinion on globalisation and international trade in 2021". Ipsos, August 2021.

Jaurès, J. (1897) Socialisme et *P*aysans (Paris, A. Désiré).

Lee, H., K. Calvin, D. Dasgupta et al. (eds) (2023) "Climate change 2023: Synthesis report". Intergovernmental Panel on Climate Change. DOI: 10.59327/IPCC/AR6-9789291691647

Madden, D. and P. Marcuse (2024) *In Defense of Housing*, 2nd Ed. (London: Verso).

"Spain and Paraguay call for swift ratification of the EU-Mercosur Agreement". Press release. La Moncloa, 23 July 2025.

"Hard work, privilege or luck? Exploring people's views of what matters most to get ahead in life". Policy paper. OECD, 28 November 2023. DOI: 10.1787/e1903ab2-en

"Risks that matter for young people: Concerns, perceived vulnerabilities and policy preferences". OECD, 2024.

Okello, S. (2025) "The concerns of Gen Z". Pensions Policy Institute, February.

"Change in per capita CO_2 emissions and GDP". Our World in Data.

"Contre l'accord UE-Mercosur et pour le juste échange: Rendez-vous le 29 janvier". Press release. Le Parti Socialiste's, January 2025.

Pasqua, C. (1999) "La mondialisation n'est pas inéluctable". *Le Monde*, 8 December.

Pavcnik, N. (2011) "Globalization and within-country income inequality", in M. Bacchetta and M. Jansen (eds) *Making Globalization Socially Sustainable* (Geneva: International Labour Office and the World Trade Organization), pp. 233-259.

Prados de la Escosura, L. (2019) "Human development in the age of globalisation". Centre for Economic Policy Research, 15 June.

Qu, L. (2019) "Young people living with their parents". Australian Institute of Family Studies, May.

Rost, S. (2024) "Media concentration in Europe, a growing threat to democracy". Voxeurop, 4 January.

Tétaz, A., D. Lamotte and F. Vascas (2025) "Avoir 20 ans: État d'esprit des jeunes". Ipsos and Article 1, January.

"2026 GEM report". UNESCO.

"Panel hears range of views on 'globalisation and the state'". Press release GA/EF2972. United Nations, 2 November.

Woods, N. (2024) "Why young Europeans are embracing the far right". Project Syndicate, 28 June.

"Education Finance Watch 2024". The World Bank and UNESCO. DOI: 10.54676/NSCT2115

"DataBank: World development indicators". World Bank Group.

"Gini index". World Bank Group.

"Poverty, prosperity and planet report 2024: Pathways out of the polycrisis". World Bank Group, 2024. DOI: 10.1596/978-1-4648-2123-3

"Global spending on health: Emerging from the pandemic". World Health Organization, 2024.

Zhang, L., M. Xu, H. Chen et al. (2022) "Globalization, green economy and environmental challenges: State of the art review for practical implications". *Frontiers in Environmental Science*, 10: 870271. DOI: 10.3389/fenvs.2022.870271

Critiquing conservative progressivism: Why the left must rethink globalisation and welfare

DOMINIC AFSCHARIAN

Abstract

In this chapter, I critically examine the current relationship between the political left and globalisation, focusing on social policy. I sketch out a critique of "conservative progressivism", where the left fails to develop a coherent vision for the future as it defends the achievements of the past. Global social policy could provide a way forward, but electoral incentives prevent progressives from embracing it. However, I propose two theses on future developments that may increase the likelihood of global social policy to gain renewed prominence: functionalist pressure through large-scale developments that will incentivise progressives to think globally, and a return to globalisation more broadly. If correct, the developments outlined should create a window of opportunity that allows the left to redefine its stance on transnational welfare. Finally, I discuss concrete steps that progressives can take immediately to actively shape this process.

Imagine an entirely different world. A better one, yet unseen and perhaps utopian. For the longest time, this is what the political left stood for. However, the parties and movements that once promised what seemed unthinkable are now seen as part of the establishment.[1] Once beacons of hope, they have become symbols of an old world – yet, still, they call themselves "progressives".

---

1   „The anti-establishment challenge for social democratic parties". Foundation for European Progressive Studies, 4 January 2017.

As the radical right is gaining support among those who desperately need change for the better, progressives are playing defence, clinging to their legacy or romanticising times long gone. In this chapter, I critically examine such "conservative progressivism" in the context of globalisation. Firstly, I take stock of some of the fundamental problems progressives face right now. Specifically, I discuss globalisation as an ideological Achilles' heel of the left that triggers internal contradictions within the progressive movement. I then propose two theses on how globalisation may develop to answer the question of what role progressives can play in all of this.

Importantly, in addressing the question at hand, I sketch out scenarios for the future that I consider *plausible*. However, the political crystal ball is an imprecise tool, often rightfully shunned in the social sciences. Hence, this argument is not to be mistaken for a *prediction*. The future is necessarily uncertain and the past is always up for debate. Thus, what follows should be treated as an analytically grounded thought experiment, first and foremost intended to spark a debate.

Diagnosing the problem: The conservation of progress

Understanding why progressives are playing defence first requires a quick look at the past. When, nearly two centuries ago, European progressives dared imagining a world where the ills and sufferings of all were healed and social justice prevailed, the direction was clear: forward. The scattered and often local-level welfare arrangements that existed[2] were no match for an encompassing national welfare state, and as a *new* movement, the left was inherently "progressive". Simply put: the left was ready to take tremendous political risks; it had nothing to conserve, as it had achieved very little so far.

Today, things look very different. Social democrats have succeeded in so many regards that their own calls for necessary change seem oddly out of place. What is more, rather than looking

---

2   Schmidt, M. G. (2005) *Sozialpolitik in Deutschland: Historische Entwicklung und Internationaler Vergleich* (Heidelberg: VS Verlag für Sozialwissenschaften).

to the future, many progressives now nostalgically reminisce about the post-war era as a supposed golden age of social democracy.[3] In this lies the fundamental tension of the contemporary left, be it parties, organisations or even unions: they seek to maintain what once was progress, hence turning into conservatives in progressive disguise.

In and of itself, this is not a problem. If all the world's ills and sufferings were indeed healed, social democracy could happily retire. If, instead, social democrats were still needed for the protection of the weak and conserving existing achievements was enough to win elections, the current strategy would be appropriate, too. However, neither is the case. Poverty and inequality plague even the richest countries,[4] and progressives are losing election after election.[5]

Searching for the cause: The question of globalisation

In critiquing "conservative progressivism", I argue that the political left is now characterised by internal contradictions and that globalisation is a crucial element in understanding why. In terms of transnational cooperation in the realm of politics, progressives were among the first to act, calling for the workers of the world to unite and join forces through movements such as the socialist international. Today, however, such networks have been leapfrogged by the international far right and, for instance, its Conservative Political Action Conference. Undeterred by the irony of a global network of anti-globalists, the far right has internalised the need for transnational cooperation – even if it is in the name of nationalism.

---

3   Berger, S., L. Fink, J. de Graaf et al. (2025) «Workers and the 'golden age' of social democracy? An introduction». *Labor: Studies in Working Class History*, 1(22): 1-7. DOI: 10.1215/15476715-11521350

4   Brady, D. and M. Jäntti (2016) „Economic performance, poverty, and inequality in rich countries", in D. Brady and L. M. Burton (eds) *The Oxford Handbook of the Social Science of Poverty* (Oxford: Oxford University Press). DOI: 10.1093/oxfordhb/9780199914050.013.25

5   Bandau, F. (2023) „What explains the electoral crisis of social democracy? A systematic review of the literature". *Government and Opposition*, 1(58): 183-205. DOI: 10.1017/gov.2022.10

However, what makes progressives' relationship with globalisation complicated is not that they failed to keep up transnational networks. Instead, the core issue lies in the realm of policy. Strong movements within the political left reject globalisation, as such,[6] instead of accepting it as a given development, which needs to be constructively managed. Additionally, those parts of the left that were traditionally more open to globalisation copied liberal approaches at crucial points during the past decades,[7] embracing economic interconnectedness while framing the *national* welfare state as a line of defence against its negative effects. A unique, genuinely left and constructive take on fully integrated globalisation is still poorly represented in political discourse.

The root cause of the problem is that some on the left seem to believe that globalisation is fundamentally at odds with the national-level achievements progressives have made over the past century. The idea that the national welfare state is the natural and ideal home for social policy determines political action. It has paralysed the transnational progressive capacity of the left, even in institutional contexts, such as the European Union (EU), where partisan cooperation and regulatory capacities transcend borders.[8] Instead of lifting their achievements to a global stage, left-wing parties have settled on conserving national achievements. Crucially, in this regard, conservative progressivism has allowed globalisation to become an Achilles' heel of the left.

The strategic problem and four ways forward

Due to its defensive approach to globalisation, the left has become a political movement permeated by contradictions. To illustrate just the broadest issue here, I draw on a drastic but practical simplifi-

---

6   Fotopoulos, T. (2001) „Globalisation, the reformist left and the anti-globalisation 'movement'". *Democracy & Nature*, 2(7): 233-280. DOI: 10.1080/10855660120064592

7   Jessop, B. (2003) „From Thatcherism to New Labour: Neo-liberalism, workfarism and labour-market regulation", in H. Overbeek (ed.) *The Political Economy of European Employment: European Integration and the Transnationalization of the (Un)Employment Question* (Abingdon: Routledge).

8   Afscharian, D. (2025) *Ideas of Social Europe: Enhancing or Eroding European Integration?* (Cheltenham: Edward Elgar).

cation. In everyday political debates, progressivism must respond to cultural and economic questions.[9] Being "on the left" in cultural terms typically implies cosmopolitan values, including universalist and globalist attitudes.[10] These can easily clash with economically left-wing ideas if the latter are boxed in by the confines of the national welfare state, which tends to be communitarian by nature. In other words: cultural progressivism tends to be globalist while economic progressivism hardly evolved in this direction.

Importantly, this is not merely a theoretical issue for those interested in logical consistency. It is a strategic problem for the progressive left. Progressives now find themselves faced with a diversified electorate in which some are economically left-wing but culturally to the right, while others are economically to the right and culturally on the left. Social democrats in particular have been flip-flopping between positions, occasionally emphasising cultural progressivism and occasionally embracing exclusive and identitarian policies.[11] This approach cannot be sustainable in the long run. It risks gradually alienating voters election by election, potentially permanently losing them to smaller competitors in a world of ever-atomising party systems. Hence, the left is in need of a more coherent approach towards the issue of globalisation.

To understand the different paths progressives can take against this background, an ideal-type-based analysis can be useful. While undoubtedly a blunt tool, this approach helps to conceptualise theoretical extremes to simplify a complex and otherwise hard-to-navigate world. I argue that there are four ideal-typical ways forward for progressives, each involving unique challenges and risks.

The first pathway consists of inaction. Centre-left parties can simply choose to continue down the path they are on, accepting the internal ideological contradictions of their agenda. This implies a con-

9   Afscharian, D., V. Muliavka, M. S. Ostrowski et al. (2024) *A Radical Bargain for Europe: Progressive Visions of a European Basic Income* (Lanham, MD: Rowman & Littlefield), pp. 21-38.

10 Zürn, M. and P. de Wilde (2016) „Debating globalization: Cosmopolitanism and communitarianism as political ideologies". *Journal of Political Ideologies*, 3(21): 280-301. DOI: 10.1080/13569317.2016.1207741

11 Arnesen, S., D. A. Christensen and H. Finseraas (2023) „Look to Denmark or not? An experimental study of the social democrats' strategic choices". *Electoral Studies*, 84: 102629. DOI: 10.1016/j.electstud.2023.102629

tinued reference to cosmopolitan ideas and welfarism, albeit without linking the two. Social policy remains purely national, and practical complications with administering it in a globalised world are addressed through measures such as welfare chauvinism.[12] While this may seem pragmatic, it cannot resolve the aforementioned strategic problems of the left.

The second ideal-typical scenario is left nationalism. Here, left-wing parties sacrifice cosmopolitan ideals to fully embrace welfarism at the national level without risking contradictions with their cultural agenda. Welfare chauvinism is pushed to the extreme and globalisation as such is rejected as a supposed danger to the welfare state. Policies that may follow are tariffs, border closures and general isolationism, along with a strongly identitarian domestic social policy agenda. However, the radical right has more recently claimed the label of the defender of the working class[13] and merged economic isolationism with waging war on cosmopolitanism, hence effectively occupying this territory. Taking into consideration current thinking on the strategic options of the left,[14,15] social democrats stand to gain very little here. Instead, left nationalism risks alienating considerable parts of the educated electorate who consider cultural issues decisive for their vote. This position may then endanger the feasibility of expansive social policy altogether: as recent data has counterintuitively shown, younger individuals in some European countries are *less* likely to support a stronger welfare state and associated taxation if they are *worst* off.[16] Hence, winning over the votes of socio-

---

12 Afscharian, D., C. Bruzelius and M. Seeleib-Kaiser (2024) „Agency, institutions, and welfare chauvinism: Tracing the exclusion of European Union migrant citizens from social assistance in Germany". *Journal of European Social Policy*, 2(34): 203-219. DOI: 10.1177/09589287241229326

13 Rydlinski, B. (2024) „Why the working class is turning to the far right". *Social Europe*, 2 December.

14 Abou-Chadi, T., S. Häusermann, R. Mitteregger et al. (2025) „Trade-offs of Social Democratic Party strategies in a pluralized issue space: A conjoint analysis". *World Politics*, 3(77): 419-467. DOI: 10.1353/wp.2025.a964462

15 Häusermann, S., T. Palmtag, D. Zollinger et al. (2025) «Politicizing inequality in times of sociocultural conflict: How new left and far right voters think about inequality». *Politics & Society*, 4(53): 630-655. DOI: 10.1177/00323292251353374

16 Faas, T. (2025) „Junges Europa 2025: So denken Menschen zwischen 16 und 26 Jahren". TUI Stiftung, p. 26.

economically "safer" cosmopolitans may soon become a precondition for maintaining the welfare state. Against this background, there is a plausible scenario in which the left may *have to* resolve its struggles between cosmopolitanism and national welfarism.

As a third course of action, progressives may embrace neoliberal globalism. To achieve global interconnectedness and an open world, they may sacrifice regulatory regimes and the national welfare state, cutting taxes in the belief that this is the only way to avoid isolationism. Social democrats made similar attempts in the 1990s and the early 2000s – a time that remains highly controversial among the centre-left to this day. More recent instances of social democrats cutting benefits, such as efforts by Keir Starmer's Labour Party, have proven fatal in terms of both opinion polling[17] and party cohesion.[18]

Considering both theoretical and empirical arguments, none of these options seem desirable for a rational actor on the progressive left. The one option that breaks with this dilemma through an ideal-typical lens is the pathway of transnational solidarity. Here, progressives aim to improve welfare systems while lifting some social policy commitments to the transnational level. If the centre-left wants to remain "progressive", this is the theoretically most consistent way of doing it. It combines cosmopolitan ideals with welfarism, deriving the need for social policy from the universal principle of human dignity. If the reduction of poverty and inequality is a value as such, it knows no borders. While many will find this proposal impractical, perhaps even preposterous, it is, in fact, not that novel at all. A large body of literature on global social policy has already emerged.[19] Even empirically, social policy has partially been lifted to higher levels of governance quite successfully, be it in 19th century Germany[20] or more recently in the EU.[21] The latter

---

17 Landler, M. (2025) „A year after 'loveless landslide', U.K. leader is even less popular". *The New York Times*.

18 Crerar, P. and A. Adu (2025) „Starmer stands firm on Welfare Bill as number of Labour rebels passes 120". *The Guardian*, 24 June.

19 Kaasch, A. (2012) „Global social policy - Universität Bielefeld". InterAmerican Wiki.

20 Schmidt, M. G. (2005) *Sozialpolitik in Deutschland: Historische Entwicklung und internationaler Vergleich* (Heidelberg: VS Verlag für Sozialwissenschaften).

21 Afscharian, D. (2025) *Ideas of Social Europe: Enhancing or Eroding European Integration?* (Cheltenham: Edward Elgar).

was, of course, an extremely cautious and piecemeal attempt, but it illustrates how there is a middle ground between nationalism and a fully global welfare state.

Faced with these admittedly simplistic and ideal-typical options, centre-left parties have chosen all but transnational solidarity in the more recent past. There is no doubt that this seems reasonable based on short-term political calculus: where representative democracies are still standing, they incentivise politicians to think within national confines if they want to mobilise for welfarist policies. No Danish politician aiming for the prime minister's office would stand a chance were they to propose redistribution to the poorest individuals in the world, given that this would almost certainly imply redistribution away from Danish workers. This, however, is also the core dilemma of progressives wanting to stop being defensive. No matter how cosmopolitan they want to be, they are fundamentally incentivised to be communitarian.

From theory to practice: Potential triggers of transnational social policy

If the ideal-types analysis above indeed poses a strategic problem for the left, the question arises how progressives can get out of the trap of short-term political incentives. I argue that part of the answer lies in somewhat predictable global developments that are likely to unfold over the coming decades. These developments can be grouped under two theses. Firstly, I put forward the idea that functionalist pressures will eventually incentivise a gradual move towards more transnational social policy. Secondly, I propose that globalisation more generally will bounce back, namely, that the current moment of ostensible isolationism is merely temporary and perhaps not even as clear-cut as many believe. I then argue that these developments offer opportunities for progressives - if they play their cards right.

Thesis 1: Functionalist pressure

My first thesis is that functionalist pressure will eventually incentivise progressives to move beyond the national welfare state. The issue of European integration illustrates this point well. The past decade

has shown that the EU cannot simply remain where it is today. It must either move forward or back. In its status quo, achievements in economic integration and free movement are discursively pitted against national welfare states.[22] This ultimately leads to welfare chauvinism and border closures; that is, to integrational achievements being rolled back. Although welfare magnetism is empirically highly questionable,[23],[24] the political discourse that instrumentalises the idea is unlikely to recede. Discourse shapes reality[25] and as long as an argument is intuitive, it is likely to trump statistical data and complex nuance.[26] In this sense, there may be something to the argument that open borders and generous national welfare states are in conflict with one another[27] – just not because of welfare magnetism, but because of *fears* of it that undermine either free movement or welfare generosity.

Freedom of movement, however, is not the only issue that makes it impossible to freeze European integration in time. More generally, lopsided market integration is causing social and political tensions[28] that, if unmatched by a strong and tangible social Europe, may ultimately prove unsustainable. The common denominator between these developments is that transnational integration in one policy

---

22 Afscharian, D. and M. Seeleib-Kaiser (2025) „German party leaders are united against immigration – but there is little evidence for a key part of their argument". *The Conversation*, 12 February.

23 Martinsen, D. S. and B. Werner (2019) „No welfare magnets – free movement and cross-border welfare in Germany and Denmark compared". *Journal of European Public Policy*, 5(26): 637-655. DOI: 10.1080/13501763.2018.1481136

24 Müller, T. S. (2023) *Evidence for the Welfare Magnet Hypothesis? A Global Examination* (Berlin: Berliner Institut für empirische Integrations- und Migrationsforschung).

25 Thomas, W. I. and D. Swaine Thomas (1928) *The Child in America: Behavior Problems and Programs* (New York: Alfred A. Knopf), p. 572.

26 Bruzelius, C., M. Seeleib-Kaiser, D. Afscharian et al. (forthcoming) *Multilevel Social Citizenship: Free Movement and Minimum Social Protection* (Oxford: Oxford University Press).

27 Österman, M., J. Palme and M. Ruhs (2024) „Free movement versus European welfare states? Variations of the fiscal effects of EU migrants across welfare state regimes". *Politics & Society*, 3(52): 376-408. DOI: 10.1177/00323292231182516

28 Ronchi, S. and J. Miró (2025) „The middle-class base of European integration? New class divides and attitudes towards market integration in ten EU countries". *European Politics and Society*, 1(26): 59-77. DOI: 10.1080/23745118.2024.2341320

area tends to create dynamics that require integration in other areas. Eventually, this development will also affect some aspects of social policy.

If this argument holds, the question may then arise as to why these pressures should specifically incentivise *progressives* to develop a more transnational outlook. In response, I argue that the most pressing developments that are likely to unfold in the near future are particularly thorny for progressives in their current ideological position. For purposes of illustration, consider three of the major topics dominating European politics: migration; climate change; and war.

On the issue of migration, the political right faces relatively little ideological tension. Such parties and movements can demand border closures and deportations without risking cosmopolitan hostility. Furthermore, even when migration numbers are not unusually high in historical comparison,[29] the right can politicise migration. For progressives, it is disproportionately more difficult to develop an ideologically coherent response that does not splinter their electoral coalition. Developing humane migration policies that work for everyone is an inherently transnational question. Global cooperation will be necessary for this – including social support and compensation measures that address extreme economic inequalities across the globe.

Climate change is another challenge that no single nation can solve alone. While climate change denialism or policy agendas that severely delay necessary action may be successful strategies for the radical right in particular, progressives are ideologically bound to finding an actual solution. Again, this is a fundamentally social question: as many left-wing parties have already realised that social compensation measures for the economic consequences of climate protection are required nationally, the underpinning inequalities are all the more severe on the global stage. To unite all peoples of the world behind the idea of a greener future, compensation mechanisms are inevitably needed.

Military threats, too, disproportionately pose a dilemma for progressive politics. While mutually reassured destruction may be a tem-

---

29   de Haas, H. (2024) *How Migration Really Works: 22 Things You Need to Know about the Most Divisive Issue in Politics* (London: Penguin Random House).

porary deterrent, heated debates over (re)armament are dividing left-wing movements[30] as wars wreak havoc around the globe. Here, too, global alliances may be a tool for progressives to avoid overly relying on individual national armies. More importantly, however, the left will need to develop new and convincing ideas of how global cooperation can be used to more effectively prevent armed conflicts if it wants to credibly argue that there is a third way between militarisation and military defeat. Here, the case for global social policy is much less intuitive. Still, it may be one puzzle piece in fostering a notion of global solidarity that could disincentivise military conflicts while incentivising adherence to transnational alliances.

In all of these scenarios, there is an immediate and major challenge that needs to be solved, with national responses implying significant frictions for progressives. The idea of transnational social compensation is certainly not the centrepiece of any of these debates. However, for progressives, it may fill a crucial gap in their political toolkit.

Thesis 2: Global integration will bounce back

Closely intertwined with the arguments presented so far, my second thesis is that global integration will bounce back in the not-so-distant future. This point is important because it adds yet another reason for progressives to forcefully embrace global cooperation: the right is increasingly abandoning it.

This second thesis clearly goes against the spirit of the times, which assumes that isolationism is here to stay. While it is true that tariffs and nationalism currently make it seem like globalisation has come to an end, I hypothesise that this impression will eventually fade. Firstly, the economic pain that isolationism inflicts could likely incentivise decisionmakers sooner or later to return to global cooperation – especially if other countries continue cooperating among themselves, which should put isolationists at a disadvantage.

Secondly, modern technologies are increasingly connecting the world at a micro- rather than just a macro-level. As individuals are

---

30 „SPD-Initiative fordert Friedenspolitik statt Aufrüstung". Tagesschau, 11 June 2025.

interconnected across borders in their professional and private lives, globalisation becomes personal and maintaining isolationist policies in the long run will be anything but trivial. If the backlash against the US ban of TikTok is even remotely indicative of the value that people attach to global social networks, proper isolationism faces major hurdles in this regard.

Thirdly, as some nations of the Global North are looking inward, rising powers across the globe, such as China and India, are still embracing globalisation. This could make global cooperation look much more attractive again in the medium term. After all, when those nations that keep cooperating reap the fruits of their labour through prosperity gains, they will likely inspire arguments elsewhere in favour of closer integration. On the flipside, those nations that choose to isolate severely undermine their own economic and geopolitical opportunities. Even if the political tides shift towards nationalism temporarily, concerns over security and prosperity would likely arise rather swiftly. Even after Brexit, the UK sought cooperation almost immediately.[31] This does not make transnational systems of governance such as the EU immune to erosion, but it draws into question arguments around a lasting reversal of global cooperation. The hypothesis, then, is that any nation of the world ultimately has two options: engage in globalisation or spiral into economic and geopolitical decline.

Additionally, even right now, globalisation may not be as hard-hit as political discourse often suggests. Donald Trump, the primary driver of ostensible isolationism in the West, promotes an anti-globalist agenda in rhetoric but maintains countless international ties. The recent American tariffs were in large part used to negotiate trade deals with conditions favourable to the USA.[32] *Trade* is not the enemy in the eyes of many Republicans – the trade *deficit* is. Similarly, threats of leaving NATO led to more defence spending within the alliance not less.[33] There are certainly many exceptions and areas in

---

31 Francis, S. (2025) „The new UK-EU deal at a glance". *BBC News*, 19 May.

32 „Joint statement on a United States-European Union framework on an agreement on reciprocal, fair and balanced trade". European Commission, 21 August 2025.

33 „Defence expenditures and NATO's 5% commitment". NATO, 27 August 2025.

which the USA is detaching itself from the world stage. However, these developments are most pronounced in policy areas that the Trump administration opposes domestically as well, such as environmental protection. All of this is to say that the nature of global integration may change and priorities may shift, but globalisation as such is going nowhere.

If this thesis proves correct, it is likely that the reputation of globalisation will improve again, leading to a shift in electoral incentives. As it was often the political right that most recently advocated for nationalist and isolationist policies, that builds a lot of potential for progressives to position themselves as the countermovement. This would open a window of opportunity for the left to propose a new, genuinely progressive vision of globalisation that is different from both the lopsided market globalisation of the late 20th century and the nationalist backlash that is currently occurring. However, for this to work, progressives must be well-prepared to actually use this opportunity when it arises.

Free will, harmful incentives

Importantly, I do not mean to imply that global integration will bounce back and stabilise immediately. Rather, if the theses I propose are correct, we are likely to witness an extended process of back and forth, marred by phases of global integration and disintegration. For progressives in favour of global cooperation, the real risk then is not that the world will retreat into isolationism for good, but instead, it is quite possible that the very real pressures that incentivise globalisation evolve much faster than the political will to constructively embrace them.

Even if functionalist pressure eventually leads to a more global form of social policy in the very long term, a short-term analysis looks much different. Here, *pressure* does not imply *necessity*. So far, I have argued that global competition and comparison will continue to incentivise states to cooperate to some degree, and that this can only be maintained in the long run if some *modicum* of social stabilisation exists. However, turning incentives into action requires individual and collective actors to take decisions that may be costly in

the short term, both financially and electorally. Voters in rich democracies are unlikely to reward reforms in favour of global solidarity, as long as there is no immediately tangible negative consequence of inaction – and the economic decline described above may well unfold slowly. In short: it is up to the free will of political actors to choose the quick and direct path to transnational solidarity, or the long and winding one. They may just be incentivised to choose the latter.

For progressives, however, this is where ideology plays a key role. Torn between long-term economic rationality and short-term electoral gain, and plagued by worries about perpetual decline, the idea of *progress* might give global solidarity the edge within the centre-left in particular. Such an agenda will hardly win the hearts of electoral majorities in a global landslide victory, so progressives will instead need to be patient. Their role is to cautiously but persistently reshape political discourse to foster a better public understanding of the dynamics discussed in this chapter. The spark and normalisation of ideas must be the first step if progressives want to develop a healthier relationship with the challenges posed by globalisation.

Ironically, the current weakness of the left may turn out to be a blessing in disguise. For years, the radical right was marginalised in Europe and North America. From this position, they gradually normalised fringe, widely unacceptable ideas until these eventually became mainstream. For centre-right parties that were winning elections based on more status-quo-friendly platforms, there were no incentives to reshape discourse in a similar manner. All this is to say is that today's electoral incentives may be considered reactionary tomorrow and that progressives can take an active role in reshaping political discourse accordingly, if they so choose.

Concrete action

All in all, there are sound reasons for progressives to rethink their approach to globalisation and embrace the idea of some form of global social policy – even if just a minimal one. However, this does not mean that they *will*. They may be scared of backlash, hold on tight to an agenda of conservation or outright dismiss the plausibility of the developments I have outlined.

Importantly, one implication of the functionalist logic I have discussed is that my argument matters more for political parties than for political outcomes – at least in the long run. If my arguments are even remotely correct, the world will not wait for the contemporary political left. Just as all empires eventually fall, there is no reason to assume that social democratic parties will survive forever. It is up to them whether they want to actively shape progress and increase the likelihood of global solidarity to emerge somewhat smoothly, or if they want to be one more force in delaying it.

Should political actors choose the former option, they have a number of concrete actions they could take, even in the short term. Nationally, the centre-left has too often contributed to welfare chauvinism[34] and bought into divisive narratives linked to austerity. Instead, they could counter such agendas and develop inclusive policies that assert a more universalistic understanding of social justice. Beyond the hot topic of migration, social democrats could generally stop pitting the poorest against the poor,[35] and instead, focus on more relevant distributional issues.

Transnationally, the EU is the lowest-hanging fruit for a revamped progressive agenda. Here, the centre-left has been complicit in locking in the status quo and preventing social policy integration.[36] Instead, progressives could start pushing for a complementary system of pan-European social security, including a European unemployment (re-)insurance, a minimum income for mobile EU citizens and more binding social regulation. Globally, they could use existing networks to coordinate efforts such as global tax regimes, enhanced development aid and – further down the line – basic social protection wherever an associated party gets into power.

The road to global social policy is at least as much an ideational task as it is a political one. True global solidarity may seem utopian. But that is exactly the point: once, all aims of the progressive move-

---

34   Afscharian, D., C. Bruzelius and M. Seeleib-Kaiser (2024) „Agency, institutions, and welfare chauvinism: Tracing the exclusion of European Union migrant citizens from social assistance in Germany".

35   Afscharian, D. (2025) „Returning to freedom: A social democracy for pluralist societies". *The Progressive Post*, 28: 24-26.

36   Afscharian, D. (2025) *Ideas of Social Europe: Enhancing or Eroding European Integration?*

ment seemed impossible. Now, many are a reality. Starting at the discursive level, progressives can quickly begin to play offense again, ensuring that they are what it actually says on the tin: progressive.

Bibliography

Abou-Chadi, T., S. Häusermann, R. Mitteregger et al. (2025) «Trade-offs of Social Democratic Party strategies in a pluralized issue space: A conjoint analysis». *World Politics*, 3(77): 419-467. DOI: 10.1353/wp.2025.a964462

Afscharian, D. (2025) *Ideas of Social Europe: Enhancing or Eroding European Integration?* (Cheltenham: Edward Elgar).

Afscharian, D. (2025) "Returning to freedom: A social democracy for pluralist societies". *The Progressive Post*, 28: 24-26.

Afscharian, D., C. Bruzelius and M. Seeleib-Kaiser (2024) "Agency, institutions, and welfare chauvinism: Tracing the exclusion of European Union migrant citizens from social assistance in Germany". *Journal of European Social Policy*, 2(34): 203-219. DOI: 10.1177/09589287241229326

Afscharian, D., V. Muliavka, M. S. Ostrowski et al. (2024) *A Radical Bargain for Europe: Progressive Visions of a European Basic Income* (Lanham, MD: Rowman & Littlefield).

Afscharian, D. and M. Seeleib-Kaiser (2025) "German party leaders are united against immigration – but there is little evidence for a key part of their argument". *The Conversation*, 12 February.

Arnesen, S., D. A. Christensen and H. Finseraas (2023) "Look to Denmark or not? An experimental study of the social democrats' strategic choices". *Electoral Studies*, 84: 102629. DOI: 10.1016/j.electstud.2023.102629

Bandau, F. (2023) "What explains the electoral crisis of social democracy? A systematic review of the literature". *Government and Opposition*, 1(58): 183-205. DOI: 10.1017/gov.2022.10

Berger, S., L. Fink, J. de Graaf et al. (2025) «Workers and the 'golden age' of social democracy? An introduction». *Labor: Studies in Working Class History*, 1(22): 1-7. DOI: 10.1215/15476715-11521350

Brady, D. and M. Jäntti (2016) "Economic performance, poverty, and inequality in rich countries", in D. Brady and L. M. Burton (eds) *The Oxford Handbook of the Social Science of Poverty* (Oxford: Oxford University Press). DOI: 10.1093/oxfordhb/9780199914050.013.25

Bruzelius, C., M. Seeleib-Kaiser, D. Afscharian et al. (forthcoming) *Multilevel Social Citizenship: Free Movement and Minimum Social Protection* (Oxford: Oxford University Press).

Crerar, P. and A. Adu (2025) "Starmer stands firm on Welfare Bill as number of Labour rebels passes 120". *The Guardian*, 24 June.

de Haas, H. (2024) *How Migration Really Works: 22 Things You Need to Know about the Most Divisive Issue in Politics* (London: Penguin Random House).

"Joint statement on a United States-European Union framework on an agreement on reciprocal, fair and balanced trade". European Commission, 21 August 2025.

Faas, T. (2025) „Junges Europa 2025: So denken Menschen zwischen 16 und 26 Jahren". TUI Stiftung.

Fotopoulos, T. (2001) "Globalisation, the reformist left and the anti-globalisation 'movement'". *Democracy & Nature*, 2(7): 233-280. DOI: 10.1080/10855660120064592

"The anti-establishment challenge for social democratic parties". Foundation for European Progressive Studies, 4 January 2017.

Francis, S. (2025) "The new UK-EU deal at a glance". *BBC News*, 19 May.

Häusermann, S., T. Palmtag, D. Zollinger et al. (2025) "Politicizing inequality in times of sociocultural conflict: How new left and far right voters think about inequality". *Politics & Society*, 4(53): 630-655. DOI: 10.1177/00323292251353374

Jessop, B. (2003) "From Thatcherism to New Labour: Neo-liberalism, workfarism and labour-market regulation", in H. Overbeek (ed.) *The Political Economy of European Employment: European Integration and the Transnationalization of the (Un)Employment Question* (Abingdon: Routledge).

Kaasch, A. (2012) "Global social policy - Universität Bielefeld". InterAmerican Wiki.

Landler, M. (2025) "A year after 'loveless landslide', U.K. leader is even less popular". *The New York Times*, 30 June.

Martinsen, D. S. and B. Werner (2019) "No welfare magnets – free movement and cross-border welfare in Germany and Denmark compared". *Journal of European Public Policy*, 5(26): 637-655. DOI: 10.1080/13501763.2018.1481136

Müller, T. S. (2023) *Evidence for the Welfare Magnet Hypothesis? A Global Examination* (Berlin: Berliner Institut für empirische Integrations- und Migrationsforschung).

„Defence expenditures and NATO's 5% commitment". NATO, 27 August 2025.

Österman, M., J. Palme and M. Ruhs (2024) "Free movement versus European welfare states? Variations of the fiscal effects of EU migrants across welfare state regimes". *Politics & Society*, 3(52): 376-408. DOI: 10.1177/00323292231182516

Ronchi, S. and J. Miró (2025) "The middle-class base of European integration? New class divides and attitudes towards market integration in ten EU countries". *European Politics and Society*, 1(26): 59-77. DOI: 10.1080/23745118.2024.2341320

Rydlinski, B. (2024) "Why the working class is turning to the far right". *Social Europe*, 2 December.

Schmidt, M. G. (2005) *Sozialpolitik in Deutschland: Historische Entwicklung und Internationaler Vergleich* (Heidelberg: VS Verlag für Sozialwissenschaften).

«SPD-Initiative fordert Friedenspolitik statt Aufrüstung". Tagesschau, 11 June 2025.

Thomas, W. I. and D. Swaine Thomas (1928) *The Child in America: Behavior Problems and Programs* (New York: Alfred A. Knopf).

Zürn, M. and P. de Wilde (2016) "Debating globalization: Cosmopolitanism and communitarianism as political ideologies". *Journal of Political Ideologies*, 3(21): 280-301. DOI: 10.1080/13569317.2016.1207741

Under pressure and inspiration: Reshaping public services and welfare states in Europe

LÁSZLÓ ANDOR and FRANÇOIS BALATE

Abstract

Welfare states in Europe continue to function under pressure, including from the demographic transformation and diverse economic shocks. However, various examples demonstrate that European Union (EU) policy has moved ahead in times of shocks, including in the social dimension. Demographic ageing has well-known consequences for the labour market, pension systems, and health and care services. Examining the latter can lead to important policy insights at the national level but increasingly at the EU level too. That partly involves revisiting the theme of welfare state resilience, but also questioning whether the EU itself can deliver objectives that member states alone could not. In recent years, the EU has been inching towards more solidarity and deeper integration in the field of health policy. In an embryonic form, the idea of a Health Union appeared at the time of the COVID-19 crisis, and it remains an integral part of the progressive agenda, not only a possibility but perhaps even a necessity.

Introduction

Welfare state policies were developed historically to compensate for market failures and protect people from structural inequalities and life accidents, hence ensuring social justice.[1] The concept of the Eu-

---

1   Milotay, N. and E. Noonan (eds) (2022) „EU welfare systems and the challenges of poverty and inequality". European Parliamentary Research Service, October, p.1

ropean welfare state is rooted in the idea of delivering public services and relies on a strong role for the state authority at all levels of government. This vision of state intervention and of a strong welfare state has always been at the core of social democratic policies. The state usually relies on tax revenues to provide universal social security to its citizens.[2]

From the early days of the welfare state in the immediate post-war years, the International Labour Organization listed several areas to be considered part of welfare policies or social security: medical care; sickness; unemployment; old age; industrial injury; family; maternity (or parenthood); invalidity; and widow(er)hood.[3] The framework was clear and throughout their life cycle, anyone was entitled to protection against illness, injuries and unexpected life obstacles.

In today's world, however, welfare state policies are often challenged by conservative voices and placed at odds with new priorities. Too often they argue against the welfare state based on costs and the burden it may impose on the labour market. Too often they try to place the blame on the beneficiaries – the right holders – of social security, while the clear objective is to help companies and wealthier strands of society. The great unravelling that the world is going through calls for policies of protection, welfare and public services. One cannot allow technological disruption, the climate crisis, new geopolitical tensions and so forth to go unchecked or unregulated, as these only fuel further anxieties and uncertainties and increases inequalities.

At the heart of these anxieties is people's wellbeing, their physical and mental health. After decades of scientific development, people live longer and more healthy lives; our demographic structure is changing. Some of the mechanics of welfare policies appear to be reaching their limits. However, they are needed more urgently than ever. As such, this chapter will address the question of healthcare and demographic change in Europe – described in a provocative way

---

2   Hacker, B. (2025) *Social Europe: From Vision to Vigour* (Bonn: Dietz Verlag), p.27
3   „Social Security (minimum standards) Convention, 1952 (No. 102)". International Labour Organisation, 12 August 2012.

as a "ticking timebomb" by Giles Merritt to stress the urgency of the issue.[4] It makes the case for the completion of a genuine and inclusive European Health Union, towards the realisation of age-friendly and healthy communities across Europe as a result of social investment and strong public services.

Demographic change and welfare state resilience

The 2025 European Commission report on demography delivered fresh data underling what we already knew: the European population is rapidly ageing. Population growth has been modest: in the two decades between 2004 and 2024, it was a mere 4%. The last five years saw excess mortality due to the COVID-19 pandemic but for other reasons, notably the increase in heat wave events. The life expectancy gap between women and men is 5.3 years, while there are 4.4% more women than men in the European Union (EU). The number of marriages is going downwards, and 41% of babies are born outside marriage. Divorce rates fluctuate.

While its population growth has slowed down over the past decades, we have also witnessed an aging population, with the share of older people increasing in the overall population, alongside a diminishing share of the working-age population.[5] In addition, the population over 65 years old is also growing, due to increased longevity and fewer births,[6] and it is estimated that it would account for 30% of the EU population by 2050.[7] The population over 80 years old could reach more that 15% of the EU population by the end of this century (Figure 1).[8]

Falling fertility has been a result of diverse factors, including economic and cultural modernisation, the impact of robust social security, rising female education levels, and labour market participation.

---

4   Merritt, G. (2025) *Timebomb – When Ageing Explodes* (Bristol: Policy Press).
5   „The demographic change in a changing environment". European Commission, January 2023.
6   „Population structure and ageing". Eurostat.
7   „The demographic change in a changing environment". European Commission.
8   „Population structure and ageing". Eurostat.

Figure 1. Population pyramids, EU 2024 and 2100 (% of the total population).

Population pyramids, EU, 2024 and 2100
(% of the total population)

Note: 2024: provisional/estimated. 2100: projections (EUROPOP2023).
Source: Eurostat (online data codes: demo_pjangroup and proj_23np)

Solid colour: 2100
Bordered: 2024

Men ▢ Women
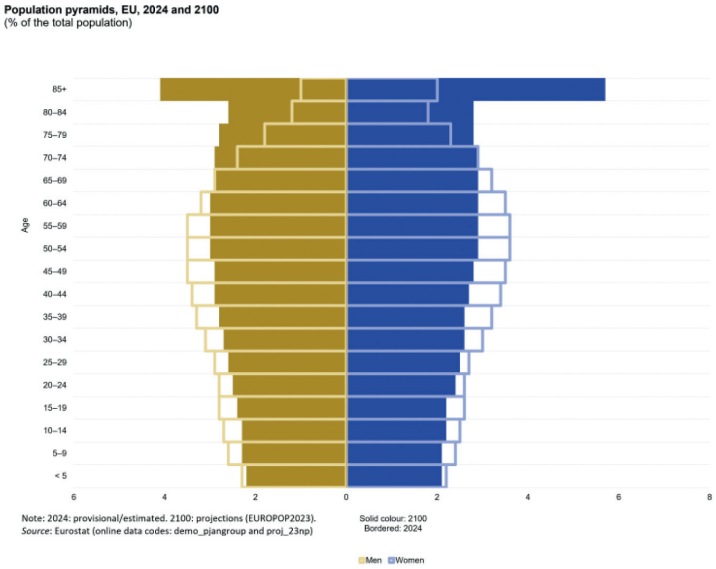
Source: Eurostat.

More recently, economic insecurity (finance and jobs) and climate anxiety appear to be additional factors that contribute to the postponement or abandonment of pregnancy.

Some countries have been experimenting with pro-natalist financial incentives, which do not have significant and long-lasting impact. For example, in Hungary, under Viktor Orbán's rule, huge sums were invested in "family policy", but they have been combined with perverse redistribution. The impact was more on the timing of child births and not on the overall level (not least because the number of potential mothers cannot be easily influenced by short-term financial incentives). In the United States, the ultra-conservative movement backing the Trump presidency is also advocating for natalist and 'traditional' family policies, while society has shifted away from those models (as highlighted by the European Commission's report). It clearly signals that public policy cannot rely on the assumption of marriage and template family formula.

Understanding the limits of influencing the number of child births in the short and medium term, public policy is preoccupied primarily with the effects of demographic change on labour markets and public finance. Apart from the total fertility rate, the old age dependency ratio (the number of retirees relative to workers) is a frequently discussed indicator. Investment in lifelong learning, as well as the promotion of "second careers" are becoming more strategic elements of employment policy to address the problem of shrinking workforce. The latter is driven by declining birth rates and increasing life expectancy, which leads to a higher dependency ratio. The resulting strain on pension systems necessitates pension system reforms to ensure long-term financial sustainability and adequacy.

Migration adds another dimension to demographic analysis, as it has a significant impact on population dynamics. Immigration helps to reduce workforce shortages, and in some EU countries, more than half of newborns have migrant background. On the other hand, Europe would also need to ensure that fewer people leave the continent for economic reasons. Austerity at the time of the eurozone crisis generated a large-scale outflow of Greek, Spanish, Portuguese and Irish youth with all the negative economic and demographic effects. The balance of migration in Eastern EU countries is negative and tends to reduce the workforce and aggravate social security deficits.

Apart from providing statistics, the EU can also help to improve demographic trends through improving its policies. Taking seriously the Health Union (to be discussed later in this chapter), is one possibility. This could help to tackle the need to level up capacities and reduce the mortality of the working-age population. Further improving health and safety standards and practices in Europe is another important area. Housing is a critical issue too where EU intervention could have a positive effect on demography since the lack of affordable housing is a daunting problem, especially for young people.

Even if certain policies may succeed at stabilising the workforce size and slowing down ageing, there will be more and more EU countries with declining populations. This is a global trend. Europe follows the trends observed in Japan and South Korea, though the fall may not be so fast and severe. The worst population decline within the EU has been measured in Eastern Europe, which is a long-term ef-

fect of the post-communist shock transition (causing a fertility drop and excess mortality at the same time) and EU integration (causing excess outmigration). Arguably, the internal demographic imbalance in Europe is a greater issue than ageing itself.

Demographic transformation is one of several reasons why welfare systems have been under strain and their resilience is a subject of constant scrutiny. When a high-level expert group (chaired by former European Commissioner for Employment, Social Affairs and Equal Opportunities Anna Diamantopoulou) examined the evolution of European welfare states in 2023, the gravity of the demographic question was well understood. The expert group looked at ways to reinforce social protection at both national and European levels, and apart from demographic change, they wanted to find out how to respond to the rise of new forms of work and the green transition.

Much of the academic literature in the social policy field identifies social investment as a centrepiece of the response to demographic change and other challenges to welfare state resilience. This view is represented, among others, by Anton Hemerijck and Manos Matsaganis.[9] In the aftermath of the COVID-19 crisis, there appears to be a new consensus about the effectiveness and resilience of European welfare states, reflecting a shift towards the "social investment" paradigm which stresses the economic value of 21st century welfare systems.

Hemerijck and Matsaganis demonstrate that the recent literature on EU social policy and the welfare state is permeated with a 'renaissance sentiment'. The literature generally invokes a "Golden Age" where the creation of the Single Market was accompanied by a strong social dimension and EU-level legislation in this field was launched – the era of Jacques Delors. This was followed by the "Dark Ages", essentially the times of austerity. Since the adoption of the European Pillar of Social Rights (EPSR),[10] we are in a period of renaissance.

Interestingly, the evidence presented by Hemerijck and Matsaganis suggested that, even in the period of regression, welfare ex-

---

9   Hemerijck, A. and M. Matsaganis (2024) *Who's Afraid of the Welfare State Now?* (Oxford: Oxford University Press).

10   „European Pillar of Social Rights in 20 principles". European Commission.

penditures remained relatively high and in most cases, safety nets managed to protect societies against the rise of poverty. Where there was a step back from progressive redistribution in this period (Sweden, Hungary), it was a national decision, and not forced by the EU. The relative optimism of this period (regarding EU social policy evolution) is similarly represented by Crespy.[11]

The renaissance, which is celebrated by Hemerijck and Matsaganis, also requires some qualification. Yes, there is an EPSR, but it is not enshrined in EU law and there is no obvious or automatic follow-up. Yes, there has been a Next Generation EU, but the Multiannual Financial Framework (MFF) proposal by Ursula von der Leyen would lead back to basics when it comes to the seven-year EU budget.[12] And yes, a directive has been adopted on minimum wage coordination by the EU, but it is yet to be seen what impact it has made in the absence of an enforcement mechanism.

Nonetheless, EU governance has been playing an increasingly important role in support of welfare state resilience and innovation. When, however, we look at the dynamics and intensity of social policy development, party politics should not be ignored. One can speak about a renaissance in EU social policy primarily because, from the end of 2011, centre-left parties started to come back to government (typically in coalitions) and helped the socialisation of the European semester, the flexibilisation of fiscal rules and the revision of the Posted Workers Directive.

Politics also matters today, but since 2022, it has been mainly far-right parties that have gained strength. When they enter governments at the national level (in the company of centre-left parties), they attack social rights, and since the 2024 European Parliament elections, they have brought this agenda to the level of the EU. An attempt by Ursula von der Leyen to eliminate the word social from the title of the employment Commissioner also sends the wrong signal. Besides, a lasting war in Europe and especially the continuation of globalised economic warfare can only undermine European welfare states.

11 Crespy, A. (2022) *The European Social Question: Tackling Key Controversies* (Newcastle upon Tyne: Agenda Publishing Limited).
12 von der Leyen, U. (2024) „Political guidelines for the next European Commission 2024-2029". European Commission, 18 July.

Despite all odds, social policy has been moving forwards during the second von der Leyen commission in certain areas, as symbolised by housing policy receiving a dedicated Commissioner, and even entering discussion among heads of state and government. The Commission promised to roll out legislation on platform work and an anti-poverty strategy in addition. Dealing with demographic transformation and further development of EU action in the fields of health and long-term care in the era of population ageing could form a natural part of an EU social agenda, even in the era of streamlining and simplification.

Access to healthcare for an aging population in Europe

A rapidly aging population is having a significant impact on public policies and investments, ranging from economic development; labour market; pension systems' sustainability; social cohesion; and – most importantly – health and long-term care, which have been exacerbated in particular by the COVID-19 pandemic.[13]

The question of access to health and long-term care for older people sounds straightforward, with declining health and the approach of the end of life. It is important to note, however, how the age criterion intersects with other sources of inequalities, such as geography (with older people facing more barriers to access health services in rural and remote areas, for example[14]), gender (with the gender gap persisting in pensions, for example[15]) or socio-economic status (with income inequalities continuing after working life, for example[16]).

Ensuring access to healthcare for all slowly evolved in the framework for action of the EU. Starting with the Treaty of Maastricht and

---

13 „Green paper on aging". COM (2021) 50 final. European Commission, 27 January 2021.
14 Sowa-Kofta, A., I. Marcinkowska, A. Ruzik Sierdzińska et al. (2021) „Ageing policies – access to services in different member states". Policy Department for Economic, Scientific and Quality of Life Policies. European Parliament, October, p. 13.
15 Ibid, p. 14.
16 Ibid, p. 30.

a shy reference to ensuring "a high level of human health protection",[17] it morphed into the Title XIV on public health in the Treaty on the Functioning of the EU, adopted in Lisbon in 2007.[18] The Charter on Fundamental Rights of the EU enshrined "the right of access to preventive healthcare and the right to benefit from medical treatment under the conditions established by national laws and practices" and that "a high level of human health protection shall be ensured in the definition of all the Union's policies and activities".[19] Finally, the EPSR, proclaimed in 2017 in Gothenburg under the leadership of the then Prime Minister of Sweden, Stefan Löfven, and building on the work of the European Parliament led by Maria João Rodrigues, further elevated healthcare provisions with principle 16, on the "right to timely access to affordable preventive and curative healthcare of good quality", and principle 18, on the "right to affordable long-term care services of good quality, in particular home-care and community-based services".[20] These provisions lay the foundations for EU action when it came to healthcare and long-term care; this is of particular relevance with regard to the EU's aging population.

However, despite these foundations – and mainly because health policy remains an area of competence where the EU can only support, coordinate or supplement the action of member states – EU action in the field of health remains limited, even with initiatives such as the European Health Insurance Card, Cross-Border Healthcare Directive and the European Care Strategy. Nevertheless, such EU actions in the field of healthcare coordination, together with the successful COVID-19 response, should provide inspiration for those working on the new frontiers of EU social policy.

In the wake of the COVID-19 pandemic, the concept of a European Health Union had emerged to prevent further health crises, improve the EU's resilience and better protect its population. The initial ambition of the European Health Union was mainly oriented towards crisis prevention and management, joint procurements, and the role

---

17   „Treaty on European Union". OJ C 191/35, 29.7.1992.
18   „Consolidated version of the Treaty on the Functioning of the European Union". OJ C 202, 7.6.2016.
19   „Charter of Fundamental Rights of the European Union". OJ C 202, 7.6.2016.
20   „European Pillar of Social Rights in 20 principles". European Commission.

of the European Medicines Agency. A long-term and comprehensive approach remained timid, with limited references to the EPSR and the role that the Recovery and Resilience Facility could play in investing in access to quality healthcare and long-term care for the sake of preparedness and resilience.[21]

The "EU4Health" programme, during the current funding period, has been the main financial vehicle for the EU's work on healthcare, with a particular focus on crisis preparedness, health promotion and disease prevention, health systems and the healthcare workforce, and digitalisation. At €4.4 billion, it amounted to 0.41% of the 2021-2027 EU MFF (excluding Next Generation EU).[22]

Since then, attention has shifted away from equipping the EU with comprehensive health care policies due to emerging crises such as Russia's invasion of Ukraine, the rise in energy costs and geopolitical tensions, especially with the deteriorating relationship with the USA. Upon her re-election by the European Parliament, the President of the European Commission, Ursula von der Leyen committed to the completion of the European Health Union in her second term, especially to address inequalities and adapt to the new realities brought about by demographic change, notably in pensions and public services.[23] Alongside the announcement of an intergenerational fairness strategy, these initiatives could have renewed hope for EU action to provide quality and affordable healthcare to all generations.

Unfortunately, however, the signs are not very encouraging. In the proposal for the next long-term budget, the health programme has been diluted into broad and centralised proposals for national and regional partnership plans and for a European Competitiveness Fund.[24] For its 2026 Work Programme, the European Commission is

---

21 „Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Building a European Health Union: Reinforcing the EU's resilience for cross-border health threats". COM/2020/724 final. European Commission, 11 November 2020.

22 „EU4Health programme 2021-2027 – a vision for a healthier European Union". European Commission.

23 von der Leyen, U. (2024) „Political guidelines for the next European Commission 2024-2029". European Commission, 18 July.

24 „The 2028-2034 EU budget for a stronger Europe". European Commission, 2025.

merely planning a "global health resilience initiative", focusing again on emerging health threats with an outward focus.[25]

With rising uncertainties and anxieties among the population, a change of paradigm is needed, and social democrats need to seize the momentum to revive the European Health Union, equipping the EU with long-term and preventive public policies and services oriented towards wellbeing, intergenerational solidarity, and resilience.

Towards a genuine European Health Union

More support for public health remains among the top five concerns for EU citizens in recent surveys.[26] Building on a higher level of citizens' trust in EU institutions instead of national governments, and considering the call from the Conference on the Future of Europe to reinforce health competences for the EU,[27] there is a case to be made to genuinely complete the European Health Union, focused on prevention and inclusion, in light of the rapidly aging population.

The European Health Union relies on several pillars. Firstly, it must be long-term oriented, with sustainable approaches and move away from crisis response. Secondly, it needs to ensure common protection, hence giving more powers and competences to the EU level. Thirdly, it needs to break the silos and connect various policy initiatives, from care to employment and from innovation to climate action. And last, but not least, it needs to support the most vulnerable, such as women, minorities, homeless people, migrants and refugees.[28]

Looking at it through the lens of demographic change and public services, one must concentrate on public policy solutions oriented towards prevention and anticipatory policies.

---

25 „Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Commission work programme 2026". COM(2025) 870 final. European Commission, 21 October 2025.

26 „EP spring 2025 survey". European Union.

27 Andriukaitis, V. P. and G. Černiauskas (eds) (2023) *A European Health Union – A Blueprint for Generations* (Brussels: Foundation for European Progressive Studies), p. 10.

28 Ibid, p. 15.

In the EU, 97% of health expenditure is spent on treatment, while only 3% is on prevention.[29] This reflects a clear policy choice that does not put wellbeing front and centre. It allows people to suffer when it can be avoided in many cases. It also allows pharmaceutical and medical companies to yield huge profits on illness and disease when investment could be shifted towards prevention and promotion. This shows the magnitude of the task of shifting collective and individual responsibilities towards preventing illnesses and diseases through healthy lifestyle decisions and addressing the social determinants of health (such as the environment, working conditions, etc.).

Public action for prevention and healthy lifestyles would ensure that the older population would be in better health, notably through initiatives related to better nutrition, improved environments, and better working conditions. It must also rely on better health education to combat misinformation, especially when it comes to vaccines and lifestyle changes.[30]

In the field of work, specific focus should be given to careers with particularly physically or psychologically challenging conditions.[31] Specific attention should also be paid to age-based discrimination, reskilling and recognition; this should also help to reduce the mental health burden on older workers.[32] This would ensure that older people remain in better health at the end of their career, which would allow us to shift away from the retirement-age debate and focus on ensuring that workers end their careers in a dignified and empowered way. This would be more in line with the mission of the welfare state to offer a social safety net throughout the life cycle. By doing so, the question is no longer about how long people work, but how they do it and how much they can enjoy retirement.

---

29 „Health at a glance: Europe 2024 – state of health in the EU Cycle". OECD & European Commission, 2024. DOI: 10.1787/b3704e14-en

30 „S&D position paper: Health as a priority across all policies". Group of the Progressive Alliance of Socialists & Democrats in the European Parliament, 15 October 2025.

31 Balate, F. and M. Dressler (2025) „Intergenerational solidarity in Europe – a progressive vision". Policy brief. Foundation for European Progressive Studies, September.

32 Petříček, T., J. Michailidu, A. Bikic et al. (2025) „Healthy minds stronger Europe – progressive solutions for mental health and wellbeing in Europe". Policy brief. Foundation for European Progressive Studies, September 2025.

The provision of health and care services – either for prevention or treatment – must also rely on a skilled and motivated workforce. With shortages of doctors reported in 20 member states in 2022 and 2023, it is essential to invest in working conditions, remuneration and training to ensure that health and care services can be provided across the EU,[33] in all territories – considering that, in rural regions, the average distance to the nearest hospital is over twice as long as in urban regions.[34]

Beyond these shortages, one must address the question of recognition. Care workers are too often undervalued, underpaid – if not unpaid – and unseen. With women representing the majority of caregivers, it is important that this is considered in investments in health and long-term care workforces[35] – without even mentioning the burden that this lack of recognition creates on mental health services.[36] This approach would also allow the weight of unrecognised care duties carried out by family members to be alleviated, adding to other existing socio-economic pressures on households (such as housing and employment).

Investing in care services would also translate into economic gains, not only in the care industry itself, but also by improving living conditions of the people cared for.[37] One study found that in Austria, every €1 invested in the long-term care sector brings €1.70 of value.[38]

---

33 „Health at a glance: Europe 2024 – state of health in the EU Cycle". OECD & European Commission.

34 „EU annual report 2024 – the state of regions and cities". European Committee of the Regions, 2024, p. 42.

35 Helfferich, B. (2023) „The care strategy as a remedy for gender equality", in L. Thissen and A. Mach (eds) *The European Care Strategy – A chance to ensure inclusive care for all?* (Brussels: Foundation for European Progressive Studies), p.84

36 Petříček, T., J. Michailidu, A. Bikic et al. (2025) „Healthy minds stronger Europe – progressive solutions for mental health and wellbeing in Europe".

37 Navarra, C. and M. Fernandes (2023) „Care as a driver for sustainable growth", in L. Thissen and A. Mach (eds) *The European Care Strategy – A Chance to Ensure Inclusive Care for All?* (Brussels: Foundation for European Progressive Studies), p. 19.

38 Streicher, G., U. Famira-Mühlberger and M. Firgo (2019) „The economic impact of long-term care services". Working Paper No. 580. Österreichisches Institut Für Wirtschaftsforschung, April.

As those shifts will not be made overnight, attention on the health and long-term care needs of the older population remains necessary, considering the higher risks of chronic disease, disability or limited activity. This will require a higher capacity of public services and infrastructure, from hospitals and care facilities to research and innovation centres.[39]

A broad and comprehensive strategy for age-friendly communities and healthy lifestyles will be needed to address and anticipate further aging of the EU's population, ensuring the system is sustainable and inclusive. It will need to be public service oriented, with initiatives such as a European Care Guarantee within a broader European strategy for older people, and be supported by social investment,[40] mobilising diverse mechanisms of the EU's fiscal capacity, such as the EU's research programme and cohesion policy (building on the example of Spain, as one of the leading member states investing in health infrastructure and services via cohesion funds[41]), for the realisation of the European Health Union. The question of investment will not be limited to amounts, but mainly by how funds are invested to support the type of services delivered, their affordability, the underlying technology and the volume of awareness-raising campaigns.[42]

A strategic investment for health prevention and protection must be seen for what it is: an investment and not a cost. For that purpose, it should be treated as such and considered as an exemption in the Stability and Growth Pact.[43]

---

39 „Green paper on aging". European Commission.
40 „PES 2025 Congress Resolution: Universal access to quality healthcare". Party of European Socialists & Democrats, 2025.
41 „Investing in European healthcare systems with Recovery and Resilience Facility & Cohesion Policy funds". Schuman Associates, 12 April 2024.
42 „New research on health financing and population ageing at G20 Health Ministers Meeting side event". News release. European Observatory on Health Systems and Policies, 15 November 2019.
43 „PES 2025 Congress Resolution: Social Europe, strong Europe". Party of European Socialists & Democrats, 2025.

Looking forward

The argument made in this chapter provides a way forward to address the anxieties and fears faced by people in this period of turbulence and instability. It offers the perspective of a healthy life thanks to strong intervention and investment from the state (at all levels of government) and with universal access to high-quality and affordable public services. It also points to the accumulated achievements that can serve as inspiration for policy making today and tomorrow.

Importantly, the continuing debates on the EU's MFF should be guided by dual considerations. On one hand, using the concept of intergenerational solidarity would oblige investments and programmes to apply foresight, anticipating further demographic change, while looking at policy interventions across all age groups,[44] especially in support of social investment. On the other, it should use the "health" priority lens across all policies, in line with the EU treaty.

Health considerations should not only be applied across policy silos, but also be supported by dedicated and ambitious funding, especially in the next EU MFF. A health programme must be reinstated to support research and innovation. It must be underpinned by civil society and the mobilisation of patients' organisations to ensure strong democratic participation. Health and long-term care must also be clear policy objectives in programmes such as the European Regional Development Fund and the European Social Fund.[45]

The mission of European welfare states is more important and relevant than ever when the risks of addressing sickness, unemployment, old age, industrial injury or invalidity are either reinforced or taking new forms. Indeed, global phenomena such as the climate crisis, demographic change, technological revolution and deep economic transformations are forcing our models to reinvent themselves and to address new needs.

---

44 Balate, F. and M. Dressler (2025) „Intergenerational solidarity in Europe – a progressive vision".

45 „S&D position paper: Health as a priority across all policies". Group of the Progressive Alliance of Socialists & Democrats in the European Parliament.

The mission for social democrats is not to abandon our fundamental values of solidarity, equality and social justice. The progressive mission is to continue to be a force that puts public services at the heart of government action, alongside the protection of all, regardless of age, gender or on any other grounds. The overridding objective is to respond to the pressures of the times through radical innovation and thereby to deliver welfare and wellbeing for all.

Bibliography

Andriukaitis, V. P. and G. Černiauskas (eds) (2023) *A European Health Union – A Blueprint for Generations* (Brussels: Foundation for European Progressive Studies), p. 10.

Balate, F. and M. Dressler (2025) "Intergenerational solidarity in Europe – a progressive vision". Policy brief. Foundation for European Progressive Studies, September.

Crespy, A. (2022) *The European Social Question: Tackling Key Controversies* (Newcastle upon Tyne: Agenda Publishing Limited).

"EU4Health programme 2021-2027 – a vision for a healthier European Union". European Commission.

"European Pillar of Social Rights in 20 principles". European Commission.

"Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on Building a European Health Union: Reinforcing the EU's resilience for cross-border health threats". COM/2020/724 final. European Commission, 11 November 2020.

"Green paper on aging". COM (2021) 50 final. European Commission, 27 January 2021.

"The demographic change in a changing environment". European Commission, January 2023.

"High-Level Group presents its recommendations on the future of social protection and of the welfare state". European Commission, 6 February 2023.

"Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the Commission work programme 2026". COM(2025) 870 final. European Commission, 21 October 2025.

"The 2028-2034 EU budget for a stronger Europe". European Commission, 2025.

"EU annual report 2024 – the state of regions and cities". European Committee of the Regions, 2024, p. 42.

"New research on health financing and population ageing at G20 Health Ministers Meeting side event". News release. European Observatory on Health Systems and Policies, 15 November 2019.

"EP spring 2025 survey". European Union.

"Population structure and ageing". Eurostat.

"S&D position paper: Health as a priority across all policies". Group of the Progressive Alliance of Socialists & Democrats in the European Parliament, 15 October 2025.

Hacker, B. (2025) *Social Europe: From Vision to Vigour* (Bonn: Dietz Verlag).

Helfferich, B. (2023) "The care strategy as a remedy for gender equality", in L. Thissen and A. Mach (eds) *The European Care Strategy – A chance to ensure inclusive care for all?* (Brussels: Foundation for European Progressive Studies), pp. 82-89.

Hemerijck, A. and M. Matsaganis (2024) *Who's Afraid of the Welfare State Now?* (Oxford: Oxford University Press).

"Social Security (minimum standards) Convention, 1952 (No. 102)". International Labour Organisation, 12 August 2012.

Merritt, G. (2025) *Timebomb – When Ageing Explodes* (Bristol: Policy Press).

Milotay, N. and E. Noonan (eds) (2022) "EU welfare systems and the challenges of poverty and inequality". European Parliamentary Research Service, October.

Navarra, C. and M. Fernandes (2023) "Care as a driver for sustainable growth", in L. Thissen and A. Mach (eds) *The European Care Strategy – A Chance to Ensure Inclusive Care for All?* (Brussels: Foundation for European Progressive Studies).

"Health at a glance: Europe 2024 – state of health in the EU Cycle". OECD & European Commission, 2024. DOI: 10.1787/b3704e14-en

"Treaty on European Union". OJ C 191/35, 29.7.1992.

"Consolidated version of the Treaty on the Functioning of the European Union". OJ C 202, 7.6.2016.

"Charter of Fundamental Rights of the European Union". OJ C 202, 7.6.2016.

"PES 2025 Congress Resolution: Social Europe, strong Europe". Party of European Socialists & Democrats, 2025.

"PES 2025 Congress Resolution: Universal access to quality healthcare". Party of European Socialists & Democrats, 2025.

Petříček, T., J. Michailidu, A. Bikic et al. (2025) "Healthy minds stronger Europe – progressive solutions for mental health and wellbeing in Europe". Policy brief. Foundation for European Progressive Studies, September 2025.

"Investing in European healthcare systems with Recovery and Resilience Facility & Cohesion Policy funds". Schuman Associates, 12 April 2024.

Sowa-Kofta, A., I. Marcinkowska, A. Ruzik Sierdzińska et al. (2021) "Ageing policies – access to services in different member states". Policy Department for Economic, Scientific and Quality of Life Policies. European Parliament, October.

Streicher, G., U. Famira-Mühlberger and M. Firgo (2019) "The economic impact of long-term care services". Working Paper No. 580. Österreichisches Institut Für Wirtschaftsforschung, April.

von der Leyen, U. (2024) "Political guidelines for the next European Commission 2024-2029". European Commission, 18 July.

The world in 20 years in the context of globalisation and technological development: The tasks of European social democracy

KRZYSZTOF GAWKOWSKI

Summary

Over the next two decades, globalisation and technological advancement will redefine the economy, culture and politics, bringing both opportunities and risks. To remain an effective and relevant political force, social democracy must undergo a profound programmatic transformation. Its central mission will be to protect citizens from the adverse effects of globalisation – rising inequality, job insecurity and disinformation – while ensuring a fair share of the benefits of technological innovation.

This calls for the development of modern social protection systems, progressive taxation policies and close oversight of global corporations, as well as active regulation of digital platforms and artificial intelligence. It also requires building new models of democratic participation.

Social democracy must combine global responsibility with local rootedness, becoming a force capable not only of responding to change but also of shaping the future – in the name of equality, freedom and social solidarity.

Part I – introduction and globalisation

Introduction

Globalisation and technological advancement are among the most powerful forces that have defined the beginning of the 21st century – and they will continue to shape social, economic and political life for decades to come. We live in an era in which the intermingling of cultures, the mobility of capital and people, and the instantaneous flow of information have become fundamental mechanisms of how the world functions.

Our contemporary reality is not only about financial markets operating in real time or supply chains stretching across continents, but also about a new dimension of global consciousness. Individuals and societies are increasingly aware that they are part of a web of interrelated phenomena – climate change, pandemics, migration crises and technological challenges associated with artificial intelligence (AI).

At the same time, globalisation has revealed its contradictions and shortcomings. On the one hand, it has enabled an unprecedented rise in prosperity across many parts of the world. It has reduced extreme poverty in Asia and opened up access to education and knowledge. On the other, it has deepened income inequalities, concentrated wealth in the hands of a few, and eroded the sense of stability among the middle and lower classes in Western countries. As a result, globalisation has become not only a promise of progress but also a source of social frustration and unpredictable fear – often exploited by populist and authoritarian movements gaining influence around the globe.

European social democracy – traditionally the political force balancing free markets with social rights – now faces the urgent need to redefine its role. Its mission is not merely to defend workers' rights or promote wealth redistribution, but to propose a new model of globalisation in which solidarity, justice and equality carry the same weight as innovation, competitiveness and freedom. Only through such a vision can we avoid a scenario where technology and capital escape democratic oversight, giving rise to a new form of techno-feudalism

– one in which the citizen becomes a mere consumer, and democracy is reduced to a formal façade.

The purpose of this chapter is to outline what the world might look like 20 years from now, taking into account the simultaneous forces of globalisation and technological progress. The analysis is rooted in a social democratic perspective – one that upholds fundamental values, such as equal opportunity, social justice, democracy, human rights and responsibility toward future generations. Each section identifies both opportunities and risks, while defining the key tasks that social democracy must undertake to meet these challenges.

1 Globalisation from a 20-year perspective

The evolution of globalisation

Globalisation is a multidimensional concept. In its classical sense, it denotes the process of increasing economic, cultural and political interconnectedness on a global scale. It encompasses not only the integration of financial markets, but also the transnational circulation of ideas, values and people. Its origins can be traced back to the Age of Discovery, but it was only at the end of the 20th century that globalisation entered a dynamic phase – defined by the neoliberal model of the free market as the dominant organising paradigm of the world.

The globalisation of the 1990s and early 21st century was therefore, above all, a *neoliberal globalisation*, built on deregulation, privatisation and market openness. Yet the events of recent years – the 2008 financial crisis, the COVID-19 pandemic, geopolitical conflicts such as Russia's aggression against Ukraine, and the growing US-China rivalry – have revealed that globalisation is neither linear nor inevitable.

Today, we increasingly refer to the *transformation* or even *reversal* of globalisation. In practice, this does not signify the end of global interdependence, but rather its remergence in a new form: regionalisation; a greater role for states and international institutions; and the need for regulatory frameworks that protect societies from the adverse effects of unrestrained capital and data flows.

Social democracy must acknowledge that the globalisation of the future cannot be a return to the neoliberal logic of the past. Its task is to propose a model of *regulated globalisation* – one that serves not

only the interests of capital, but also the wellbeing and security of citizens and protection of the environment.

The new face of globalisation

In 20 years, the world will no longer be unipolar. The era of US dominance as the sole superpower after the Cold War belongs to history. We are witnessing the emergence of a multipolar order, in which key roles will be played by the following:

- **The USA** – still a technological and military powerhouse, though weakened by internal divisions;
- **China** – aspiring to global hegemony, especially in the technological and economic domains;
- **The European Union (EU)** – a unique political entity that must learn to act as a single body to maintain global influence, while confronting centrifugal forces driven by short-sighted notions of sovereignty;
- **India** – a rapidly developing power, both demographically and economically; and
- **Africa** – a continent with vast human and natural potential, the role of which in the global system will grow, despite the challenges posed by climate change.

The globalisation of the future will as such be a complex web of interdependence in which no single actor will be able to dominate others entirely. This represents, on one hand, an opportunity for a more balanced distribution of power, and on the other, a risk of instability and the erosion of common standards.

A crucial aspect of this new globalisation is the restructuring of global value chains. The pandemic and armed conflicts have demonstrated that excessive dependence on a single region of the world for the production of strategic goods (such as semiconductors) poses serious risks.

Over the next two decades, we are likely to witness a gradual *regionalisation* of the global economy – shorter supply chains, increased investment in local production capacities and the development of strategic industries in Europe. Social democracy should support this process, emphasising the importance of economic security and decent working conditions within regional production systems.

The challenges of globalisation

Growing inequality

Globalisation has enabled an unprecedented concentration of capital in the hands of transnational corporations. Income and wealth disparities in many countries have reached levels not seen since the 19th century. In the next 20 years, the risk of deepening economic inequality remains significant – especially if technological progress continues to concentrate profits among a narrow elite of patent and algorithm owners.

The task of social democracy is to build systems of redistribution at the international level, including the introduction of *global taxes* on digital corporations.

The climate crisis and migration

Climate change is the most global of all the challenges. In 20 years, the number of climate refugees could reach hundreds of millions. In this context, globalisation means not only the movement of capital, but also the mass movement of people seeking safety and lives free from environmental disasters.

Social democracy must work toward establishing international mechanisms of *climate solidarity* and shared responsibility for refugees.

The erosion of democracy

Many autocrats exploit globalisation to strengthen their power – whether through control of natural resources or the use of new technologies to manipulate societies. In the coming decades, globalisation could become an instrument of authoritarianism if democratic institutions fail to defend themselves effectively against disinformation and cyberattacks.

The risks of disinformation and hybrid warfare

Information globalisation means that any local conflict can quickly escalate into a global narrative crisis. In 20 years, the battle for public attention and consciousness will be one of the central arenas of political struggle.

The mission of social democracy is to build *resilient societies* – where public media, education and critical thinking serve as shields against manipulation and polarisation.

Globalisation from a 20-year perspective will be a more complex and less predictable process than ever before. It will open new avenues for cooperation and development, but also bring serious risks related to inequality, the climate crisis and political destabilisation. Especially that the culture of global relations seems to be moving yet again from competition/consensus to confrontation.

European social democracy faces the challenge of defining a new model of globalisation – *regulated, democratic and rooted in solidarity*. Meeting this challenge requires thinking not only in national, but also in European and global terms.

Part II – technology and the social consequences of globalisation

2 Technological development and its consequences

The digital transformation and AI

Over the next two decades, technological progress will primarily take the form of an expanding digital revolution. At its core will be AI, which is already reshaping the functioning of economies, labour markets and democracies. Two decades from now, AI is likely to be as ubiquitous as electricity was in the 20th century – largely invisible, yet forming the unseen infrastructure upon which societies, economies and individuals depend.

The automation of work

Many sectors will become almost entirely automated. Transport (autonomous vehicles, robot-based logistics), retail (cashier-free stores), and even parts of the legal and medical professions will be taken over by intelligent systems. This will lead to a dramatic rise in productivity, but also poses a serious threat to millions of jobs. Automatisation will mean that some of the jobs that now allow young people to start on the labour market will disapper too, weakening the entry points.

Social democracy must respond to this challenge through two key strategies:

1) **redistribution of the benefits of automation**, ensuring that profits do not accrue solely to technology owners; and

2) **investment in education and reskilling**, enabling workers to find employment in emerging sectors and to adapt swiftly to changing labour market demands.

The data-driven economy

Data is the new oil of the 21st century. Those who control data control the economy – and, increasingly, society itself. From a 20-year perspective, one of the greatest challenges will be ensuring *democratic control* over the flow and use of data.

Social democracy must advocate for data to be treated not as the exclusive property of digital corporations but as a *public good* – a shared resource from which citizens and states alike can benefit.

AI as a tool and a threat

AI offers immense potential in the fields of medicine, governance and science, but it also brings grave risks: mass surveillance; electoral manipulation; and the creation of synthetic disinformation. Social democracy should champion the establishment of a *Global Charter on AI Ethics* and, within the EU, push for regulations ensuring algorithmic transparency and the right of citizens to understand and challenge machine-made decisions.

Biotechnology and the medicine of the future

The second great frontier of the technological revolution lies in biotechnology and medicine. We are already witnessing the emergence of gene therapies and CRISPR-based innovations. In 20 years, we may see the widespread use of personalised treatments – medications tailored to individual genomes – alongside extended human lifespans enabled by cellular regeneration and anti-aging therapies, and advanced human-machine interfaces integrating biology with technology.

Social democracy must insist that progress in biotechnology does not become a luxury reserved for the few. If gene therapies remain accessible only to the wealthiest, the world 20 years from now will not only be more unequal economically but also biologically. Hence, ensuring *universal access* to advanced medical technologies through public healthcare systems is essential.

The green technological transformation

Technology will be a cornerstone in combating the climate crisis. Within two decades, the primary sources of energy should come

from renewables – solar, wind, hydrogen – and from innovative energy storage technologies.

Technological progress will also enable the following:

- more efficient, AI-driven and synthetically enhanced agriculture;
- smart, sustainable and low-emission cities; and
- a circular economy minimising the consumption of natural resources.

The mission of social democracy is to ensure that the *green transition is socially just*. The burden must not fall solely on energy-sector workers or regions dependent on heavy industry. For this reason, *transition funds* and *employment guarantees* in emerging green sectors are an indispensable tool for governments.

New forms of communication and the networked society

In 20 years, human communication will be shaped by immersive technologies – augmented and virtual reality, neural networks, and global digital platforms. Society will become fully *networked*.

This evolution presents, on one hand, an opportunity for the growth of global social movements and greater civic participation; on the other, it carries the risk of fundamental dependency on platforms controlled by private monopolies and social media oligarchs.

Social democracy must therefore strive to ensure that the digital sphere is treated as a *public good* – much like water or air. To achieve this, it will be essential to create *non-profit European digital platforms* designed to serve citizens rather than shareholders.

3 The social and cultural consequences of globalisation and technology

The labour market

The advance of technology and globalisation will radically reshape the labour market. Traditional professions will disappear, while many occupations will be automated. At the same time, new fields will emerge – in data management, renewable energy and biotechnology. Lifelong learning will become not merely a choice but a necessity. Social democracy must fight to ensure that every citizen has the *right to continuous access to education*. The state should guarantee

opportunities for retraining by funding courses and vocational programs.

Identity and culture

Globalisation will lead to the deeper hybridisation of culture. Music, art and languages will converge on an unprecedented scale. Yet, this process also brings the risk of cultural conflicts and value polarisation. In 20 years, Europe may become a truly multicultural space – where diversity acts as a source of strength, provided integration policies are effective. If, however, equality and minority rights are neglected, diversity could instead become a source of tension. Social democracy must champion integration based on equality and mutual respect, rejecting both assimilationist nationalism and extreme cultural relativism.

Demography and migration

In two decades, Europe will face a profound demographic crisis – aging societies, a shrinking working-age population, and rising climate-driven migration from Africa and Asia. Social democracy must respond with a *humane yet realistic migration policy*. This means safeguarding refugees' rights while ensuring effective integration mechanisms. Migration should be seen not as a threat, but as an opportunity for Europe's social and economic renewal.

Social inequality

The emerging digital and biotechnological economy risks creating a *two-speed society*: technological elites who benefit from progress, and vast groups excluded from access to knowledge, capital and essential services. Among the most serious dangers are digital exclusion – affecting both older citizens and peripheral regions – and new forms of precarious labour, where people work on short-term, algorithmically managed contracts.

Social democracy must strive for universal access to digital services (*the internet as a human right*) and introduce mechanisms to protect workers in the platform economy.

Summary

Over the next two decades, technology will become the decisive factor shaping social life. It has the potential to foster emancipation, equality and a higher quality of life – but it may also generate new inequalities

and dependencies. European social democracy faces the historic task of ensuring that technology serves democracy and the common good, rather than functioning solely as a source of profit for corporations.

Part III – the future of globalisation and technology from the perspective of European social democracy

4 Democracy and the state in the era of globalisation and technology

The revival of nation states

For decades, globalisation was often perceived as a process that weakened the nation state. Capital, technology and information flowed freely across borders, while national governments found themselves with diminishing tools to control economic processes. As a result, a sense of lost sovereignty and political agency grew – fuelling the rise of populist, anti-globalist movements.

Yet, projections for the next two decades suggest that the nation state will not only endure but undergo a profound transformation. The COVID-19 pandemic, the war in Ukraine, and the climate crises have revealed that, in moments of existential threat, it is ultimately the state – acting in coordination with international institutions – that becomes the final guarantor of citizens' protection. The state's functions will be redefined: it will act less as a guarantor of protectionism and more as a regulator, arbiter and coordinator of processes within the global and digital spheres.

For social democracy, the challenge is not to "reclaim" the nation state in a traditional sense, but to *rebuild its regulatory and solidaristic capacities* in the era of globalisation. The state will have to oversee digital platforms, protect citizens from abuses by technology corporations and – at the same time – support international cooperation frameworks.

Democracy in the digital age

The development of digital technologies will introduce entirely new mechanisms into democratic life. On one hand, they will open op-

portunities for deeper civic participation – through deliberative platforms, online voting and AI-assisted consultation tools. On the other hand, they pose serious risks: manipulation of information; polarisation; and data control.

In 20 years, democracy will largely become *digital democracy*, in which the citizen's voice can be expressed more regularly and through more diverse forms. However, success will depend on creating institutional and ethical frameworks that safeguard the democratic process from interference by external actors and private monopolies.

Social democracy must therefore formulate a comprehensive *program for the democratisation of technology* – a set of regulations and instruments that guarantee algorithmic transparency, data privacy and equal access to digital tools regardless of social status. *Digital equality* will become one of the key indicators of democratic quality.

Digital sovereignty and security

In the era of technological globalisation, national and civic security will be increasingly tied to control over digital infrastructure. Cyberattacks, information manipulation and dependence on foreign technology providers can paralyse entire economies.

Thus, one of the state's central tasks over the next two decades is to build *digital sovereignty*. This does not imply isolationism, but rather the capacity for independent decision-making and protection of critical systems.

Social democracy should promote a model in which digital sovereignty rests not solely on national infrastructure, but also on *international cooperation* within the EU and with partner organisations. In this context, a crucial question arises: how can individual citizens be protected from the abuses of technological power? The state of the future must guarantee both *collective security* and *individual freedom* in a world where data control becomes a primary instrument of power.

The welfare state 2.0

The traditional European welfare state was built on stable employment, predictable career paths, a nuclear family model alongside redistribution through taxation and social benefits. The technological

revolution and globalisation of labour are now fundamentally transforming this model. In 20 years, flexible employment, hybrid work and new forms of professional activity driven by automation and AI will dominate.

The *Welfare State 2.0* will need to provide citizens with social security amid constant change. This requires the development of new instruments – from universal access to digital education and retraining programs to guaranteed minimum income during periods of technological unemployment. The goal is not passive redistribution, but an *active policy* enabling citizens to participate in the economy of the future.

Social democracy should therefore propose a *universal social contract*, ensuring that every citizen enjoys basic security – health, educational and financial – regardless of where they live or what kind of work they perform.

5 The tasks of social democracy in the next 20 years

The new role of social democracy

To remain a political force capable of shaping the future, social democracy must undergo a profound redefinition of its role. It is no longer enough to invoke the legacy of the welfare state or the achievements of the 20th century. In the new world, the left must become the *architect of globalisation with a human face* – a force able to reconcile technological innovation with the enduring values of solidarity, equality and social justice.

The key question is *how can technological progress and globalisation be transformed from drivers of inequality into instruments for reducing it?* The answer lies in a comprehensive program encompassing the economy, culture, climate and democracy which is detailed further below.

Economic priorities

- **A just energy transition** – combating climate change through the development of renewable energy, while ensuring job creation, the protection of local communities and equal access to green technologies.
- **A new tax system** – adapted to the digital economy, effectively taxing global technology corporations and preventing tax avoidance.

- **Investment in social innovation** – supporting not only commercial technologies but also initiatives that advance public health, education and culture.
- **Europe as a pole of innovation** – building a coherent European industrial strategy capable of competing with the USA and China, while upholding high social and environmental standards.

Social priorities
- **A new educational contract** – making lifelong learning a *civic right*, not a privilege.
- **Job security in the age of automation** – expanding retraining programs and support mechanisms for those affected by "technological unemployment".
- **An integration-based migration policy** – combining openness with responsibility, fostering multicultural societies resilient to populism.
- **Public health as a global common good** – recognising that, as the pandemic has shown, health systems must be treated as critical infrastructure.

Democratic priorities
- **Democratisation of technology** – guaranteeing citizens' control over their data, ensuring algorithmic transparency and preventing monopolisation of the digital sphere.
- **Digital participation** – developing deliberative and consultative tools at local, national and European levels.
- **Protection against disinformation** – investing in media literacy, independent journalism and European information platforms.
- **Strengthening international institutions** – building a EU capable of pursuing a common foreign and defence policy, while actively contributing to the reform of the UN and the World Trade Organization.

Cultural priorities
Social democracy cannot limit itself to economic and institutional issues. Globalisation and technology profoundly shape values, identity and culture. In the next 20 years, the left must become a *champion of a global ethics of responsibility*.

This means defending human rights in the digital sphere, promoting gender equality and cultural diversity, opposing nationalism and fundamentalism, and crafting a new narrative grounded in *intergenerational and global solidarity*.

Social democracy as a European project

It is essential that social democracy conceive of its role not merely within the national dimension, but as a truly **European project**. The future of globalisation and technology will depend largely on whether the EU can act as a coherent and effective political actor.

Social democracy must become the driving force behind deeper European integration – in the fields of the economy, defence, foreign affairs, climate policy and the digital realm alike. Only through such unity can Europe preserve its agency and influence in an increasingly multipolar world.

Part IV – the future of globalisation and technology from the perspective of European social democracy

6 Future scenarios and the social democratic vision

Scenarios for globalisation in 2045

Predicting the world 20 years ahead is inevitably difficult given continuing uncertainty. However, by analysing current trends, it is possible to outline three main scenarios for the development of globalisation and technology.

Scenario 1: Fragmented globalisation

The world divides into several geo-economic blocs: the USA and its allies, China with its partners in Asia and Africa, and Europe striving to maintain autonomy. International trade and technological flows continue, but they are filtered through political interests. National and regional sovereignty become priorities – at the cost of openness and cooperation. Technology develops rapidly but remains confined within "digital walls".

For social democracy, this is a world that demands the defence of labour standards and human rights amid intensifying competition,

while seeking inter-bloc partnerships in areas such as climate action and public health.

Scenario 2: Inclusive globalisation

Under the pressure of the climate crisis and health threats, the world realises that only collective action can ensure survival. New mechanisms of global governance emerge – such as a **World Climate Agency**, **global tax standards for technology corporations** and an **international fund for energy transition**.

Technology becomes a common good: open innovation; shared patents in health and energy; and universal access to digital education. Globalisation does not disappear – it becomes more sustainable and equitable.

In this scenario, social democracy plays a leading role as the initiator and promoter of global institutions of solidarity. Europe becomes the leader of a humanistic approach to technology.

Scenario 3: Chaotic globalisation

The world descends into crisis with recurring armed conflicts; uncontrolled migration; and climate disasters. Technological progress becomes uneven – the wealthy North benefits from AI and automation, while the Global South falls further behind, losing development opportunities. Democracy weakens under technological authoritarianisms where data control becomes a tool of power. For social democracy, this is the most challenging scenario – one that demands the defence of basic civil rights and the creation of islands of solidarity amid a sea of chaos.

Elements of the social democratic vision for 2045

In light of these scenarios, European social democracy must articulate its own positive vision for the world of 2045 – one that not only diagnoses risks but also offers a clear alternative. Its key elements include the following:

- **Fair globalisation**, where international exchange is regulated to minimise inequality, support workers' rights and protect the environment.
- **Technology for the common good**, where innovation serves society as a whole, rather than a narrow corporate elite; access to technology is a right, not a privilege.

- **Participatory and digital democracy**, where citizens have real influence over political decisions through secure and privacy-respecting digital tools.
- **Welfare state 2.0**, ensuring that every citizen enjoys fundamental educational, health and social security, regardless of labour market volatility.
- **Europe as a leader of global solidarity**, with the EU acting as a proactive force in shaping global institutions and defending social justice and human rights.

Milestones of transformation

To turn this vision into reality, action must begin now. Several programmatic milestones can be identified on the path to 2045:

- **2025-2030**: reform of the EU tax system, the introduction of a European digital tax and acceleration of the energy transition.
- **2030-2035**: creation of a European digital infrastructure independent of the USA and China, along with universal digital education programs.
- **2035-2040**: establishment of a Global Climate Justice Fund and full democratisation of EU decision-making (including the direct election of the European Commission president).
- **2040-2045**: consolidation of the EU as a federation capable of conducting common foreign and defence policies, and the adoption of a global treaty on AI governance.

The role of social and civic movements

The social democratic vision cannot be implemented solely through institutions. Civil society, labour, youth and climate movements must be deeply engaged – providing both political energy and legitimacy. The social democracy of the future must therefore become not only a political party but also a **platform for cooperation** with civic movements. Only in this way can a broad coalition be built for **just globalisation and technology that serves humanity**.

Conclusion – the social democratic manifesto for 2045

It is likely that the world of 2045 will be profoundly different from today in ways that are difficult to imagine. Globalisation will take new forms, technology will permeate every sphere of life, and humanity will face dramatic climate and geopolitical challenges.

In this reality, social democracy cannot merely be the custodian of the past. It must become an architect of the future – a force capable of combining innovation with solidarity, competitiveness with equality and technological progress with an ethics of responsibility.

The social democratic manifesto for 2045 rests on several pillars:
- **justice as the foundation of globalisation;**
- **technology as a common good;**
- **democracy as an open and inclusive process;**
- **a welfare state adapted to the realities of the 21st century; and**
- **Europe as a leader in global solidarity.**

This is not a utopia, but a political project entirely achievable if social democracy dares to act with imagination, consistency and courage. In 2045, we aspire to live in a world where technology unites rather than divides, globalisation builds rather than destroys, the state supports rather than controls and Europe does not hide in the shadows but shines as an example. Social democracy has the opportunity to be the force that helps create that world.

Sources

1 Globalisation and the economy
- Stiglitz, J. (2017) *Globalization and Its Discontents Revisited: Anti-Globalization in the Era of Trump* (New York: W. W. Norton & Company).
- "*World development report 2023: Digital dividends*". World Bank, 2023.
- "*Globalisation, trade and investment trends*". OECD, 2022.

2 Technology and artificial intelligence
- Brynjolfsson, E. and A. McAfee (2014) *The Second Machine Age* (New York: W. W. Norton & Company).
- "White paper on artificial intelligence: A European approach to excellence and trust". European Commission, 19 February 2020.

- "*The state of AI in 2023 and its economic implications*". McKinsey Global Institute, 2023.

3 Biotechnology and health

- "*Global strategy on digital health 2020–2025*". World Health Organization, 2021.
- "*Gene editing and CRISPR technologies: Societal implications*". National Academies of Sciences, 2021.

4 Climate and energy

- "Sixth assessment report*"*. IPCC, 2023.
- "*Transition to a sustainable Europe: Energy and climate report*". European Environment Agency, 2022.
- "World energy outlook 2022*"*. IEA, 27 October 2022.

5 Society and politics

- Castells, M. (2010) *The Rise of the Network Society* (Chichester: Wiley-Blackwell).
- "World population prospects 2022*"*. UN DESA, 2022.
- "*Freedom in the world 2023: Technology and democracy*". Freedom House, 2023.

6 Social democracy and social policy

- Hemerijck, A. (2017) *The Uses of Social Investment* (Oxford: Oxford University Press).
- Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press).
- "*Social investment in Europe: Trends and challenges*". European Social Policy Network, 2023.

Can European public investment still provide progressive results?

GIACOMO BENEDETTO

In the face of the retreat from globalisation, what can European countries learn from past and current financial innovation at the European Union (EU) level that can have progressive potential? This chapter begins with a short survey of the EU's budget as the EU's historic lever for investment, but then focuses on a significant array of funds around the EU's budget that has arisen since the global financial crisis of 2008. For progressives, the outcomes of these funds, of which the most recent is Security Action for Europe (SAFE), are often disappointing. Yet much can be learned from these funds' methods, which could strengthen progressive investment at European and national levels, including for countries outside the EU. A vital ingredient for the credibility of the EU's budget and for the ad hoc funds around it is a viable source of financing. The provision of increased revenue that will finance and guarantee EU operations could offer the chance to reform taxation structures in a more progressive direction at European and national levels. These are the themes addressed in this chapter.

1. The EU's budget structure

The core budget of the European Union (EU) varies somewhere between 1.0 and 1.1% of the EU's gross national income (GNI). Its spending programme is set for seven years through what is known as a Multiannual Financial Framework (MFF) agreed by the EU's 27 member states and ratified by the European Parliament (EP). The current MFF runs from 2021 to the end of 2027 and was amended with an increase in 2024. Its total value is €1,079 billion in committed (promised) expenditure. The financing of this budget comes from the EU's revenue base known as Own Resources, of which the largest

part is an equal transfer of every member state's GNI. For regular expenditure, own resources, discussed in Section 4, were fixed at a maximum of 1.4% of the EU's GNI in 2021. This difference between the sizes of the regular budget (1.1% of GNI) and its revenue base (1.4% GNI) also provides credibility for the EU to take emergency action or to engage in borrowing and lending activity.

Table 1. The EU's core financial firepower, 2021-27 (prices of 2018 in € billion, as amended in 2024).

Heading	MFF	NGEU	Total
1. Single market, innovation, digital	132.6	10.6	143.2
2. Cohesion, resilience, values	377.8	721.9	1099.7
3. Natural resources, environment	355.7	17.5	373.2
4. Migration, borders	24.7		24.7
5. Security, defence	14.5		14.5
6. Neighbourhood, world	101.1		101.1
7. Administration	73.1		73.1
Total	1079.5	750.0	1829.5

Sources: OJ L 433 I, 22.12.2020; OJ L 765, 29.2.2024, Annex I; OJ L 57, 18.2.2021.

Table 1 shows that the largest part of the MFF, under heading 2, is dedicated to cohesion, resilience and values. These encompass regional development; a just transition towards a de-carbonised economy; social investment; and education, cultural and citizenship programmes. The natural resources heading is mostly dedicated to direct grants for farming, but also includes rural development, fisheries and nature conservation programmes. The single market heading provides collective investment in research, connectivity and the digital economy, and it is less oriented to redistribution than more traditional headings 2 and 3. The Neighbourhood and world heading saw growth in 2021, as it absorbed development funding and investment in the EU's priorities outside its own borders. There are also smaller allocations for migration, borders, security and defence under headings 4 and 5. The EU budget can provide leverage, particularly when it is matched through national or local co-financing in partnership.

The size and legal standing of this package is useful for adding to the credibility of more recent funds outside the formal budget and MFF.

Accompanying the MFF of 2021-27 was the EU's post-pandemic recovery instrument or Next Generation EU (NGEU), financed entirely through borrowing of €750 billion (based on 2018 prices) on the financial markets. Of this sum, €390 billion were paid out as grants to projects in member states, and this will be repaid through the EU's own resources until 2058. The EU provided the remaining €360 billion in loans to member states, which are 100% guaranteed by the EU if a member state defaults. The combined strength of the MFF and NGEU during the planning period of 2021-27 was therefore €1,829 billion, even if the NGEU component is taken as credit rather than revenue. As Table 1 demonstrates, nearly all of the NGEU investment was made under the heading of cohesion and resilience. The status of NGEU is discussed further in Section 2.4.

Table 2. The EU's core financial firepower, as proposed by the Commission, 2028-34 (prices of 2025 in € billion).

Heading	Total
1. Cohesion, agriculture, maritime, security	791.9
Repayment NGEU	149.3
Margin	5.2
2. Competitiveness, prosperity, security	515.1
Margin	7.1
3. Global Europe	182.9
Margin	7.1
4. Administration	105.0
Total	1763.5

Source: European Commission, COM(2025) 571 final, Annex.

In July 2025, the European Commission tabled its new proposal for the period of 2028-34. By comparison to the 2021-27 MFF, the new proposal would bring an increase in financial muscle, even allowing for inflation. It is lower, however, than the combination of the current MFF with NGEU. The proposal places agriculture and cohesion

under a combined heading 1, representing a lower amount than that applied during 2021-27. Added to this is the projected cost of interest and debt repayment on the NGEU recovery instrument. Competitiveness (heading 2) comprises all of what was labelled previously as the single market but includes incentives for increasing productivity and innovation in response to the Draghi report.[1] Global Europe comprises the previous heading of neighbourhood and world. If the MFF proposal of July 2025 is for the most part approved, it will show growth compared to the size of the current budget and with an emphasis on new priorities and the downgrading of others, notably cohesion. With the disappearance of NGEU and other funds discussed in Section 2, the financial architecture looks like it will be leaner. For progressives, the concern is in the diminution of solidarity in the social and regional development funds, but this is balanced out by the opportunities for investment in competitiveness. The total of €1,763 billion, if agreed, will enhance the credibility of EU finances in backing funds around the budget that can be used for progressive ends. This chapter now turns to the experience of those funds since 2011.

2. Funds linked to the EU's budget

Most of the funds outside the EU's budget have been triggered in response to unexpected challenges since 2011. While it was difficult to resolve the arrival of financial and subsequent crises through enlarging the budget, as member states have opted to keep it visibly low, ad hoc funds related to the budget seemed to fill the gap. Some of these can provide solutions more effectively as instruments for borrowing and lending than as expenditure through grants. Others, such as NGEU, have offered a combination of both approaches. It should also be remembered that there are several Europe-wide funds that are entirely separate from the EU's budget, and the most notable of these is the European Stability Mechanism, the total firepower of which is, at present, €500 billion, which the national treasuries of eurozone countries guarantee. For reasons of space, this section fo-

---

1   Draghi, M. (ed.) (2025) „The future of European competitiveness". Publications Office of the European Union.

cuses only on the most significant of the funds that have been linked to the EU's budget. Many of these funds have been the subject of a key workshop undertaken for the EP[2] and a report by the European Court of Auditors (ECA).[3]

Even before 2011, there had always been funds and instruments associated with the EU but outside its budget. Until its expiry in 2002, the European Coal and Steel Community maintained a fund that could finance research or guarantee borrowing for investment in coal and steel.[4] The European Development Fund was the EU's donor package for developing countries, which originated in 1958. It was financed directly by member states, rather than through the EU's budget, but it was managed by the European Commission. This fund was merged into the budget as recently as 2021.

2.1. BoP and EFSM

The Balance of Payments (BoP) Facility and the European Financial Stability Mechanism (EFSM) are two instruments that provided bailouts in times of crisis. These were among the first models of borrowing and lending through the EU's budget that were adopted more recently, during the eurozone crisis and the more recent crises of the pandemic and the conflict in Ukraine.

The BoP is the oldest and it dates from 2002,[5] before the crises and in preparation for the enlargement of the EU's membership from 15 to 25 member states that took place in 2004. The BoP is permitted to raise up to €50 billion on the markets and to provide this sum as credits to member states outside the eurozone that have BoP challenges. The borrowing member states implement the conditions and repay the loans with interest. If default occurs, then BoP credit is 100% guaranteed from the EU's own resources. Put another way, if

---

2   "The galaxy of funds and instruments around the EU budget". Workshop. European Parliament, 25 January 2017.

3   „Special report 05/2023: The EU's financial landscape – a patchwork construction requiring further simplification and accountability". European Court of Auditors, 1 March 2023.

4   Articles 51, 55, 56 ECSC; G. Benedetto (2024) „The history of the EU budget". PE 636.475. European Parliament, May, p. 6.

5   „Council Regulation (EC) 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for member states' balances of payments". OJ L53, 23.2.2022.

a borrowing country does not repay, then the repayment is made by the EU collectively. Of the €50 billion available, Hungary, Latvia and Romania borrowed €15.6 billion between 2008 and 2011.

The EFSM, established in 2011,[6] had a purpose that mirrored that of BoP but for eurozone member states. The level of borrowing and lending permitted for the EFSM is €60 billion, of which €22.5 billion were made available to Ireland and €26 billion to Portugal from 2011 to 2014.[7] Short-term finance was also provided to Greece in 2015. The EFSM's lending is 100% guaranteed by the EU's own resources in the event of defaulting. Neither the BoP nor the EFSM has experienced default.

Table 3. Funds related to the EU's budget.

Fund	Start	Expiry	Sum (billion €)	Repayment deadlines	% EU guarantee	% EU repays	Borrowers
BoP	2002	n/a	50	n/a	100	0	Non-Euro members in EU
EFSM	2011	n/a	60	n/a	100	0	Euro members
EFSI	2015	2020	500	n/a	6	0	Enterprises and regions
InvestEU	2021	2027	372	n/a	6	0	Enterprises and regions
SURE	2020	2022	100	2052	75	0	Member states
NGEU/RRF	2021	2024	750	2058	100	52	Member states and the EU
Ukraine Facility I	2024	2027	33	2062	100	0	Ukraine
SAFE	2025	2030	150	2075	100	0	Member states
Ukraine Facility II	2028	2034	69	n/a	70	0	Ukraine

Source: Author's own calculations.

---

6   „Council Regulation (EU) 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism". OJ L 118, 12.5.2010.
7   Benedetto, G. (2024) „The history of the EU budget", p. 20.

2.2. EFSI and InvestEU, 2015-2027

Following the financial and economic crisis of the early 2010s, a strong push for a targeted investment plan emerged. The newly elected European Commission of 2014 proposed a new fund for investing in recovery, the European Fund for Strategic Investments (EFSI). For the Socialists and Democrats (S&D) Group in the EP, agreement on a form of economic new deal was a key condition for providing its members' support for the election of Jean-Claude Juncker as president of the Commission. The initial aim of the fund was to mobilise €315 billion of credit, targeted at job creation within the next three years until 2018. Its predicted success justified a subsequent extension to 2020 and an increased investment target of €500 billion.

The EFSI's operation was managed by the European Investment Bank (EIB), the EU's independent investment institution, working in close partnership with publicly owned national promotional banks (NPBs) and local commercial and savings banks. The EU budget guaranteed €26 billion for EFSI's lending, of which €9 billion were held in a reserve fund, while the EIB guaranteed a further sum of €7.5 billion. This combined guarantee of €33.5 billion (approximately 6.5% of the total target) was designed to reassure potential investors.[8] This structure allowed the EIB to take on higher risk and more strategically important projects under EFSI than were typical of its normal practice.

The EFSI's loans had the objective of offering more favourable terms, specifically lower rates of interest, to both small and medium enterprises (SMEs) and to somewhat larger companies (not multinationals), particularly those operating in peripheral regions or struggling to access finance. A key requirement for receiving that financing was a link to job creation as an integral part of the investment

---

8   Benedetto, G. (2020) „Ensuring the accountability of the European Fund for Strategic Investments (EFSI)", in P. Stephenson, M.-L. Sánchez-Barrueco and H. Aden (eds) *Financial Accountability in the European Union* (Abingdon: Routledge), p. 227; "Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub". OJ L 345, 27.12.2017.

package. Beyond supporting businesses, the loans were also made available for critical infrastructure construction projects, such as transport links, which have a long-term impact on productivity.

InvestEU is the successor of EFSI, with a similar legal basis and it operates for the 2021-27 period of the MFF. The EIB and other banks fulfil a similar role to that in EFSI. The objectives of InvestEU are similar to those of EFSI, to reach SMEs and larger projects, and place an emphasis on the programmes of energy policy under REPowerEU, the European Green Deal and Europe Fit for a Digital Age. The InvestEU lending target is €372 billion, less than EFSI, and it is backed by a guarantee from the EU's own resources of €26.2 billion, of which €10.5 billion are held in the InvestEU fund. The EIB also guarantees €4.9 billion, reassuring lenders in the same way as the EU and EIB guarantees within EFSI.[9] InvestEU therefore represented a retreat in financial ambition for progressive policy in terms of its reduced size compared to EFSI.

EFSI and InvestEU were ambitious, if not entirely successful, instruments at the EU level. In combining the expertise of the European Commission, the EIB, NPBs at national level, and local banks, the plan was to emulate the success of well-established NPBs within national systems. Operationally independent NPBs like the *Caisse des Dépôts* Group (CDG) in France have experience similar to the EIB in terms of leading consortiums of lenders constrained by a particular policy objective that provides credit at lower rates of interest to borrowers of particular priority. The role of NPBs is discussed in Section 3.

EFSI and InvestEU were established with the full decision-making backing of both the Council of the EU, representing member states, and the EP. The ECA is entrusted to measure not only financial compliance but also the projects' successes or failures in terms of objectives. The ECA report on EFSI was critical of the fund in not reaching its full potential of €500 billion in terms of leverage for job creation but praised the fulfilment of most of its objectives.[10] The report by

---

9   Benedetto, G. (2024) „The history of the EU budget", p. 21-22; „Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility". OJ L 57, 18.2.2021.

10   „Special report 07/2025: The European Fund for Strategic Investments". European Court of Auditors, 19 March 2025.

Mario Draghi criticised InvestEU and its management by the EIB for failure to reach its potential in boosting growth by making risk averse decisions.[11]

2.3. SURE, 2020-22

In May 2020, seven months before approval of the more ambitious post-pandemic recovery instrument, NGEU, SURE – the temporary **S**upport to mitigate **U**nemployment **R**isks in an **E**mergency – was agreed.[12] As its name describes, it provided short-term credit to member states to prevent widescale unemployment given the context of lockdowns. Finance was then made available to keep employers solvent. SURE's lending could reach €100 billion until the end of 2022, generated on the financial markets, for repayment by the borrowing member states. As the European Commission has explained, the financing instrument was a social bond "meant to provide investors in these bonds with confidence that the funds mobilised will serve a truly social objective".[13] The Commission has also indicated SURE's listing on the Luxembourg Green Exchange, which is dedicated to sustainable securities.

In the event of default by a borrowing member state, 75% of the debt from SURE was guaranteed by the EU's own resources, on a similar basis to BoP and EFSM. The remaining 25% was guaranteed collectively by the national treasuries of member states. Like the EFSM before it, SURE was enacted under Article 122 of the Lisbon Treaty (or TFEU – Treaty on the Functioning of the European Union) as a decision taken only by the EU Council given the emergency context. Although the EP was excluded from providing democratic consent, both the EP and ECA were kept informed, and the ECA provided a full evaluation of the programme.[14]

---

11 Draghi, M. (ed.) (2025) „The future of European competitiveness", part A, pp. 65-66; part B, p. 289.

12 „Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak". OJ L 159, 20.5.2020.

13 „SURE: The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE)". European Commission.

14 „Support to mitigate unemployment risks in an emergency (SURE)". Special Report 28/2022. European Court of Auditors, 2022.

2.4. NGEU and the RRF, 2021-26

The European Union Recovery Instrument (EURI), better known as NGEU, is the EU's post-pandemic recovery instrument worth €750 billion in 2018 prices. Like those of the EFSM and SURE, NGEU's regulation was passed under Article 122 TFEU, excluding the EP. However, the EP exercises considerable influence over NGEU's largest component, the Recovery and Resilience Facility (RRF), which is worth €722 billion in 2018 prices. The RRF regulation was passed under Article 175 TFEU for structural matters and was agreed together by the Council of the EU and the EP.

The totality of NGEU is borrowed on the financial markets and is repaid until 2058. Planned repayments for the period of 2028-34 are forecast at almost €150 billion (see Table 2). NGEU is subdivided into €390 billion of grants and €360 billion of loans in 2018 prices. The value of the grants is repaid to investors. For this purpose, the total of own resources (EU revenue) collected may increase from 1.4 to 2.0% of GNI. The loans of €360 billion are made available to member states, which will make the repayments. If a member state defaults, its debt is guaranteed through the EU's own resources. Although the EU is bound by a Conditionality Regulation[15] that requires high standards of rule of law, including the protection of fundamental rights for the disbursement of public money, the regulation for the RRF[16] also provides very tight additional conditionality. This governs the quality of management, the independence of the judiciary and not running an excessive deficit. If a member state is in breach, the Commission may suspend disbursement of the RRF. Moreover, either the Council of the EU or the EP may unilaterally remove the delegation of powers to the European Commission, effectively suspending the programme, and they may do this if they are dissatisfied with the standards of rule of law, a consistent objective of progressives. The EP and ECA also scrutinise the accounts.

---

15 Regulation (EU, Euratom) 2020/2093 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget. OJ L 433, 22.12.2020.
16 OJ L 57, 18.2.2021, Articles 10 and 22.

2.5. The Ukraine Facility, 2024-27 and 2028-34

A facility for lending to Ukraine was established in 2024, which provides credit of up to €33 billion until the end of 2027 by means of bond sales.[17] Loans are made to Ukraine on the basis of conditions and a repayment plan of 35 years. The EU guarantees 100% repayment if Ukraine cannot repay.

The Global Europe Regulation that the European Commission proposed in July 2025 foresees a renewed credit facility for Ukraine starting in 2028.[18] This would continue to provide loans for Ukraine from lenders or investors, including via bond sales. The EU's own resources would guarantee 70% of the total and a maximum of €48 billion, thus mobilising finance of almost €69 billion, rather than €33 billion during the previous 2024-27 period. Though the amounts and proportions differ, this is an instrument for lending in which the EU budget is not directly financing a scheme but providing partial insurance to lenders, as it did in the cases of EFSI and InvestEU.

2.6. SAFE, 2025-2030

The year 2025 has also seen the beginning of a financial package for rearmament. A regulation passed in May 2025, and under Article 122 that bypasses the EP, established the fund. Reaching a maximum of €150 billion, this sum will be borrowed on the financial markets and then loaned to member states to provide rearmament and defence investment. Like BoP and EFSM, in the event of default by a borrowing member state, 100% of the lending will be guaranteed by the EU's own resources. Lending will run until 2030 and repayments may last for 45 years.[19]

The cases of EU financial activity discussed in this section are not universally progressive. Yet, EFSI/InvestEU, SURE and the NGEU/RRF contained progressive financing solutions and policy objec-

---

17 „Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility". OJ L 792, 29.2.2024.

18 „Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe". COM(2025) 551 final. European Commission, 16 July 2025, Article 24.3.

19 „Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument". OJ L 1106, 28.5.2025, Article 10.2.

tives, rather than the macro-economic conditions that conservatives sought, representing a win for progressive values. The financing characteristics of these funds are summarised in Table 3.

3. The EIB and NPBs

The types of borrowing and lending activity of the EU outlined above are familiar in national settings where government intervention is often financed through debt. Less common are instances like those of funds where the end borrower is not the government, but the national treasury guarantees borrowing in the case of default. At a time of economic uncertainty and a retreat from globalisation, the particular novelty of the EU experience in borrowing and lending that could offer interest to national policymakers is that of EFSI and InvestEU, which are built on consortiums of lenders rather than via a single bond sale.

Key partners in this process in helping to deliver economic regeneration are NPBs, though NPBs are not present in every European country.[20] Across those countries where NPBs operate, their mandates and methods or amounts of financing or capitalisation differ. Sometimes they are complemented by regional promotional banks, for example at *Länder* (state) level in Germany, while Belgium has only regional promotional banks and no NPB. Some NPBs are of recent vintage to take advantage of EU level investment, including those of the United Kingdom (UK) when it was an EU member state. Other NPBs, such as those of France and Italy, originated in the 19th century.

Based on these national models, the EIB was established in 1958 under the Treaty of Rome. Although the EIB's Board of Governors is composed of the member states' Finance Ministers, the EIB is operationally independent from the member states and the EU's institutions. The EIB's lending activities, at its initiative, are financed through bond sales, for which repayment is guaranteed by the EIB's capitalisation provided by member states in proportion to their eco-

---

20 Whittle, M., J. Malan and D. Bianchini (2016) „New financial instruments and the role of national promotional banks". Study, PE 572.687. European Parliament, 16 May.

nomic size at the time of accession. In 2020, €23 billion were held on reserve by the EIB after being paid in by member states, with a further total of €226 billion on demand from member states if ever needed.[21] This guarantee provides credibility for the EIB's borrowing and lending operations.

The EIB's roles in EFSI and InvestEU have been explained above, but what of its other initiatives? Using the European Investment Fund (EIF), a specialist arm for SMEs, the EIB has managed microfinance, social impact and other targeted investments.[22] In recent years, these have focused more solidly on regeneration that is compatible with environmental objectives or with technical innovation. To deliver these objectives the EIB has always worked with partner banks including NPBs. The novelty then of EFSI and InvestEU were not their policy objectives but the intervention of an EU policy agenda and EU budget guarantees to assist with the generation of credit that could have progressive outcomes. The EIB's borrowers are other parts of the public sector and SMEs, targeted in a similar way to the EU objectives of EFSI and InvestEU, but well before these two funds' inception.

Though key partners of the EIB are the NPBs at national level, their activity or even existence from one country to another is highly variable. At one end of a continuum is the well-resourced CDG in France, and at the other end are the rather piecemeal UK examples.

The CDG in France is operationally independent but publicly owned. Its financial credibility is drawn from revenue from savings accounts in public banks, predominantly the post office, which acts as the capitalisation, whereas many of its lending initiatives are financed through bond sales that increasingly focus on environmental and therefore progressive agendas. The focus of the CDG's financial power is sustainable development and social cohesion, including in healthcare and the digital economy. Historically, the CDG was the major investor in the construction of social housing and urban infrastructure. It works closely with commercial banks to provide targeted lending that can cohere with a progressive policy mandate, and it

---

21   „Shareholders". European Investment Bank.
22   „What we do". European Investment Fund.

has worked closely with the EIB during and before the existence of EFSI and InvestEU. The CDG's capitalisation consists of €398 billion in savings deposits, while 59.5% of the value of total savings deposited, even in privately owned banks in France, must be placed with the CDG.[23] These count to its total assets (including the value of the Post Office Savings Bank) of €1,388 billion.[24]

Turning to the UK during the period of its EU membership, the first of its three public promotional bank was regional, the Scottish National Investment Bank (SNIB) founded in 1991.[25] It seeks to crowd-in investment and like other NPBs works with conventional lenders. Its capitalisation is just £2 billion and it is entirely funded by the Scottish Government without recourse to savings accounts in publicly owned banks or to bond sales.[26]

The British Business Bank was founded in 2014 and is owned by the UK Department of Business and Trade.[27] Like the SNIB, it cannot finance projects through bond sales. It is entirely financed by the UK Government and its capitalisation is £26 billion.[28] Its role is also to crowd-in investment to secure economic growth.

The UK's Green Investment Bank was founded in 2015 as an NPB directed to mobilise capital into the green economy.[29] It was capitalised at just over £2 billion, but two years later it was privatised, making a net profit for the UK Treasury of just under £200 million.[30] These three British banks were part of the EFSI's architecture in the UK until 2020.

The cases of the CDG in France and promotional banks in the UK show very different types of public investment structure. Successful

23 „Rapport du fonds d'épargne". Caisse des Dépôts Groupe, 2024, p. 22.
24 „Présentation des résultats 2024". Caisse des Dépôts Groupe, March 2025.
25 Whittle, M., J. Malan and D. Bianchini (2016) „New financial instruments and the role of national promotional banks", p. 48.
26 Auditor General (2025) „Scottish National Investment Bank – audit scope". Audit Scotland, 8 May.
27 „About". British Business Bank.
28 British Business Bank (2025) „British Business Bank is allocated more than £4.5bn as part of the Government's 'Backing Your Business' small business plan". UK Business Angels Association, 31 July.
29 Whittle, M., J. Malan and D. Bianchini (2016) „New financial instruments and the role of national promotional banks", p. 48)
30 „UK government's sale of Green Investment Bank completed". GOV.UK, 18 August 2017.

NPBs can raise their funds through bond sales, guaranteed by capital reserves, and work with other lenders to target growth in particular sectors, including public works. When directed at progressive ends, their potential alongside traditional public expenditure can be unlimited. While much can be learned by progressives from the national case of the CDG, the EU cases of borrowing and lending also rely on the credibility of the EU's own budget and its revenue, or own resources, which can have progressive policy effects of their own. That is the subject of the final section of the chapter.

4. Steering effects and where the EU gets its money from

Traditionally, the EU budget was financed through external tariffs and a low call rate on value-added tax (VAT).[31] After 1988, an equal share of each member state's GNI was added to make up any shortfall, minus rebates or reductions for the UK and other net contributors like Germany. This GNI transfer now accounts for about two thirds of the financing of the EU's operations, not least because global tariffs had been falling until 2025. The advantage of the GNI component is that it guarantees flows to the centre, perhaps more reliably than other forms of revenue.

As the budget has increased along with all other funds around the budget that receive guarantees, own resources have had to increase to retain their credibility, while the take from GNI cannot be expanded indefinitely. The Own Resources Decision of 2021[32] introduced a new resource for the first time since 1988, a levy of €0.80 on every kilogram of non-recycled plastic packaging, supposed to raise finance and encourage recycling in response to concerns about the dumping of plastic in the natural environment. This levy taxes neither consumers nor producers; instead, it is paid by national treasuries based on

---

31 Benedetto, G. (2017) „Institutions and the route to reform of the European Union's budget revenue, 1970-2017". *Empirica*, 4(44): 615-633. DOI: 10.1007/s10663-017-9383-5; G. Benedetto (2024) "The history of the EU budget".

32 „Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom". OJ L 424, 15.12.2020.

a statistical survey of recycling rates across the EU. Its effects on changing behaviour and securing a progressive environmental outcome are indirect.

Given the retreat from globalisation, an unstable security situation and the need to provide greater credibility for EU financial operations, new and increased sources of finance that coincide with changes of behaviour through taxation are needed more than ever. In July 2025, the European Commission proposed the amendment of own resources illustrated in Table 4.[33] This would provide an increase in available resources of €58 billion per year, according to the Commission's calculations.

Table 4. New sources of EU revenue proposed by the European Commission in 2025.

New resources	Annual projection
Levy on electronic waste: €2 per kg	€15.0 billion
EU Tobacco Excise Duty (TEDOR): 15% call on national duty	€11.2 billion
ETS: 30% call	€9.6 billion
CBAM: 75% call	€1.4 billion
Corporate Resource for Europe (CORE): for corporations with a turnover >€100 million	€6.8 billion
Other adjustments	+€14.3 billion
Total increase	+€58.2 billion

Source: European Commission, COM(2025) 574 final.

The calls on the Emissions Trading System (ETS) and Carbon Border Adjustment Mechanism (CBAM) would raise finance of €11 billion and cohere with climate change objectives. While ETS has existed since 2003 and CBAM will be operational from 2026, and their rates are set according to EU rules, the income generated remains at the national level. This income would be Europeanised in the same way as it occurred for external tariffs and VAT in the Own Resources

---

33 „Proposal for a Council Decision on the system of own resources of the European Union and repealing Decision (EU, Euratom) 2020/2053". COM(2025) 574 final. European Commission, 16 July 2025.

Decision of 1970.[34] The levy on electronic waste, also an environmental charge, would be paid by treasuries based on a statistical exercise. Just like the plastic levy, its effects on consumption would be indirect. The corporations income charge, or CORE, would be limited to corporations with a large turnover and would reflect the benefit they gain from the internal market.

Successively, the EU has investigated other potential forms of budget revenue and measured them for technical and political practicality.[35] For these reasons, progressive proposals for EU revenue charges on financial transactions, the digital sector, aviation or other carbon-intensive sectors have not made it to the proposal stage. EU own resources changes can only be made by a decision of unanimity among member states, including ratification through national parliaments.[36]

The Commission's 2025 proposal for own resources,[37] if agreed, would provide further finances using a modest steering-oriented effect in terms of waste and consumption that could make the financial power of the EU more credible. The added value of the EU's own work on new resources is also for national policymakers to consider untaxed areas of their national economies that could pay more and deliver behavioural change consistent with their wider national policy agendas for employment and the transition to a green economy in a time of multiple crises.

Conclusion

The EU's budget has been kept relatively small for political reasons, but has always been flexible enough to provide backing for other funds that can have progressive objectives. It can do this in partnership with institutions like the EIB or NPBs, or exclusively through the

---

34 Benedetto, G. (2017) „Institutions and the route to reform of the European Union's budget revenue, 1970-2017"; G. Benedetto (2024) „The history of the EU budget".

35 „Reflection paper on the future of EU finances". COM(2017) 358, European Commission 28 June 2017; M. Monti (ed.) (2017) „Future financing of the EU: Final report and recommendations of the High Level Group on Own Resources December 2016". European Commission.

36 Article 311, TFEU.

37 European Commission, COM(2025) 574 final.

intermediation of the European Commission, where the EU guarantees the risk of borrowing and lending. For EFSI and InvestEU, the progressive objectives were not fully reached, due to risk aversion according to the Draghi and ECA reports. Nevertheless, the innovative method of using a public budget to support borrowing and lending has been repeatedly tested, and can be improved and utilised by European and national policymakers, particularly in countries where NPBs are less developed. The UK is one such country. Though no longer an EU member state, the UK's establishment of public promotional banks followed EU methods and could be reinforced to promote economic growth in a progressive direction.

As the EU reconsiders environmental levies to expand its revenue base and retain the financial credibility of its activities, European countries can likewise target untaxed parts of their economies to support their own plans for sustainable growth at a time when globalisation appears to be going into reverse.

Bibliography

Auditor General (2025) "Scottish National Investment Bank – audit scope". Audit Scotland, 8 May.

Benedetto, G. (2017) "Institutions and the route to reform of the European Union's budget revenue, 1970-2017". *Empirica*, 4(44): 615-633. DOI: 10.1007/s10663-017-9383-5

Benedetto, G. (2020) "Ensuring the accountability of the European Fund for Strategic Investments (EFSI)", in P. Stephenson, M.-L. Sánchez-Barrueco and H. Aden (eds) *Financial Accountability in the European Union* (Abingdon: Routledge), p. 227.

Benedetto, G. (2024) "The history of the EU budget". PE 636.475. European Parliament, May.

"Rapport du fonds d'épargne". Caisse des Dépôts Groupe, 2024.

"Présentation des résultats 2024". Caisse des Dépôts Groupe, March 2025.

Draghi, M. (ed.) (2025) «The future of European competitiveness». Publications Office of the European Union.

«Reflection paper on the future of EU finances». COM(2017) 358, European Commission 28 June 2017.

«Proposal for a Council Regulation laying down the multiannual financial framework for the years 2028 to 2034». COM(2025) 571 final. European Commission, 16 July 2025.

«Proposal for a Regulation of the European Parliament and of the Council establishing Global Europe». COM(2025) 551 final. European Commission, 16 July 2025.

«Proposal for a Council Decision on the system of own resources of the European Union and repealing Decision (EU, Euratom) 2020/2053». COM(2025) 574 final. European Commission, 16 July 2025.

«SURE: The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE)". European Commission.

"Support to mitigate unemployment risks in an emergency (SURE)". Special Report 28/2022. European Court of Auditors, 2022.

"Special report 05/2023: The EU's financial landscape – a patchwork construction requiring further simplification and accountability". European Court of Auditors, 1 March 2023.

"Special report 07/2025: The European Fund for Strategic Investments". European Court of Auditors, 19 March 2025.

Monti, M. (ed.) (2017) "Future financing of the EU: Final report and recommendations of the High Level Group on Own Resources December 2016". European Commission.

"Council Regulation (EC) 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for member states' balances of payments". OJ L53, 23.2.2022.

"Council Regulation (EU) 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism". OJ L 118, 12.5.2010.

"Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak". OJ L 159, 20.5.2020.

"Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis". OJ L 433I, 22.12.2020.

"Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom". OJ L 424, 15.12.2020.

"Council Regulation (EU, Euratom) 2024/765 of 29 February 2024 amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027". OJ L 765, 29.2.2024.

"Council Regulation (EU) 2025/1106 of 27 May 2025 establishing the Security Action for Europe (SAFE) through the Reinforcement of the European Defence Industry Instrument". OJ L 1106, 28.5.2025.

"Regulation (EU) 2017/2396 of the European Parliament and of the Council of 13 December 2017 amending Regulations (EU) No 1316/2013 and

(EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub". OJ L 345, 27.12.2017.

Regulation (EU, Euratom) 2020/2093 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget. OJ L 433, 22.12.2020.

"Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility". OJ L 57, 18.2.2021.

"Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017". OJ L 107, 26.3.2021.

"Regulation (EU) 2024/792 of the European Parliament and of the Council of 29 February 2024 establishing the Ukraine Facility". OJ L 792, 29.2.2024.

Whittle, M., J. Malan and D. Bianchini (2016) "New financial instruments and the role of national promotional banks". Study, PE 572.687. European Parliament, 16 May.

Security: A new partnership

TOMÁŠ PETŘÍČEK

Abstract

This chapter argues that European progressives must rethink security as an enabler – not a rival – of welfare, social justice and democracy. The collapse of the post-Cold War "comfort zone", defined by US dominance and stable multilateralism, has exposed Europe to multipolar disorder, weaponised interdependence and hybrid threats. In this new context, progressives must fashion a security paradigm that integrates values and power across five principles: reimagining a pragmatic and inclusive rules-based order; making security transformative rather than static; reclaiming the state as a democratic guarantor of protection and solidarity; treating security as a hybrid public good requiring polycentric governance; and developing partnerships that are flexible but principled. The chapter highlights the EU-UK partnership as a potential catalyst for progressive security cooperation, linking defence and resilience, while aligning industrial, technological and security strategies. Defence investment, it concludes, must safeguard democracy and justice – without consuming the European way of life it seeks to protect.

1. Beyond the comfort zone: Progressives in an age of insecurity

For much of the eight decades following the Second World War, European progressives pursued their social and economic objectives within a relatively predictable and structured global security environment. During the Cold War, the confrontation between the USA and the Soviet Union produced a bipolar order that was perilous but re-

markably stable. This system of mutual deterrence, grounded in the logic of nuclear balance, generated a form of strategic constraint: the risk of catastrophic escalation was omnipresent, yet it also inhibited direct conflict between superpowers. The resulting stability created the conditions for the gradual consolidation of what came to be known as the *rules-based international order* – at least within the non-Soviet world. In Western Europe, cooperation, multilateralism and regional integration flourished, embedding security within a broader framework of economic interdependence and democratic governance. The period of détente in the 1970s and 1980s further opened limited channels of dialogue and confidence-building between East and West. Within this relatively predictable geopolitical structure, European social democrats were allowed to focus primarily on domestic policies, especially on the construction of the modern European welfare-state, relying on the transatlantic alliance – particularly NATO – as the guarantor of external security.

At the same time, the period of the 1970s and 1980s provides a legacy and policy inheritance that can inspire today's progressive debates about security. Indeed, it would be misleading to portray social democrats as naïve idealists and pacifists detached from the strategic realities of Europe and the world. Throughout the Cold War, progressive leaders demonstrated a capacity to integrate defence and security priorities with diplomacy and cooperation in a responsible way. The German Social Democratic Party (SPD) provides an instructive example. While often remembered for Willy Brandt's *Ostpolitik*, aimed at détente and reconciliation with the East, Chancellor Helmut Schmidt (1974-1982) pursued a policy that married engagement and cooperation with deterrence. Convinced that peace required credibility, Schmidt increased West German defence spending and supported NATO's "dual-track decision", combining arms control with the modernisation of European military forces.[1] His leadership reaffirmed that progressives could view security not as antithetical to international dialogue and co-

---

1   Spohr, K. (2016) *The Global Chancellor: Helmut Schmidt and the Reshaping of the International Order.* (Oxford: Oxford University Press).; Kieninger, S. (2019) *The Diplomacy of Détente: Cooperative Security Policies from Helmut Schmidt to George Shultz* (London: Routledge).

operation but as its precondition. Schmidt's strategy underpinned the cooperative yet robust equilibrium that contributed to European stability in the decade before the fall of the Berlin Wall. It remains an important reminder that social democracy can reconcile the pursuit of peace and multilateralism with the maintenance of a credible defence – a synthesis that today's progressives must rediscover. A synthesis where both domestic welfare and international security priorities are not in opposition, or a kind of trade-off, but rather mutually strengthen the progressive agenda.

It was the end of the Cold War period that led to the assumption that a progressive political agenda was defined by the subordination of strategic and security interests to the social and economic priorities of European countries. The 1990s and early 2000s, which Krauthammer famously called the *unipolar moment*, saw a unique window when American global hegemony provided both Europe's security umbrella and what have some called the peace dividend.[2] In this framework, the European Union (EU) and its member states increasingly constructed their global agency around civilian,[3] economic or normative power.[4] Europe focused largely on the geographical extension of its integration model through enlargement in the Central and Eastern European direction.[5] Europe's ambition to be an international actor was based on its ability to project influence through trade, a capacity to provide regulatory standards and active participation in shaping the multilateral system rather than force or strategic capabilities. Robert Kagan captured this approach, in contrast to the role of the USA, as *Europe's paradise and America's power.*[6] In the environment that has emerged since the early 1990s, progressives could

2   Krauthammer, C. (1990) „The unipolar moment". *Foreign Affairs*, 1(70): 23-33.
3   Hill, C. (1990) European foreign policy: Power bloc, civilian model - or flop?" in R. Rummel (ed.) *The Evolution of an International Actor: Western Europe's New Assertiveness* (London: Routledge), chapter 2.
4   Falkner, R. (2007) „The political economy of 'normative power' Europe: EU environmental leadership in international biotechnology regulation". *Journal of European Public Policy*, 4(14): 507-526. DOI: 10.1080/13501760701314326
5   Hill, C. (2004) „The geopolitical implications of enlargement", in J. Zielonka (ed.) *Europe Unbound: Enlarging and Reshaping the Boundaries of the European Union* (London: Routledge), pp. 95-116.
6   Kagan, R. (2003) *Of Paradise and Power: America and Europe in the New World Order* (New York: Knopf).

prioritise the domestic agenda around welfare and rights. Security seemed to be a constant not a variable.

Nonetheless, this relative security "comfort" has vanished. We have entered an era of multipolar disorder, fragmentation and rather rapidly happening disruptions.[7] The strategic competition between the USA and China has defined the last decade and will most likely define the 21st century. But it is far from the only axis of geopolitical and geoeconomic rivalry. Russia's invasion of Ukraine destroyed illusions of a post-modern Europe beyond war. For European progressives, the future of European security architecture is increasingly central to our political agenda. Yet there are other challenges to our security and Europe's role in the world. The rise of assertive regional powers in our neighbourhood weakened European capacity to provide regional stability through economic integration and trade. And the political awakening of the Global South, which demands a greater voice in global governance, also increases the need for progressives to adapt to the changing geopolitical realities of the world.

Meanwhile, new "hybrid" threats – cyberattacks, energy coercion, weaponisation of trade ties or supply chains, disinformation, or external interference in democratic elections and decision-making processes, originating both from revisionist powers and from extremist movements such as MAGA – blur the line between peace and conflict. Economic interdependence, once the anchor of stability, has become a source of vulnerability, especially for open democratic societies like ours. Farrell and Newman describe this as a weaponised interdependence when states exploit chokepoints in global supply chains, data, and finance for strategic coercion or assertive pursuit of their security and political interests.[8] Europe has experienced this directly – from energy reliance on Russia to vulnerability in critical raw-material supply chains or to growing tech-

---

7   Bunde, T., S. Eisentraut and L. Schütte (eds) (2025) „Multipolarization: Munich security report 2025". Munich Security Conference, February; Costa, O., E. Soler i Lecha and M. C. Vlaskamp (eds) (2024) *EU Foreign Policy in a Fragmenting International Order* (London: Palgrave Macmillan).

8   Farrell, H. and A. Newman (2019) „Weaponized interdependence: How global economic networks shape state coercion". *International Security*, 1(44): 42-79. DOI: 10.1162/isec_a_00351

nological dependence on the USA and China in artificial intelligence, digital or green tech.

This new, complex geopolitical and geoeconomic environment compels progressives to revisit some of the fundamental assumptions that have guided our politics over the past three decades. For too long, social democracy has operated in the implicit belief that peace and stability were enduring givens, allowing political energy to be directed primarily toward "bread-and-butter" issues of welfare, redistribution and equality. That dichotomy – often caricatured as a choice between "tanks and butter" – has become increasingly untenable. In the new age of strategic competition, we must recognise that, without security, welfare will collapse, and without social cohesion, security will erode. The two are inseparable: prosperity cannot flourish without safety; and safety cannot be sustained without justice; and justice will remain intangible without real opportunities and inclusive social progress that allow everyone to aspire to a better life and brighter future.

For today's progressives, this means relearning the art of strategy – linking prosperity with protection, democracy with defence and solidarity with resilience. It also demands political honesty: acknowledging before our citizens that credible security is not a distraction from the social agenda, but the condition for its fulfilment. The evolving relationship between the EU and the UK, despite the institutional rupture of Brexit, epitomises this imperative. Geography, interdependence and shared vulnerabilities dictate cooperation; neither side can achieve stability in isolation. Security, therefore, must be understood not as the antithesis of social policy but as its enabling precondition – a collective good that underwrites social progress.

In the next section, this argument is taken further. I turn to an examination of the transformed global environment in which progressives must now act: a world of fragmented power, hybrid threats and weaponised interdependence. Understanding the nature of emerging multipolar reality is the first step toward redefining a progressive strategy for security, partnership and whole-of-society resilience in the 21st century.

2. The emerging multipolarity and the hybridisation of security

Competing centres and fragmented order

The international system of the 21st century is neither bipolar nor unipolar. It is best described as multipolar or polycentric, which is characterised by the diffusion and diversification of power across several centres.[9] The USA and China remain the pivotal poles of global geopolitical and geoeconomic competition, yet a range of secondary or regional powers – such as India, Turkey, Brazil or the Gulf states – now exercise growing autonomy, regional influence and strategic aspirations. Their assertiveness reshapes patterns of alliance and contestation and limits traditional powers' ability to project interests or provide security in many parts of the world. We witness the erosion of the ability of any single actor to define or enforce the rules of the game. This proliferation of power centres has fractured global governance and weakened the authority of international law and multilateral norms that, for decades, provided a certain level of predictability and stability. Instead, we face an increasingly fluid geopolitical and geoeconomic landscape, characterised by partial or non-alignments, diversified partnerships, the emergence of temporary and often issue-specific coalitions, and a redefinition of actors' roles within global governance.[10]

The fragmentation of international order is moreover deepened by the open defiance of revisionist powers toward the post-1945, or rather post-1990, global system. Russia's war of aggression against Ukraine exemplifies this challenge to the principles of sovereignty, territorial integrity and non-aggression. Yet Moscow is not alone in its resentment of a rules-based order perceived as Western-dominated. A number of states, particularly in parts of the Global South, express dissatisfaction with what they perceive as unequal participation in

---

9   Bomassi, L. (2025) „The geopolitics of multipolarity: How to counter Europe's waning relevance in Southeast Asia". European Union Institute for Security Studies, 31 January.

10   Mishra, S. (2023) „The fluidity of world order and break from past: Opportunities and challenges". *Social Development Issues*, 1(46): 45-68. DOI: 10.3998/sdi.5295

global decision-making. In this shifting environment, Europe's vulnerability is twofold. Firstly, it can no longer rely on a US-centred hierarchy or assume the permanence of American strategic commitment to its defence. Washington's shifting strategic priorities – especially its growing focus on the Indo-Pacific – are understandable given global power dynamics. What is more troubling, however, is the emerging divergence between the USA and its European allies in their perception of core values: human rights; individual freedoms; or the very nature of our constitutional (liberal) democracy. Secondly, Europe lacks the cohesion, resources and strategic will to project stability, even at the regional level – let alone on the global stage – without external support. This emerging constellation demands that Europe, and progressives in particular, fundamentally rethink the foundations of European security and the continent's role within an increasingly competitive and fragmented international system.

The return and hybridisation of power

The 21st century marks not so much the return of hard power as its reassertion in our strategic consciousness. While coercive force never disappeared from world politics, we Europeans became progressively less capable of integrating it into our strategic thinking. The post-Cold War peace dividend, combined with the belief that interdependence would replace deterrence, created a complacency with a long-term impact on our strategic culture.[11] Russia's war of aggression against Ukraine brutally exposed this illusion, reminding Europeans that military power remains the ultimate expression of state sovereignty and agency. From the re-militarisation of East Asia and inter-state confrontations in the Middle East to the militarisation of competition in the Arctic, to name just a few examples, coercion has re-emerged as the currency of international politics.[12] For Europe, this represents a strategic reckoning: its armed forces, logistics and munitions reserves have been hollowed out by decades of

---

11 Kagan, R. (2003) *Of Paradise and Power: America and Europe in the New World Order*; Ikenbery, J.G. (2018) "The end of international liberal order?". *International Affairs,* 1(94): 7-23.

12 Bunde, T., S. Eisentraut and L. Schütte (eds) (2025) „Multipolarization: Munich security report 2025"; Mearsheimer, J. J. (2018) *The Great Delusion: Liberal Dreams and International Realities* (New Haven: Yale University Press).

underinvestment and overreliance on the USA. Progressive politics must therefore re-legitimise defence, not as a relapse into militarism, but as a civic responsibility – anchored in autonomy, deterrence and the defence of democracy itself. Hard power must once again be understood as a necessary, though not sufficient, instrument of peace through strength, diplomacy and justice. In doing so, progressives can draw on our own historical traditions – as exemplified by Helmut Schmidt's approach, which combined deterrence with dialogue and saw military preparedness as a precondition for cooperative security.

Yet this reawakening to hard power occurs within an environment in which power itself has become profoundly hybrid. The traditional distinction between war and peace, domestic and external, public and private has largely eroded. Even the difference between "hard" and "soft" power has been combined into what some scholars label "sharp" power.[13],[14] Conflict today unfolds across multiple, interlinked domains – cyber, economic, technological, financial, informational and even ecological. States and non-state actors alike deploy asymmetrical instruments that exploit openness and interdependence, rather than direct confrontation with adversaries. Cyberattacks, disinformation campaigns and the weaponisation of economic dependencies are not designed to destroy military capacity but, on one hand, to weaken economic dynamism and technological competitiveness and, on the other hand, to corrode social trust, polarise public debate and undermine democratic legitimacy. As Mary Kaldor observes, these "new wars" target societies rather than armies and political legitimacy and unity rather than territory.[15] Hybrid strategies thus operate below the threshold of armed conflict while striking at the heart of societal cohesion – the very fabric of democratic resilience that underpins Europe's stability.

For Europe, this contemporary fusion of traditional and hybrid power, or "old and new wars", demands a redefinition of our strategy.

---

13   Walker, C. and J. Ludwig (2017) „The meaning of sharp power: How authoritarian states project influence". Foreign Affairs, 16 November.
14   Walker, C. (2018) „What is 'sharp power'?" *Journal of Democracy*, 3(29): 10-23.
15   Kaldor, M. (2012) *New and Old Wars: Organised Violence in a Global Era*, 3rd edn (Cambridge: Polity Press).

It is clear that the state is back and regains its indispensable role as a provider of security. Yet it can no longer monopolise it or disregard other societal actors necessary for our security and resilience. In the age of weaponised interdependence, Europe's vulnerabilities are collective and societal; its deterrence must be matched by resilience. Defence, therefore, extends beyond tanks and fighter jets to include the protection of critical infrastructures, digital ecosystems and information integrity. It requires the alignment of government, civil society, media and private actors in safeguarding democratic space. For progressives, this means reclaiming security as a public good, alongside other policies to strengthen our resilience – the foundation on which welfare, freedom and equality depend. The ultimate aim is not to emulate the coercive logic of others, but to preserve Europe's capacity for self-determination and autonomy in a world where both hard and hybrid powers are again instruments of political contestation.

The transformation or crisis of multilateralism?

For progressives, effective multilateralism has long been the cornerstone of international strategy. It has also been the logical recourse for small and mid-sized states seeking influence in a system dominated by great powers.[16] It has provided a framework through which cooperation could substitute for coercion and international law could constrain the arbitrary use of power.[17] The EU itself was conceived and evolved within this logic: as a regional polity designed to project stability through rules, shared sovereignty and institutionalised cooperation.[18] From the European Security Strategy[19] to the EU Global Strategy,[20] "effective multilateralism" has been repeatedly reaffirmed

---

16 Lupel, A., K. Pitadrumrongkit and J. Ng (2024) „Small states and the multilateral system: Transforming global governance for a better future". International Peace Institute, September.

17 Keohane, R. O. (2001) „Governance in a partially globalized world". *American Political Science Review*, 1(95): 1-13.

18 Moravcsik, A. (2009) „Europe: The quiet superpower". *French Politics*, 7: 403-422. DOI: 10.1057/fp.2009.29

19 „A secure Europe in a better world: European security strategy". 15895/03. Council of the European Union, 8 December 2003.

20 „Shared vision, common action: A stronger Europe – a global strategy for the European Union's foreign and security policy". European External Action Service, June 2016.

as the Union's guiding principle and its most natural mode of external action. Yet, the current crisis of the liberal international order has profoundly challenged this progressive paradigm. The UN Security Council has become paralysed by veto politics, the World Trade Organization's dispute settlement system is inoperative, and climate and health negotiations are increasingly contested by claims of equity and justice.[21] Meanwhile, the proliferation of regional frameworks – such as BRICS+, Shanghai Cooperation Organisation or other new South-South coalitions – illustrates both the pluralisation of global governance and the fatigue of its institutions.[22] For an actor like the EU – neither a state nor a conventional power – the erosion of multilateralism strikes at the very core of its strategic identity and international legitimacy.

The fragmentation of global governance reflects both structural shifts, in terms of geopolitical and geoeconomic influence of respective actors, and normative tensions within the liberal order. In particular, the institutions that underpinned the post-1945 order now face a twin crisis – both of legitimacy and of efficacy. On the legitimacy side, emerging powers are demanding a redistribution of authority to better reflect contemporary demographic, political and economic realities, while Western actors struggle to reconcile universal norms with the growing pluralism of values and political systems. On the efficacy side, the universal approach seems to be performing below the expectations of both states and global civil society. Both impasses are creating more space for more pragmatic multilateralism or multilateralism of necessity: the emergence of functional and issue-specific coalitions that act pragmatically where universal institutions stall. In fact, such ad hoc coalitions[23] or "minilateral frameworks"[24]

21 Lazarou, E. (2020) „The future of multilateralism and strategic partnerships". PE 652.071. European Parliamentary Research Service, September.

22 Bunde, T., S. Eisentraut and L. Schütte (eds) (2025) „Multipolarization: Munich security report 2025".

23 Brosig, M. (2022) „Ad hoc coalitions in a changing global order". *GIGA Focus*, 4(October). DOI: 10.57671/gfgl-22042

24 Heiduk, F. and Wilkins, T. (2024) „Minilateralism and pathways to institutional progression: Alliance formation or cooperative security governance?" *Australian Journal of International Relations*, 6(78): 808-827. DOI: 10.1080/10357718.2024.2416566

have already become functional substitutes for global governance in domains such as cyber norms, pandemic preparedness and climate security. These coalitions demonstrate that cooperation itself is not obsolete, but its institutional form is evolving – from hierarchical universality to modular, networked flexibility.[25] For Europe, however, this transition creates a profound paradox: the more fragmented and flexible the system becomes, the harder it is for a rule-bound, consensus-driven actor like the EU to exercise coherent and strategic leadership.

For progressives, and for the EU in particular, this transformation requires neither nostalgia for the fading liberal order nor passive adaptation to its erosion, but innovation in institutional design, in our power toolbox and most importantly in the way we use diplomacy. Europe must reconceptualise multilateralism as a modular architecture of overlapping institutions – some universal and global, others ad hoc, issue-specific and geographically limited – anchored by shared principles but adaptable to new power realities and driven by pragmatism.[26] This renewed and transformed multilateralism must combine inclusivity and performance, linking normative legitimacy to the ability to deliver concrete results. It should empower actors from the Global South with a greater voice in governance while maintaining the normative coherence that need underpins Europe's global role. Progressives should thus champion a reformed, effective multilateralism – one that is simultaneously principled and pragmatic, combining democratic accountability with flexibility in form. Only by adapting its methods in this way can Europe remain a credible advocate of international cooperation in an era of fragmentation. Redefining multilateralism is therefore not a retreat from progressive principles, but their necessary renewal in a world that increasingly resists them.

25 Weiss, T. G. and R. Wilkinson (2019) *Rethinking Global Governance* (Cambridge: Polity Press).
26 Tocci, N. (2018) „The demise of the international liberal order and the future of the European project". IAI Commentaries, 19 November.

3. The progressive imperative: Towards a new security paradigm

The preceding analysis suggests that the defining question for progressives today is not whether to take security seriously, but rather *what* we seek to defend and *how* we intend to do so. In this regard, sovereignty and national defence remain essential, implying the need to invest in our defence and military capabilities, but they cannot stand alone. Equally vital are the protection of welfare, the resilience of democracy, the pursuit of economic fairness or the safeguarding of human security. Defending these interdependent goods demands a new paradigm – one that integrates both the values and complex security toolbox, as well as principles and capabilities. It also requires resisting the temptation for simplistic solutions, which will be examined later. For now, five interrelated principles can be outlined as the foundations of such a progressive security framework.

Reimagining the rules-based order: Pragmatic pluralism for progressive multilateralism

Progressives must defend a rules-based order not by nostalgically clinging to its mid-20th-century mode, but by transforming it into a living, adaptive architecture suited for a more contested era. As Tocci and others argue in their book on multilateralism in the 21st Century, the EU's commitment to effective multilateralism is less about ideal consistency and more about aligning means with purpose in a fragmented world.[27] The crisis of current multilateralism lies less in the principles themselves than in the rigidity of their implementation and the exclusionary practices that undermine legitimacy.

In this light, the paradigm shift must emphasise pragmatic pluralism: not universal monoliths, but a modular toolbox of cooperative mechanisms. Rather than relying solely on expanding institutional hierarchies, progressives should lean into flexible, tailored collaborative formats – progressive ad hoc coalitions – that pursue norm-setting, capacity building, financial support, security cooperation and partnership in issue areas where universal institutions are paralysed

---

27 Bouchard, C., J. Peterson and N. Tocci (eds) (2013) *Multilateralism in the 21st Century: Europe's Quest for Effectiveness* (London: Routledge).

or slow to move.[28] For example, a coalition for resilient digital governance might bring together states, civil society and tech firms to pioneer shared standards. Another area, climate security, could pair development finance with adaptation norms. These modular efforts should be neither subordinate nor competing with global institutions, but complementary and dynamic.

Europe is uniquely positioned to lead this reimagined multilateralism. Its regulatory strength, norm entrepreneurship and diplomatic networks give it leverage in shaping global standards, for example, on data governance, energy transition, social rights or green technology. But normative influence must not substitute for strategic substance. The renewal of a progressive multilateralism, however, depends on Europe's ability to mobilise all its capacities – including those that lie beyond the institutional boundaries of the EU. In this context, the partnership between the EU and the UK is indispensable. Despite the political rupture of Brexit, both share a commitment to open societies, international law and global cooperation. Working together, they can give substance to a more pragmatic and flexible multilateral agenda with problem-solving orientation.

Structured consultations between the EU and the UK should form the backbone of that effort. Regular coordination on multilateral diplomacy, development and security could enable both actors to shape the multilateral agenda in key domains such as climate security, digital governance, global health, or conflict prevention and resolution. The UK's diplomatic reach and permanent seat on the UN Security Council complement the EU's regulatory influence, economic toolkit and development assistance capabilities. Acting together, they could restore Europe's credibility as a global standard-setter, demonstrating that progressive pragmatism can reconcile principle with effectiveness. In this partnership, the renewal of the rules-based order becomes not an act of nostalgia, but a joint European project to make multilateralism work in an age of fragmentation.

---

28 Greco, E. (ed.) (2020) „Renewing multilateralism for the 21st century: The role of the United Nations and of the European Union". Istituto Affari Internazionali and Foundation for European Progressive Studies, September.

Transformative security: The EU-UK partnership as a catalyst for change

Progressives must also move beyond the logic of conservative and right-wing approaches to security, which often equate it with the preservation of the status quo and reduce security to questions of defence, internal order or military capability. In an era of polycrisis or systemic shocks – from climate disruption and technological upheaval to demographic pressures – security must mean the capacity to adapt and progressively transform. The aim is not static equilibrium but dynamic resilience that protects and empowers the vulnerable.

This requires a holistic strategy linking social policy, industrial renewal, and the green and digital transitions with European defence and security planning. Strategic investment in clean energy, advanced technology, supply-chain diversification and the European defence industrial-technological base should increase our security while promoting economic growth, prosperity, social justice and strategic autonomy. The EU-UK partnership could pioneer this model by integrating hard security with societal resilience: joint initiatives in energy security, cybersecurity and critical infrastructure protection; shared early-warning and crisis-preparedness mechanisms; and coordinated support for democratic integrity and media freedom are among possible areas of closer cooperation.

Aligning industrial and defence strategies – through innovation funding, dual-use research and innovation programmes, joint procurement, and sustainable defence production – would also ensure that Europe's security efforts drive broader economic and social transformation. In this way, EU-UK cooperation would demonstrate that progressive security was not merely about defence, but about building the adaptive capacity of open democratic societies and social market economies to thrive amid uncertainty.

Reclaiming the state for progressive security

While the evidence for a full retreat of globalisation remains mixed, one trend is clear: the resurgence of the state. Governments are reasserting sovereignty over trade, industry, technology, cyberspace and strategic infrastructures. Yet this reemergence of state power is not

inherently progressive – or benign. So far, right-wing and populist forces have been quicker to seize this momentum, turning the state into a vehicle of exclusion, protectionism and even authoritarian control over those cast as "outsiders".

Progressives, by contrast, have been slower to reinvent the state as a strategic tool for shaping the new geopolitical and geoeconomic order. Part of the problem is perceptual: much of the public still associates the centre-left with the post-Cold War consensus, when social democrats and conservatives alike embraced market-oriented globalisation.[29] Since the 2008 crisis, the left has struggled to articulate a credible alternative, while critiques of globalisation have been captured by the populist right. As a result, progressives are often seen as defenders of free trade, austerity and a limited state role while not being able to find a way through the crisis of globalisation.[30]

We must rediscover our historical policy toolbox: progressives were once architects of a robust, responsible state that balanced individual liberty, social solidarity, security and internationalism. We should reclaim the language and legitimacy of the state – not in a reactionary or nativist sense, but as a progressive institution renewed for 21st-century challenges. In doing so, we can challenge the framing that leaves the state's resurgence to populist or right-wing forces – those too eager to turn nationalism into exclusion, coercion or cultural fortress.

Yet our reclamation must be rooted in our historic internationalism, not defensive nationalism, and in the ideas of progressive patriotism that seeks to harmonise attachment to one's country with global solidarity and democratic values. Indeed, patriotism is a political force that can also be central to building a progressive vision that appeals to both reason and emotion, resisting blind nativism but harnessing collective belonging.[31] Progressive patriotism and the reclaiming of the state's role in security can help reconcile our

---

29 Berman, S. and M. Snegovaya (2019) „Populism and the decline of social democracy". *Journal of Democracy*, 3(30): 5-19.
30 See, for example: Diamond, P. (ed.) (2019) *The Crisis of Globalization: Democracy, Capitalism and Inequality in the Twenty-First Century* (London: I. B. Tauris);
31 Blain, H. (2017) „Can there be a progressive patriotism?" Open Democracy, 3 July.

long-standing commitment to welfare with the growing necessity to invest in defence and resilience. Both the EU and the UK provide valuable historical and contemporary lessons for how to combine social justice with strategic responsibility. In practice, this means embedding security within a broader developmental, ecological and social agenda – where industrial policy, green and digital transformations, and defence investments serve shared prosperity and collective protection. By advancing this vision together, progressives on both sides of the Channel can redefine the state as the guarantor of open societies and architects of a renewed social contract grounded in security, solidarity and democratic resilience.

Hybrid and public good

Security in the 21st century has become a hybrid public good, as essential infrastructures and vulnerabilities are distributed across governments, firms, platforms and civil society. While progressives must rebuild the state's strategic role, effective protection against hybrid risks cannot be purely statist; it must be polycentric, with the state acting as coordinator and guarantor of multi-actor systems.[32] It requires, for example, institutionalising public-private partnerships in cybersecurity and infrastructure protection; building cross-border resilience networks involving municipalities, utilities and non-governmental organisations; and developing standing mechanisms for joint information sharing and incident response – particularly against disinformation, ransomware or risks to our critical supply chains. An EU-UK partnership can operationalise this progressive model of hybrid governance through structured political-security consultations to align threat assessments and sanctions policy,[33] deeper practical cooperation via projects such as PESCO's *Military Mobility*,[34] and the creation of joint hybrid-threat task forces under the European Centre of Excellence for Countering Hybrid Threats in Helsinki and a UK mir-

---

32 „Public private partnerships (PPPs)". European Union Agency for Cybersecurity.

33 Szczepański, M. (2024) „EU-UK relations: Towards a stronger partnership in uneasy times". PE 767.164. European Parliamentary Research Service, December.

34 Antinozzi, I. (2022) „UK–EU defence cooperation and PESCO's military mobility project". RUSI Commentary, 17 November.

ror hub. Voluntary alignment on hybrid-related standards and the development of key public-private framework guidelines would further enhance interoperability and raise the floor of resilience, demonstrating how coordinated EU-UK action can anchor democratic security in the age of hybrid threats.

Flexible but principled and credible partnerships

The final pillar of a progressive security paradigm lies in building partnerships that are flexible in form yet principled in purpose. In a fragmented world, Europe must combine strategic adaptability with a renewed commitment to democracy, the rule of law and solidarity. NATO remains the cornerstone of collective defence, and progressives should defend and modernise it – broadening its focus beyond deterrence to include resilience, cyber and hybrid defence, and climate security. Yet NATO alone cannot meet the full spectrum of today's challenges. Europe must strengthen its own strategic capacity and credibility, ensuring that autonomy complements rather than competes with alliance.

The EU-UK partnership should serve as a bridge in this effort, linking European security cooperation with transatlantic commitments. Structured consultations, joint hybrid-threat initiatives and flexible *coalitions of the willing* can enable Europe to act swiftly where consensus is difficult. Beyond the EU's industrial and technological base, progressive security requires shared planning, intelligence and operational capabilities that make cooperation effective rather than declaratory.

Finally, Europe's partnerships must extend globally – to democratic and regional actors such as Japan, Korea, Australia, Singapore, and emerging partners in Africa and the Middle East. Here, Europe's role should not be that of a security provider but of a security partner – supporting capacity building, governance and resilience. By pursuing such principled flexibility, progressives can make cooperation itself a source of security, anchoring Europe's global role in trust, reciprocity and shared responsibility.

4. Rethinking the defence budget: From percentages to strategy

The culmination of a progressive security agenda lies in the question of resources. Europe today lacks both the capabilities and readiness to respond to major security challenges. Decades of underinvestment, fragmentation and reliance on the USA have left Europe strategically exposed. Yet the answer is not simply to spend more. The fixation on GDP targets – 2, 3 or even 3.5% – offers a false sense of sufficiency. For many on the right and far right, such targets substitute for strategy. Progressives must reject this arithmetic illusion. Money alone cannot buy security if it is not guided by shared priorities, coherent planning and political resolve.

The goal must be to ensure that spending follows strategy, not the reverse. This means building a genuinely European strategic culture: joint doctrines; integrated planning; and interoperable forces supported by shared intelligence, logistics and command capabilities. Europe must be able to act autonomously where necessary – if compelled to do so by crisis or by the retreat of the USA – while remaining anchored in NATO. Autonomy is not separation but the capacity for choice.

A progressive vision of defence also extends beyond the military sphere. Security is multi-domain – spanning cyber, space, energy and societal resilience. Investments must therefore strengthen both external defence and internal cohesion. Defence spending must be legitimate, transparent and sustainable – aligned with social and environmental goals rather than undermining them.

Ultimately, Europe does not merely need higher defence spending; it needs strategic coherence and political will. Capabilities without doctrine are idle, and budgets without legitimacy are unsustainable. Progressive leadership must therefore make defence investment a means to protect democracy, justice and welfare – the foundations of Europe's security itself. In other words, our way forward is to ensure that Europe's renewed investment in our common security strengthens, rather than consumes, the democratic vitality, social justice and human dignity that define the European way of life.

5. Conclusion: Defending the progressive project in an age of insecurity

The age of multipolar disorder has dissolved the comfortable boundaries that once separated domestic welfare from international security. For progressives, the challenge is existential: to defend the achievements of social democracy in a world of systemic insecurity. What were once separate policy spheres – defence and redistribution, diplomacy and welfare, deterrence and justice – have become deeply interdependent. Security is no longer the backdrop to progressive politics; it is its foundation.

This chapter has argued that progressives must adapt to this new reality through five interrelated principles.

- First, they must recognise the structural transformation of global power and the hybridisation of threats that blur the line between peace and conflict, internal and external security, public and private actors.
- Second, they must reimagine the rules-based international order as inclusive and flexible – anchored in shared norms but operationalised through pragmatic and pluralistic forms of multilateralism.
- Third, they must treat security as transformative, linking resilience, innovation and social justice, and understanding defence not as status quo maintenance but as empowerment of societies.
- Fourth, they must reclaim the state as a progressive instrument for collective protection and solidarity – an enabling force that integrates welfare, industrial and security policy into a single strategic vision.
- Fifth, they must build partnerships that are both flexible and principled: rooted in democracy and the rule of law, but capable of rapid, modular cooperation across domains and with global partners.

Taken together, these principles amount to a progressive approach to European security and the role of partnerships in it: a vision that connects power and values, action and legitimacy. Europe does not need to choose between justice and strength or between defence

and welfare. It must weave them together into a coherent fabric of collective resilience. Defence capabilities are indispensable, but they must serve the broader purpose of protecting democracy, prosperity and the European way of life – not consume them.

In this task, the EU-UK partnership is pivotal. Despite the institutional rupture of Brexit, both share the same interests, vulnerabilities and traditions of democratic responsibility. Working together, they can pioneer a model of progressive security that integrates hard power with societal resilience: joint investments in energy and digital infrastructure; coordinated responses to hybrid threats; and renewed leadership in shaping a fairer multilateral order. This partnership can turn security cooperation into a vehicle for social and ecological transformation – demonstrating that Europe's strength lies not in isolation or militarisation but in solidarity and foresight.

Ultimately, the purpose of progressive security is not only to defend Europe from its adversaries but to reaffirm what Europe stands for. A secure Europe must also be a fair, democratic and confident Europe – one that protects its people while sharing responsibility for security and development beyond its borders. In leading this transformation, progressives can ensure that addressing contemporary security challenges can strengthen European constitutive values and principles, freedom, welfare, and justice, not simply provide an opportunity for unnecessary securitisation and militarisation.

Bibliography

Antinozzi, I. (2022) "UK–EU defence cooperation and PESCO's military mobility project". RUSI Commentary, 17 November.

Berman, S. and M. Snegovaya (2019) "Populism and the decline of social democracy". *Journal of Democracy*, 3(30): 5-19.

Blain, H. (2017) "Can there be a progressive patriotism?" Open Democracy, 3 July.

Bomassi, L. 2025) "The geopolitics of multipolarity: How to counter Europe's waning relevance in Southeast Asia". European Union Institute for Security Studies, 31 January.

Bouchard, C., J. Peterson and N. Tocci (eds) (2013) *Multilateralism in the 21st Century: Europe's Quest for Effectiveness* (London: Routledge).

Brosig, M. (2022) "Ad hoc coalitions in a changing global order". *GIGA Focus*, 4(October). DOI: 10.57671/gfgl-22042

Bunde, T., S. Eisentraut and L. Schütte (eds) (2025) "Multipolarization: Munich security report 2025". Munich Security Conference, February.

Costa, O., E. Soler i Lecha and M. C. Vlaskamp (eds) (2024) *EU Foreign Policy in a Fragmenting International Order* (London: Palgrave Macmillan).

"A secure Europe in a better world: European security strategy". 15895/03. Council of the European Union, 8 December 2003.

Diamond, P. (ed.) (2019) *The Crisis of Globalization: Democracy, Capitalism and Inequality in the Twenty-First Century* (London: I. B. Tauris).

"Shared vision, common action: A stronger Europe – a global strategy for the European Union's foreign and security policy". European External Action Service, June 2016.

"Public private partnerships (PPPs)". European Union Agency for Cybersecurity.

Falkner, R. (2007) "The political economy of 'normative power' Europe: EU environmental leadership in international biotechnology regulation". *Journal of European Public Policy*, 4(14): 507-526. DOI: 10.1080/13501760701314326

Farrell, H. and A. Newman (2019) "Weaponized interdependence: How global economic networks shape state coercion". *International Security*, 1(44): 42-79. DOI: 10.1162/isec_a_00351

Greco, E. (ed.) (2020) "Renewing multilateralism for the 21st century: The role of the United Nations and of the European Union". Istituto Affari Internazionali and Foundation for European Progressive Studies, September.

Heiduk, F. and Wilkins, T. (2024) "Minilateralism and pathways to institutional progression: Alliance formation or cooperative security governance?" *Australian Journal of International Relations*, 6(78): 808-827. DOI: 10.1080/10357718.2024.2416566

Hill, C. (1990) European foreign policy: Power bloc, civilian model - or flop?" in R. Rummel (ed.) *The Evolution of an International Actor: Western Europe's New Assertiveness* (London: Routledge), chapter 2.

Hill, C. (2004) "The geopolitical implications of enlargement", in J. Zielonka (ed.) *Europe Unbound: Enlarging and Reshaping the Boundaries of the European Union* (London: Routledge), pp. 95-116.

Ikenbery, J.G. (2018) "The end of international liberal order?". *International Affairs,* 1(94): 7-23.

Kagan, R. (2003) *Of Paradise and Power: America and Europe in the New World Order* (New York: Knopf).

Keohane, R. O. (2001) "Governance in a partially globalized world". *American Political Science Review*, 1(95): 1-13.

Kieninger, S. (2019) *The Diplomacy of Détente: Cooperative Security Policies from Helmut Schmidt to George Shultz* (London: Routledge).

Krauthammer, C. (1990) "The unipolar moment". *Foreign Affairs*, 1(70): 23-33.

Lazarou, E. (2020) "The future of multilateralism and strategic partnerships". PE 652.071. European Parliamentary Research Service, September.

Lupel, A., K. Pitadrumrongkit and J. Ng (2024) "Small states and the multilateral system: Transforming global governance for a better future". International Peace Institute, September.

Mearsheimer, J. J. (2018) *The Great Delusion: Liberal Dreams and International Realities* (New Haven: Yale University Press).

Mishra, S. (2023) "The fluidity of world order and break from past: Opportunities and challenges". *Social Development Issues*, 1(46): 45-68. DOI: 10.3998/sdi.5295

Moravcsik, A. (2009) "Europe: The quiet superpower". *French Politics*, 7: 403-422. DOI: 10.1057/fp.2009.29

Szczepański, M. (2024) "EU-UK relations: Towards a stronger partnership in uneasy times". PE 767.164. European Parliamentary Research Service, December.

Tocci, N. (2018) "The demise of the international liberal order and the future of the European project". IAI Commentaries, 19 November.

Walker, C. (2018) "What is 'sharp power'?" *Journal of Democracy*, 3(29): 10-23.

Walker, C. and J. Ludwig (2017) "The meaning of sharp power: How authoritarian states project influence". Foreign Affairs, 16 November.

Weiss, T. G. and R. Wilkinson (2019) *Rethinking Global Governance* (Cambridge: Polity Press).

Don't wait for Washington: Time for a European plan for US retrenchment

M.HAAS ET AL

Introduction

The return of Donald Trump to the White House has reignited a long-standing debate over Europe's dependence on the USA for its security. Although concerns about the credibility of the American commitment to NATO are not new, Trump's explicit scepticism towards the alliance has made the prospect of a US military drawdown in Europe appear far more likely than ever before. Such a shift would not represent a sudden rupture, but rather the continuation of a decades-long trend. Since the end of the Cold War, successive US administrations have sought to gradually scale back America's military footprint in Europe, driven by changing strategic priorities and an increasing focus on the Indo-Pacific. As Washington concentrates its attention and resources on containing China, Europe faces the real possibility of a partial, gradual or even abrupt US retrenchment.

What remains deeply uncertain, however, is the form and pace that such a reorientation will take and how Europe will and can respond to different scenarios. As of October 2025, the National Defence Strategy and the Global Posture Review are still under consideration by the Pentagon, although both had been expected by September 2025.[1] European governments are actively seeking clarity on Washington's plans for the continent, but it remains unclear which US capabilities might be withdrawn, when this would occur and to what extent Washington would still uphold its role as Europe's ultimate

---

[1] Apps, P. (2025) „Russia, China work to outflank Pentagon's new tighter focus on 'winning wars'". *Reuters*, 3 October.

security guarantor.[2] The USA consistently confirms its "commitment to NATO", but at the same time increasingly hints at a form of disengagement from the continent's security. This ambiguity generates strategic uncertainty for European policymakers, who must plan for a wide spectrum of potential outcomes: from limited redeployment to far-reaching disengagement of US military capability. Currently, many European countries seem to downplay this future scenario, but simply waiting for clarity and direction from Washington would be a mistake. Europe must take its fate into its own hands.

Europe's reliance on the USA is multifaceted. First and foremost, Europe continues to depend heavily on American military power, particularly for high-end capabilities such as intelligence, long-range strikes and strategic airlifts and, relatedly, the presence of US forces on the continent. Secondly, when it comes to Europe's own military equipment, dependence extends to the US defence industry. A Bruegel study of October 2025 shows that Europe has substantially increased its purchases of US military equipment over the past four years.[3] In this chapter, we analyse the former: Europe's dependence on US military presence. To safeguard its security and ensure continuity within the transatlantic alliance, Europe must take the initiative by formulating its own plan to complement or replace US assets where necessary. This effort must be inclusive of all key European actors, not only European Union (EU) member states but also the UK, whose military capabilities and strategic reach remain indispensable to the continent's defence.

This chapter examines the rationale, feasibility and requirements for reducing Europe's dependence on the USA. It argues that while increased defence spending and closer cooperation are crucial, they must be embedded in a more forward-looking planning process, one that allows Europe to anticipate, rather than merely react to, a future in which the USA's role in European defence it likely to be much more limited.

---

2   Spatafora, G. (2025) „No surprises? Preparing for the US defence strategy and posture review". European Union Institute for Security Studies, 24 July.

3   Meijo-López, J. and G. B. Wolff (2025) „Europe's dependence on US foreign military sales and what to do about it". Policy brief. Bruegel, 13 October.

US withdrawal from Europe: Will this time be different?

Trump's return to office has revived long-held concerns about the credibility of the American security guarantee to Europe. During his campaign, Trump infamously declared that he would encourage Russia to "do whatever the hell they want" to any NATO member that failed to spend sufficiently on its own defence.[4] In the run-up to the NATO summit in The Hague, he again cast doubt on Washington's commitment to the Alliance, openly questioning the meaning of NATO's mutual defence clause.[5] His cordial tone towards Moscow during the first months of his new presidency has only reinforced European anxieties about America's posture.

This uncertainty concerns many aspects, not least the military presence of the USA on the continent. Although no detailed withdrawal plans have surfaced, there are strong indications that a reduction of US forces in Europe is under active consideration. In the very first week of Trump's second presidency, diplomatic sources reported that Washington was preparing to withdraw around 20% of its European troop presence.[6] The ideological blueprint of the administration, Project 2025, provides further context for such a move: it argues that America's allies should be "capable of fielding the great majority of the conventional forces required to deter Russia, while relying on the USA primarily for our nuclear deterrent".[7]

Political debates also reveal the ongoing discussion within American politics. In a hearing of the Senate Committee on Armed Services on 3 April 2025, the Republican Senator from Mississippi, Roger Wicker, referred to administrative planning on a reduction of the US military footprint:

---

4   Sullivan, K. (2024) „Trump says he would encourage Russia to 'do whatever the hell they want' to any NATO country that doesn't pay enough". *CNN*, 11 February.

5   Mason, J. and S. Sebold (2025) „Trump casts doubt on mutual defence as he flies to Europe for NATO summit". *Reuters*, 24 June.

6   van Brugen, I. (2025) „Donald Trump pulling US troops from Europe in blow to NATO allies: Report". *Newsweek*, 23 January.

7   Spatafora, G. (2025) „The Trump card: What could US abandonment of Europe look like?" Brief. European Union Institute for Security Studies, February.

I'm troubled at this deeply misguided and dangerous view held by some mid-level bureaucrats within the Defense Department. They've been working to pursue a US retreat from Europe, and they've often been doing so without coordinating with the Secretary of Defense and the National Security Council. As I have said, Russia is now mobilized for permanent war, withdrawing now would doom any hope of lasting peace in Europe.

At the same time, his Republican colleague, Senator Schmit, who was presiding over the Committee, holds a different view: *"Time and time again, the United States is expected to shoulder Europe's defense while rich European countries sit back, issue statements, and undeliver"*. Trump seems more aligned with the latter view.

Trump's stance reflects broader and long-standing debates about US strategy. In fact, as early as 1951, NATO's first Supreme Allied Commander Europe, General Dwight Eisenhower, stated that *"If in 10 years, all American troops stationed in Europe for national defense purposes have not been returned to the United States, then this whole project will have failed"*. However, discussions about US withdrawal from Europe became more salient and concrete after the end of the Cold War. Before the fall of the Berlin Wall, preventing Soviet control of Western Europe was a vital interest for the USA: the region's economic and industrial strength could have significantly enhanced Moscow's ability to challenge the USA. American and European security were therefore inseparable. With the collapse of the Soviet Union, however, this logic of indivisible security faded, opening the way for a sharp reduction in US military presence in Europe. Under the banner of the so-called "peace dividend", American leaders cut defence spending and drew down overseas deployments to redirect resources to domestic policy. The number of US troops stationed in Europe fell from around 300,000 at the end of the Cold War to roughly 66,000 by the close of George W. Bush's administration in 2008.[8] Rather than offsetting this retreat, European governments dismantled their large conscript armies and shifted to smaller, professional forces, in line with the disappearance of an immediate conventional

---

8   Jones, S. G. and S. P. Daniels (2025) „Deterring Russia: U.S. military posture in Europe". CSIS, 27 January.

threat and the turn toward new strategic priorities.[9] As a result, even at only 20% of its Cold War troop levels, the USA remained Europe's principal military power.

In the 2010s, US troop levels in Europe were reduced even further after the Obama administration announced its "pivot to Asia", acknowledging the systemic challenge posed by China. In practice, however, crises in the Middle East and, later, the war in Ukraine repeatedly redirected US attention back to Europe. Troop numbers dropped to a post-World War II low of 63,000 in 2013, before Russia's annexation of Crimea prompted a modest increase. During his first term, President Trump announced plans to reduce the US presence in Germany from 36,000 to 24,000 troops, with roughly half of the withdrawn forces slated for redeployment to Belgium and Italy, and about 6,400 leaving the continent altogether.[10] The plan was never implemented, as the Biden administration quickly reversed the decision. With Russia's invasion of Ukraine, large-scale conventional war returned to Europe. Instead of gradually scaling back its involvement, Washington under Biden significantly expanded its military, financial and political engagement. Troop levels surged again to around 100,000 and have since fluctuated between 75,000 and 105,000.[11]

This overview makes it clear that Trump's second presidency has not created, but rather rekindled, the longstanding debate about a reduced US commitment to Europe. The Biden administration merely delayed the inevitable. This debate is less a reflection of Trump's personal foreign policy style than of a persistent gap between identified US national interests and actual policy. Closing this gap appears to require a substantial reallocation of US resources from Europe to the Indo-Pacific to deter China effectively. For years, such rebalancing remained more of a theoretical aspiration than an operational reality. Under Trump, however, it could well become concrete policy. The prevailing analysis among US policymakers is shaped by a realist

9   King, A. (2011) *The Transformation of Europe's Armed Forces: From the Rhine to Afghanistan* (Cambridge: Cambridge University Press).
10 Coffey, L., T. W. Spoehr and D. Kochis (2021) „President Biden should keep U.S. troops in Europe". The Heritage Foundation, 16 February.
11 Carlough, M., B. Harris and A. McGowan (2025) „Where are U.S. forces deployed in Europe?" Council on Foreign Relations, 27 February.

perspective on the global strategic environment: the USA is over-stretched; its military primacy is no longer assured; and avoiding further overextension has become imperative, making prioritisation of strategic assets unavoidable.[12]

Europe's enduring military dependence on the USA

Even after years of anticipating further US drawdowns, Europe continues to rely heavily on American power for its defence. The crucial determinant of this dependence is the need for external military assistance against a potential adversary.[13] European dependence has become even more pressing in light of Russia's growing aggressiveness; not only through its war in Ukraine but also via recent drone and airspace incursions that underscore the fragility of Europe's security environment. Studies consistently show that, in the event of a high-intensity conflict, European states would struggle to defend themselves against Russia without American backing.

A much-cited study by the International Institute for Strategic Studies (IISS) modelled a scenario in which the USA withdrew from NATO and hostilities broke out between Russia and NATO members Lithuania and Poland. The scenario culminated in Russian occupation of Lithuania and the seizure of parts of Polish territory. According to the study, European NATO members would not be able to restore Polish and Lithuanian control over these territories, unless they invested between $288 and $357 billion to close the capability gaps.[14]

Similarly, the Center for Strategic and International Studies examined Europe's ability to conduct "high-end" missions, such as halting a Russian advance in the Baltics. Their analyses of war games and scenarios indicated that European militaries lacked the speed, scale

---

12 Lind, J. and D. G. Press (2025) „Strategies of prioritization: American foreign policy after primacy". *Foreign Affairs*, 24 June.

13 Snyder, G. H. (1984) „The security dilemma in alliance politics". *World Politics*, 4(36): 461-495. DOI: 10.2307/2010183

14 Barry, B., D. Barrie, L. Béraud-Sudreau et al. (2019) «Defending Europe: Scenario-based capability requirements for NATO's European members". International Institute for Strategic Studies, 10 May.

and lethality needed to repel such an attack without US involvement.[15] More recently, Jan Kofron and Jakub Stauber offered a somewhat more optimistic outlook, noting that if Russia refrained from mobilising conscripts, Poland could likely hold the line with allied support of around ten brigades. Yet if conscripts were deployed from the outset, the requirement would double, stretching Europe's capacity to breaking point.[16] Even in favourable scenarios, then, Europe's ability to counter Russia without US support remains fragile.

This dependence is not confined to territorial defence but extends to a broader range of high-end military tasks. Other demanding missions, such as securing sea lines of communication or undertaking complex crisis-management operations, would likewise prove difficult without American support.[17] Taken together, studies confirm the extent of Europe's ongoing dependence on the USA.

The strategic rationale for continued US engagement in Europe

Europe's dependence on the USA is undisputed. Yet it is Washington's interests, not Europe's vulnerabilities, that will ultimately shape the future of America's military presence on the continent. These interest are more complex than often supposed. Although the imbalance between US commitments to Europe and Washington's broader strategic priorities has long been apparent, the USA also profits from its presence in Europe.

One of the most tangible US interests in Europe is the network of over 30 American military bases across the continent, which provide forward positions for power projection, crisis response and

15   Jones, S. G., R. Ellehuus and C. Wall (2021) „Europe's high-end military challenges: The future of European capabilities and missions". Center for Strategic and International Studies, 10 November.

16   Kofron, J. and J. Stauber (2025) „Can Europe defend itself without the United States?" *European Security*. DOI: 10.1080/09662839.2025.2523031

17   Barry, B., D. Barrie, L. Béraud-Sudreau et al. (2019) „Defending Europe: Scenario-based capability requirements for NATO's European members"; Jones, S. G., R. Ellehuus and C. Wall (2021) "Europe's high-end military challenges: The future of European capabilities and missions".

deterrence.[18] These installations, and the associated access to European airspace and waterways, give the USA operational reach across a strategically vital arc – "from the Arctic to the Levant, from the Maghreb to the Caucasus", home to crucial shipping lanes, energy routes and trade corridors.[19] US bases in Europe have repeatedly served as indispensable hubs for operations in adjacent regions, as shown recently with conducting missions against Houthi targets in Yemen in 2024 to supporting Israeli air defence against Iranian strikes in 2025. They also contribute directly to the defence of the USA itself: facilities in Europe help track Russian submarines that might otherwise threaten the American coastline.[20]

Beyond these operational advantages, the USA's presence in Europe provides strategic depth.[21] Technological advances in long-range precision strikes, cyber warfare and space capabilities have eroded the protective buffer once afforded by the Atlantic and Pacific Oceans. By stationing forces overseas, the USA can confront adversaries closer to their point of origin and prevent crises from reaching its own shores. In this sense, Europe functions as an extended line of defence, absorbing and mitigating risks before they can endanger the American homeland.

A stable Europe also remains important to US economic interests.[22] The USA and the EU are among each other's most important trading partners and principal sources of foreign direct investment. Moreover, Europe is a significant market for the American defence industry.[23] By purchasing US systems, technologies and equipment, European militaries ensure interoperability with American forces – a prerequisite for effective joint operations within NATO. These de-

---

18 Wallander, C. A. (2025) „Beware the Europe you wish for: The downsides and dangers of allied independence". *Foreign Affairs*, 24 June.

19 Coffey, L., T. W. Spoehr and D. Kochis (2021) „President Biden should keep U.S. troops in Europe".

20 Wallander, C. A. (2025) „Beware the Europe you wish for: The downsides and dangers of allied independence".

21 Jones, S. G. and S. P. Daniels (2025) „Deterring Russia: U.S. military posture in Europe".

22 Coffey, L., T. W. Spoehr and D. Kochis (2021) „President Biden should keep U.S. troops in Europe".

23 Wallander, C. A. (2025) „Beware the Europe you wish for: The downsides and dangers of allied independence".

fence ties also generate considerable commercial benefits for the USA, further reinforcing the economic dimension of its security presence in Europe.

Finally, and most broadly, the USA cannot address contemporary security challenges in isolation. From counterterrorism to managing relations with Iran, Russia and China, Washington depends on its network of allies.[24] The growing strategic rivalry with China, in particular, underscores the enduring importance of transatlantic cooperation. A cohesive Western alliance strengthens America's global position; conversely, as Olivier Schmitt warns, a US withdrawal from Europe would in all likelihood push the continent closer to Beijing, thereby bolstering China's influence in the international system.[25]

For these reasons, a complete American withdrawal from Europe would be against US national interests and, thus, remains an improbable outcome. The USA still benefits materially, strategically and politically from its presence on the continent. In fact, a recent opinion poll of the Chicago Council shows that a majority of the American public still supports retaining long-term military bases in Europe and deploying US troops if European allies are invaded.[26] Rather than abandoning the continent, Washington is likely to recalibrate its military posture, adjusting its presence to better reflect global priorities and to prevent strategic overextension. The central question, therefore, is not whether the USA will remain engaged in Europe, but in what form and to what extent.

Possible scenarios of US retrenchment

While no detailed withdrawal plans have emerged, policy debates indicate that the Trump administration is preparing for a reduction of US troops in Europe. Possibly, the USA could shift from acting as Europe's first line of defence to serving as a guarantor of last resort. This would

---

24 Wallander, C. A. (2025) „Beware the Europe you wish for: The downsides and dangers of allied independence".

25 Schmitt, O. (2024) „Why a rapid U.S. withdrawal from Europe will reinforce China". *Carnegie Endowment for International Peace*, 17 December.

26 Smeltz, D. (2025) „Americans support using US troops to defend Poland". Blog. The Chicago Council on Global Affairs, 12 September.

not mean complete abandonment, and even in a minimal-involvement scenario, it is difficult to imagine Washington remaining entirely neutral in the face of a major Russian assault on the Baltic states or Finland.[27] At a minimum, the USA could provide intelligence, logistical support and munitions. Jennifer Kavanagh and Peter Slezkine, for example, argue that the USA could meet its Article 5 commitment by offering military assistance or logistical support, rather than engaging with US soldiers.[28] Similarly, Emma Ashford envisions the USA as a "balancer of last resort", intervening only when Europe faces an existential threat, while still advocating an almost complete, phased withdrawal of US forces and nuclear assets from the continent.[29]

Other possible scenarios could entail maintaining a stronger American role. Sumantra Maitra, for instance, proposes a "dormant NATO", in which the USA continues to backstop the continent's security by providing a nuclear umbrella and deploying its naval resources.[30] Alexander Velez-Green and Robert Peters, in turn, argue that Washington should reallocate assets needed to defend the US homeland and deter China, leaving Europe to assume primary responsibility for its own conventional defence.[31] Nonetheless, they support maintaining America's extended nuclear deterrent and certain conventional forces not required elsewhere.

While also arguing for a reduced commitment, Christopher Chivvis envisions more remaining American forces.[32] More specifically, he contends that the USA should not withdraw entirely, but instead concentrate on forces essential to its national interests. He argues that US military assets in Europe should primarily serve to protect the

27 Sweeney, M. (2023) „How would Europe defend itself". Defense Priorities, 11 April.
28 Kavanagh, J. and P. Slezkine (2025) „The fatal flaw in the transatlantic alliance: Trump must do much more to rebalance America's relationship with Europe". *Foreign Affairs*, 30 September.
29 Ashford, E. (2025) „Passing the baton in Europe". *Foreign Policy*, 22 August.
30 Maitra, S. (2024) „The best NATO is a formant NATO". *Foreign Affairs*, 4 November.
31 Velez-Green, A. and R. Peters (2024) „The Prioritization imperative: A strategy to defend America's interests in a more dangerous world". The Heritage Foundation, 1 August.
32 Chivvis, C. S. (2025) „How U.S. forces should leave Europe: And why Trump should start the process now". *Foreign Affairs*, 23 July.

American homeland, particularly the East Coast, from potential Russian sea-based attacks and to sustain critical intelligence capabilities. Since only Russia's nuclear, cyber and covert operations directly threaten the USA, Chivvis suggests focusing resources on these domains while leaving conventional land defence largely to European allies. Nonetheless, he also envisions a residual "backstop" presence, including two army brigades, support aircraft and naval forces, as well as specialised units for command, missile defence and intelligence. To maintain alliance cohesion, he further supports a small, low-cost US contribution to NATO's Enhanced Forward Presence.

Lastly, some analysts argue that the US has to keep a sizeable US force in Europe. Seth Jones and Seamus Daniels insist that a substantial, forward-deployed US force that includes a significant number of ground forces, remains essential to deter Russia and, if necessary, to fight and win a great-power war.[33]

Not only the scope of a potential withdrawal is contested, but so too is the timeline. Even under ideal conditions, a full US redeployment would be logistically complex and protracted, probably taking at least a year and affecting hundreds of thousands of personnel and their families.[34] Moreover, existing US bases could absorb only a fraction of the returnees, and new facilities would take years to construct. Yet beyond these practical obstacles, most analysts argue that any withdrawal should proceed more slowly than logistics alone would dictate.

Despite differing views on the ultimate end state, there is broad agreement that a drawdown must be phased and predictable, giving European allies sufficient time to assume greater responsibility. Velez-Green and Peters advocate setting clear timelines to incentivise European defence investments; Ashford suggests starting with easily substitutable assets, such as infantry combat teams, and delaying the transfer of more complex systems, like air-to-air refuelling, airlift and missile defence, until the medium or long term. Chivvis proposes a two-phase drawdown: firstly, returning to pre-2022 troop levels by

---

33 Jones, S. G. and S. P. Daniels (2025) „Deterring Russia: U.S. military posture in Europe".
34 Grobe, S. (2025) „Will Trump really pull US troops out of Europe?" *Euronews*, 25 June.

the end of 2026, cutting them to roughly half of today's levels and rebalancing them to include primarily naval forces, a smaller proportion of air power and a limited number of ground forces.

In summary, both the extent and timing of a potential US withdrawal remain uncertain, leaving Europe unclear about what level of strategic autonomy it must prepare for.

The imperative of reducing dependence

As such, it appears likely that there will be a rebalancing of US military priorities away from Europe. A few months into the new Trump administration, European NATO allies began to gradually face this reality behind closed doors. As reported by Euractiv in June 2025, "private preparations" had started in anticipation of different scenarios for possible US withdrawal.[35] Concerns are highest on NATO's Eastern Flank, where some countries are even pushing for a review of the alliance's defence plans, as these did not take a smaller US role into account. Although US officials have repeatedly dismissed concerns over a possible US withdrawal,[36] many within European NATO circles consider the prospect increasingly plausible. In an interview with Politico, Finnish President Alexander Stubb expressed confidence that an announcement of US troop reductions is imminent, though the extent remains uncertain, and emphasised the importance of retaining key military assets in Europe.[37]

However, while awareness of this eventuality has grown, Europe still needs to do more to reduce its dependence on Washington. First and foremost, reducing dependence on the USA both helps to avoid and to prepare for the worst-case scenario of an almost complete and unplanned American disengagement from Europe. As argued above, the USA still has strategic interests in Europe, making a full withdrawal unlikely. The main problem, however, lies in the imbal-

---

35 Brzozowski, A. (2025) „European NATO allies begin to brace for US troops posture rethink". Euractiv, 3 July.

36 Brzozowski, A. (2025) „Rubio dismisses speculation US could leave NATO as 'hysteria'". Euractiv, 3 April.

37 Vinocur, N. (2025) „Finland urges US to keep key military equipment in Europe". Politico, 26 September.

ance between the relative priority of these interests, when compared to interests elsewhere in the world, and the costs of defending Europe.[38] By reducing the latter, the likelihood of complete abandonment decreases, since the benefits of supporting Europe would then be more likely to outweigh the costs. In the worst-case scenario, in which US assistance is not forthcoming, reduced dependency would also leave Europe better positioned to act independently.

Secondly, enhanced European defence capabilities would reinforce the credibility of Europe's deterrence posture with respect to Russia. By casting doubt on the USA's commitment to NATO, Trump has eroded the perceived reliability of Article 5.[39] As argued by Biscop, this has done irreversible damage to the credibility of the mutual defence clause.[40] The greater Europe's capacity for autonomous defence, the less its deterrent effect would be undermined by this diminished credibility. Furthermore, by reducing the extent of American assistance required in the event of armed conflict, increased European self-sufficiency would simultaneously enhance the likelihood of US support materialising when needed.

Thirdly, Europe's bargaining power with regard to the USA would increase substantially if its dependence on American security guarantees were reduced. During the initial months of Trump's second presidency, it became evident that Europe remained highly vulnerable to US pressure to raise defence expenditure. European states, for instance, had little alternative but to accept NATO's 5% defence spending target. This structural dependence on the USA not only weakened Europe's bargaining position in negotiations over a new trade agreement, but also limited its influence on diplomatic efforts to resolve Russia's war against Ukraine. However, the USA's leverage over its allies ultimately depends on the credibility of its threat to withhold support, a threat that would be considerably less convincing if Europe required only minimal American assistance to deter or repel Russian aggression.

---

38 Grand, C. (2024) „Defending Europe with less America". Policy brief. European Council on Foreign Relations, 3 July.

39 Snyder, G. H. (1984) „The security dilemma in alliance politics".

40 Biscop, S. (2025) „NATO: The damage is done – so think big". Egmont Royal Institute for International Relations, 20 May.

Reducing European dependency

There are many reasons why Europe should prepare for the inevitable and reduce its dependence on the USA. Yet, more than three years after Russia's invasion of Ukraine, doing so still requires an enormous effort. In May 2025, the IISS estimated that replacing the US conventional capabilities assigned to the Euro-Atlantic theatre would cost approximately $1 trillion.[41] According to its assessment, Europe would need, among other things, 400 fighter aircraft, 600 main battle tanks and 200 attack helicopters to substitute for American assets. In addition, another IISS report highlights that European countries still lack key capabilities, such as intelligence, surveillance and reconnaissance (ISR) systems; long-range strike missiles; hyperscale cloud-computing capacity; and integrated air and missile defence systems.[42]

For decades, European countries have underinvested in defence and are now confronting the consequences.[43] After the Cold War, Europe sought to reap the benefits of the so-called "peace dividend". According to a McKinsey report, between 1992 and 2022, European countries collectively spent $8.6 trillion less on defence than during the Cold War, when they devoted, on average, 3.7% of their GDP to defence.[44] Even if we take the 2% NATO benchmark as a reference point, European states still underspent by roughly $1.6 trillion. Moreover, the spending cuts did not affect all categories equally: personnel costs absorbed most of the available budgets, while investments in new capabilities and weapons systems were systematically neglected.

European countries are now clearly trying to reverse this trend and have continuously increased their defence budgets since 2014. In just over a decade, the combined spending of European NATO

---

41 Barry, B. D. Barrie, H. Boyd et al. (2025) „Defending Europe without the United States: Costs and consequences". IISS, 15 May.

42 Hackett, J. and B. Schreer (eds) (2025) „Progress and shortfalls in Europe's defence: An assessment". Strategic dossier. International Institute for Strategic Studies, 3 September, pp. 5-8.

43 Haesebrouck, T. and M. Haas (2025) „Naar een sterke Europese defensie zonder Europees leger?". *Samenleving & Politiek*, 4(32): 58-63.

44 Chinn, D. and H. Lavandier (2024) „The future of European defense and security". McKinsey, 15 February.

members rose from $252 billion to $493 billion. On average, European allies went from spending slightly below 1.3% to more than 2.5% of their GDP on defence.

This upward trajectory is expected to continue in the years ahead. In March 2025, the European Commission presented a White Paper on Defence, aiming to mobilise at least €800 billion in defence investment over the next four years.[45] To support member states in achieving this goal, the Commission has temporarily relaxed the EU's fiscal rules and established the Security Action for Europe instrument (SAFE), a financial mechanism designed to provide €150 billion in low-interest, EU-backed loans to facilitate joint procurement of defence capabilities. Moreover, at the 2025 NATO Summit in The Hague, all allies pledged to raise their defence and security-related spending to 5% of GDP annually by 2035. Of this amount, at least 3.5% will be allocated to core defence capabilities, while up to 1.5% may be directed toward defence-related infrastructure, resilience and innovation.

However, higher spending alone will not suffice. Many key capabilities are too expensive for most countries to acquire individually. This makes deeper cooperation in military procurement essential. Joint procurement can also generate efficiency gains and enhance interoperability by reducing the diversity of weapons systems across Europe. Wherever feasible, building a shared European technological base, potentially in partnership with Ukraine, would meaningfully reduce external dependence.[46]

Recent EU-level initiatives offer reasons for optimism, but a lot will depend on member states' national policies. The White Paper on Defence encourages joint procurement by linking eligibility for SAFE funding to collaborative purchases. However, there is a risk that governments will use this mechanism merely to patch up gaps in their defence planning, rather than to genuinely move beyond national silos in building collective readiness.

What should be next on Europe's strategic agenda is a coherent planning process for a potential US drawdown. NATO's Defence Plan-

---

45 „White paper for European defence – readiness 2030". European Union.
46 Meijo-López, J. and G. B. Wolff (2025) „Europe's dependence on US foreign military sales and what to do about it".

ning Process (NDPP) ensures collective capability development, but it assumes the continued presence of US assets. Since the assurance of this presence is anything but clear, European countries face significant blind spots in their procurement decisions. EU-level planning mechanisms, such as the Headline Goal Process or the European Defence Agency's Capability Development Plan, have little real influence on national planning and remain largely symbolic. The EU is not the right body to lead such a planning process, as this would exclude the UK, one of Europe's most capable military actors. While an EU-UK security pact allowing British participation in EU programmes would be desirable,[47] creating a new EU-level planning structure without the UK would be both politically difficult and unnecessary. NATO, by contrast, includes all relevant European states and provides an existing framework in which the UK can participate as an equal partner. It also keeps the USA at the table, providing policy direction needed for the planning process.

What is needed, therefore, is a clear and phased NATO-level plan for US withdrawal, with a timeline detailing when and how European countries will replace specific American capabilities. Although experts have proposed such frameworks, no official plan exists. Europe should not wait for the USA to take the lead but should instead propose its own roadmap, identifying which US capabilities can be replaced relatively easily and which will require greater investment. As Biscop has argued, European allies urgently need to decide which strategic enablers, previously provided only by the USA, they must now acquire themselves and in what quantities, beyond existing NDPP targets.[48]

In short, higher spending and greater cooperation are welcome, but they must be complemented by a coherent, forward-looking planning process, one that brings together all European NATO allies, including the UK, to ensure that Europe can stand on its own if, or when, the USA steps back.

---

47 Scazzieri, L. (2025) „How the UK and the EU can deepen defence co-operation". Policy brief. Centre for European Reform, 7 March.

48 Biscop, S. (2025) „How the EU can support Europe's NATO". *The Progressive Post*, 13 March.

Conclusions

The debate over America's military presence in Europe has come full circle. What once appeared to be a distant possibility now looms large as the most likely outcome: a US rebalancing toward the Indo-Pacific. For Europe, this prospect must serve as a catalyst rather than a crisis. Reducing dependence on Washington is not only a matter of strategic autonomy, but also of realistic risk management, and being able to shape the future, instead of merely reacting to global shifts. Europe has already taken important steps in this direction by increasing its defence spending. However, without a clear, collective planning process, European efforts risk duplication, inefficiency and strategic blind spots. What Europe requires is not a supranational army, but a coordinated approach – anchored in NATO – inclusive of the UK and oriented toward systematically replacing US capabilities likely to be withdrawn.

Ultimately, Europe's goal should not be to detach itself from the USA, but to ensure that the transatlantic partnership rests on mutual capability and increased strategic freedom. A Europe able to defend itself is not a rival of America but a stronger, more robust ally. By investing in the means of its own security and by coordinating these efforts through NATO, Europe can both prepare for the day when Washington's role diminishes, and strengthen the alliance as a whole. For now, Europe remains uncertain about the likely path of Washington's pivot away from the continent. Yet rather than waiting for clarity, the true test of Europe's strategic maturity lies in moving from reaction to anticipation. Only then can it achieve genuine strategic autonomy.

European security: A new paradigm

NICOLETTA PIROZZI

Abstract

Over the past three years, the European continent's security environment has undergone a profound transformation, forcing the European Union (EU) to confront the limits of its traditional peace project. This chapter aims to trace the contours of a new European security paradigm – one grounded in cooperation, resilience and strategic responsibility. It first examines the systemic shifts that have redefined the international order and reshaped Europe's strategic priorities. In the second section, it focuses on the renewed dialogue between the EU and the UK in the aftermath of Labour's 2024 election victory, addressing progress and frictions in post-Brexit cooperation on defence and foreign policy. The chapter follows by arguing that the EU's pursuit of strategic autonomy has shifted from a long-term aspiration to an urgent necessity and identifies, through the relaunch of the Permanent Structured Cooperation, a possible way forward to make it a reality in the field of defence. The concluding section reflects on the political and societal dimension of this transformation.

Introduction: The EU in the face of a new security landscape

The European security environment has changed radically in the last three years, as a consequence of several interconnected dynamics. That relates to the systemic changes produced by the new power competition coupled with the crisis of multilateral institutions both in terms of democratic representation and in their ability to address cri-

ses. Russian aggression against Ukraine and the return of war to the European continent and, lately, the second Trump presidency have exposed the European Union (EU) to an unprecedented existential threat. The Russian imperialistic venture represents a direct menace conducted through military force at the borders of the EU, but also through hybrid warfare tools spreading cyber insecurity, misinformation and disinformation, and interference in European countries' democratic life. But the current posture of the USA is also a threat to the resilience of the European project, ranging from the attack on the EU's single market posed by President Trump's tariffs war to the uncertainty of American support for Kyiv's resistance as well as for the EU in case of a Russian strike in its territory, and the US government's meddling in European elections and democratic processes. Overall, the international security context has clearly developed into a confrontational environment, where the use of force is not limited by international law and managed by a cooperative multilateral system, and the balance among international and regional powers regulates peace and war at the global level.

The crisis of global institutions cannot be attributed only to Putin and Trump, as it has its roots in their inability to reform to adapt to a changing world and to put forward effective responses to crises. In fact, multilateral institutions have evidently failed to apply their founding values of inclusiveness and representativeness and to involve new actors, both state and non-state. For example, the percentage of the UN Security Council's (UNSC's) membership compared with overall UN membership has progressively decreased to the current level of 7.8% – and more than 70 UN members have never been members of UNSC, thus demonstrating the Council's lack of representativeness towards the international community.[1] Moreover, the institutions have not always demonstrated that they have the right expertise and resources to address today's complex challenges. This has led to gridlock and growing distrust on the part of governments and citizens. In recent years, more than once the UN has proved unable to exercise a decisive role in tackling security threats generated

---

[1] Pirozzi, N. (2023) „Grasping the nettle of the UN Security Council Reform: The uniting for consensus proposal". Istituto Affari Internazionali and SIOI, September.

by violent conflicts, nuclear proliferation, democratic fragility or social upheavals. The UNSC's inaction in the face of Russia's aggression against Ukraine or the Israeli carnage in Gaza has provided examples of this tendency.

In that context, the EU has everything to lose, being a peace project for the European continent based on supranational integration that relies on common norms and institutions, as well as on the transatlantic bond and the strategic partnership with the US, as guarantees of peace and security.

The second dynamic is connected to the different nature of the security challenges in Europe and the necessity for the EU to address it in a different way. Before the Russian bombing of Kyiv, few people in Europe contemplated the possibility of a direct military attack on European territory. The European security and defence policy had been oriented towards expeditionary tasks and the capabilities developed at European level were conceived to support those tasks. In fact, the Strategic Compass, the result of a two-year process aimed at realising strategic convergence among member states and setting concrete targets to empower European defence policy, revolved around the idea of an EU rapid deployment capacity of 5,000 troops to react to crises outside the EU. Published only a few weeks after the start of the war in Ukraine, the Compass already appeared outdated.[2] The menace coming from Russia, and the reluctance of the USA to bear the burden of European security, have forced the EU to reconsider its priorities and equip itself with adequate capabilities to exercise and project deterrence.

At the same time, they also push the EU to reconsider its capacity to provide its neighbourhood with adequate security guarantees. This entails, first and foremost, equipping the Union with the rapid-reaction forces necessary for it to intervene in high-intensity conflicts. Such forces should be credible in terms of military personnel – so not limited to 5,000 – and supporting capabilities: strategic transport; communication technologies; and so on. In addition, the presence of the EU in neighbouring countries must be reinforced and expanded

---

2   „A Strategic Compass for security and defence - for a European Union that protects its citizens, values and interests and contributes to international peace and security". 7371/22. Council of the European Union, 21 March 2022.

through Common Security and Defence Policy (CSDP) operations. These operations could provide domestic security and military forces with the training and advice required to react to possible menaces coming from the East. The use of the European Peace Facility should be enhanced to finance military operations and equipment in the EU's neighbourhood. Greater integration of western-Balkan and eastern neighbouring countries in the EU's security and defence, notably through participation in CSDP missions or common projects in the framework of Permanent Structured Cooperation (PESCO), could help them reform their security and defence apparatuses and reinforce their security bond with the Union.

In the face of mounting pressure, the security environment in Europe is also weakened by the threats of disinformation and propaganda that run against the need to take courageous political decisions. Interferences coming from external actors through European proxies have fuelled polarisation, poisoning the political and public debate on European defence. On one side, European citizens regularly express their preference for a Union that is more responsible for their security, while the other side is galvanised with arguments against militarisation and national rearmament. That tendency has been reinforced by populist political forces, which have indulged in ideological pacifism and promoted antimilitaristic narratives. To reverse it and to encourage a serious and balanced debate on European security and defence, it is essential not only to present European defence as an effective instrument for restoring and preserving peace, but also conducting a thorough reflection on strategic partnerships, proper institution-building and efficient decision-making to turn it into reality.

Towards an EU-UK security partnership

In the face of the mutated security landscape, there has been a convergence of EU and UK interests towards a closer strategic partnership. This trend was favoured by Labour's victory at the 2024 general election and subsequent change of government in the UK, which was accompanied by rising expectations of a revamp of EU-UK relations. And in fact, while in the recent past the UK appeared to be ideologi-

cally committed to divergence and had to prove that Brexit could work, the Starmer government has rapidly realised a radical shift of tone towards a more open and pragmatic discourse on Europe.

In reality, re-alignment in foreign policy between the EU and the UK began some years ago, a by-product of Russian aggression against Ukraine which led to a coordinated response, from military aid to sanctions against Russia. The war in Ukraine has led both the EU and the UK to realise how important they are to each other, despite their disputes on post-Brexit bilateral cooperation and competition over strategic sectors like energy or fish, as well as their relationship with the USA.

But it is only after Labour's victory that dialogue on security and defence matters (excluded from the post-Brexit negotiations, as requested by May's government) has been fostered through high-level institutional contacts. In February 2025, Prime Minister Starmer attended a dinner as part of an informal EU leaders' retreat on defence, and said that he was committed to working together to expand the continent's defence.[3] On the same day, talking alongside NATO Secretary-General Rutte, Starmer said a new partnership between the UK and the EU will bolster NATO.[4] Starmer's first considered remarks on a UK-EU partnership were made shortly afterwards, highlighting military technology, force mobility, infrastructure protection and industrial collaboration as key areas.

At the May 2025 Summit in London, the EU and the UK established a new strategic partnership based on the commitment to work together for peace and security in Europe.[5] In addition to a joint declaration outlining common objectives, and a common understanding on the policy agenda on security and defence, justice and home affairs, the parties agreed on a security and defence partnership, negotiated as a gateway for further defence industrial cooperation. On the basis of the new partnership, the UK could gain access to Security

---

3   „Informal EU leaders' retreat, 3 February 2025". European Council, 3 February 2025.
4   „Joint press conference by NATO Secretary General Mark Rutte with the Prime Minister of the United Kingdom, Keir Starmer". NATO, 3 February 2025.
5   „Security and defence partnership between the European Union and the United Kingdom of Great Britain and Northern Ireland". 8709/25. Council of the European Union, 19 May 2025.

Action for Europe (SAFE), the new EU fund offering up to €150 billion in loans backed by the European Commission to member states, as part of the Readiness 2030 package, to boost defence investments and enhance cooperation in Europe. In particular, the UK will not be eligible for SAFE loans, but could join procurement arrangements under conditions that are still to be negotiated.

If the intention to expand cooperation in this sector is shared by both parties, the EU is also resolute in establishing a fair balance between the benefits gained by UK companies if they win contracts that are co-financed by EU loans and the compensation provided by the UK government in terms of financial contributions, and this might prove difficult to sell in the UK. Moreover, the EU has strict rules for intellectual property and export controls that are perceived to be too restrictive by the UK and hampering collaboration. Also, SAFE aims at privileging European supply chains – and as such only 35% of the estimated costs of the components of the final defence products can originate from outside the single market and Ukraine.[6]

Beyond industrial cooperation, deeper EU-UK integration in the field of security and defence is likely to be difficult to achieve. Overall, the lack of trust remains a bigger challenge than policy disagreements in shaping EU-UK security relations. For the time being, the UK is likely to resist further European defence integration and the prospect of a European pillar within NATO, but rather favours initiatives like the Joint Expeditionary Force and flexible diplomatic formats like Weimar Triangle Plus. Despite the activism shown by the Starmer government in the framework of the European Political Community, the political initiative launched by French President Macron still struggles to scale up its role and evolve into the backbone of a new European security architecture involving both the EU and the UK, together with European partner countries.

A more promising framework for cooperation could be the coalition of the willing launched by the UK and France as a sign of goodwill on the European side to provide Ukraine with credible security guarantees, in the form of a "reassurance force" of fewer than 30,000

---

6   „Council Regulation establishing the Security Action for Europe (SAFE) through the reinforcement of the European Defence Industry Instrument". 7926/25. Council of the European Union, 20 May 2025.

European troops to deploy in Ukraine (not on the frontlines) with a US backstop after the end of the hostilities. However, its positive impact on EU-UK relations and more broadly on European security is still to be tested. The main concerns regard the fact that the prospect of ending Russian hostilities in Ukraine is far from concrete, and even in that case, support by the USA cannot be taken for granted – making European promises vain. Moreover, a number of EU member states are reluctant to back the option of deployment on Ukrainian soil – among them, heavyweights like Germany and Italy. Therefore, this initiative still looks to be divisive in the EU and can hardly be seen as a platform for the advancement of EU-UK cooperation.

Ultimately, future prospects of an EU-UK security partnership will depend on the positioning of the UK and key European countries with regard to the USA, as the risk of fragmentation in search of a special relationship with the Trump administration is very much present and dangerous for both the resilience of the EU and its bilateral partnership with the UK.

Therefore, despite it being proved crucial in response to the war on Ukraine, and having been pursued by both parties, resettlement in EU-UK relations is not done yet, and it would require not only long negotiations but also a clearer vision and additional political commitment.

The way to strategic autonomy: PESCO reloaded

The new security landscape and the attitude of the US administration turned the realisation of the EU's strategic autonomy from the realm of ambition to one of necessity. In fact, the vagaries of President Trump's line on both the Ukrainian conflict and support to European security in the framework of NATO imply the need for the EU to equip itself to both ensure adequate support for Kyiv in the face of Russian aggression and to deter further Russian threats on European soil.

To respond to this urgency, the European Commission has launched the Readiness 2030 agenda, which aims to mobilise up to €800 billion for defence, in line with the prescriptions of the Draghi report.[7] At the

---

7   „The Draghi report on EU competitiveness". European Commission, 9 September 2024.

same time, at the 2025 NATO Summit, allies have committed to invest 5% of GDP annually on core defence requirements, as well as defence- and security-related spending, by 2035.[8] However, efforts undertaken at the national level risk remaining fragmented and ultimately jeopardising attempts to equip Europe with a strategic capacity.

Building on that, the European Commission and its High Representative have proposed a Defence Readiness Roadmap to develop and deploy "the capabilities and military readiness that are needed for modern warfare" by 2030.[9] The aim of this initiative is to boost investment, but, at the same time, ensure that it is done in a collaborative way by member states and for the development of European capabilities. It also tries to rationalise the different strands of current processes dealing with capability development in the EU, at both intergovernmental and supranational levels. The final objective is for member states to jointly procure at least 40% of their defence equipment by 2030.

This roadmap starts with an overview of member states' current capability state of play and objectives; this includes critical capability areas identified by the national capitals and takes into account NATO targets and Ukraine's needs, conducted by the EU Military Staff. The overview should be integrated into the Coordinated Annual Review on Defence (CARD) managed by the European Defence Agency (EDA) and regularly reviewed by the Chiefs of Defence Staffs. But the roadmap also includes a role for the Commission and the High Representative, which should present an Annual Defence Readiness report focusing on the EU's aggregate dimension.

The task of developing critical capabilities remains in the hands of member states through Collective Capability Coalitions, led by one or more of them, with the aim of implementing collaborative projects. But a Defence Readiness Task Force, including the European Commission and the High Representative, should support the work of the coalitions, and the Commission should ensure the link with EU funding instruments, such as SAFE. In addition, the roadmap also

---

8   „2025 NATO Summit". NATO. The Hague, 25 June 2025.
9   „Factsheet on preserving peace - Defence Readiness Roadmap 2030". JOIN(2025) 27 final. European Commission and High Representative of the Union for Foreign Affairs and Security Policy, 16 October 2025.

foresees the launch of four pan-European flagship projects: the European Drone Wall; the Eastern Flank Watch; the Air Defence; and the Defence Space Shields.

The tensions between EU institutions and member states that this initiative inevitably provokes are symptoms of a wider obstacle on the way towards European strategic autonomy: the lack of a clear vision on the ultimate objectives of a Defence Union and the institutional setup that should realise it. In terms of the first aspects, the ultimate objectives, there are at least some indications on the minimum requirements induced by the current security environment: to develop European deterrence capabilities, including strategic enablers autonomous from the USA to recalibrate the burden within NATO, and providing security guarantees to our partners through a credible European expeditionary force.

For the second aspect, the experience of recent years has shown that a supranationalisation of European defence is out of reach. It would require a reform of the Treaties that member states are not willing to undertake. At the same time, proceeding through consensus of 27 in dedicated intergovernmental bodies has also proved to be a dead end, due to ongoing strategic divergence and specific political priorities among the governments of the member states. Therefore, it seems that the only realistic way to advance in this sector is through differentiated cooperation among smaller groups of member states.

The Defence Readiness Roadmap adopts this approach and assigns the task of developing critical capabilities to coalitions of member states. At the same time, the only attempt – although still contested and with uncertain destiny – to deploy an expeditionary force to guarantee Ukraine's security is coming from the coalition of the willing led by UK and France. These ad hoc forms of cooperation – either around a capability development project or a targeted deployment initiative – are welcome, as long as they deliver on their objectives. However, they also entail risks related to excessive fragmentation and lack of legitimacy, and they do not represent a stable way forward in integration in the field of defence, which would allow the EU to decide and act autonomously. Moreover, there is much of divergence even within the coalition itself when it comes

to what the security guarantees are and to direct deployment of armed forces.

A path towards real integration for the creation of a Defence Union would require, first and foremost, the establishment of a hard core of member states making clear and long-lasting commitments to develop common capabilities with adequate financial resources and that undertake to be ready to intervene with joint forces whenever necessary. This seems the only viable solution between two suboptimal alternatives, namely, to let member states spend their national budgets on defence increased by SAFE loans without any cooperation or coordination, let alone integration (a concrete risk, given that SAFE foresees little conditionality to work together); or to let the European Commission take charge for the planning of military capability development, without a legal mandate or political legitimacy, and above all without the possibility to buy and operationalise them.

To proceed in this direction, it is not necessary to reinvent the wheel, adding to the proliferation of strategies, white papers, roadmaps or task forces, because the Treaties already provide the EU with what it needs. PESCO, launched in November 2017 with the participation of 25 member states and later joined by Denmark in 2023, is another step in this direction. PESCO is a differentiation tool provided for by the Treaties, and it is institutionally and politically embedded in the EU architecture, a feature that at least limits the risk of fragmentation and lack of legitimacy. In fact, PESCO is presently structured at two levels of governance: an overall level in the Foreign Affairs Council, where member countries decide by qualified majority voting; and a modular setup at the project level. The institutional footing is provided by the Treaties in the role of the High Representative/Vice President of the European Commission, in the capacity of chair of the Foreign Affairs Council and as the head of the EDA, which acts as Secretariat of PESCO with the European External Action Service.

So far, its mission has remained largely unaccomplished. Due to its broad membership, political cooperation among member countries has been diluted and PESCO has been dramatically deprioritised over the years. Moreover, the projects implemented in the framework of PESCO have rarely filled critical gaps, being for the most part unambitious, underfunded and uncoordinated. However,

the political initiative undertaken by a core group of member states to rethink and boost PESCO could represent a turning point able to lead to a deeper integration in the sector of defence.

This initiative should start by recovering PESCO's original scope, as established by the Treaty on European Union (TEU), which sets out access criteria, and clarifies that PESCO is devoted to member states whose military capabilities fulfil higher criteria and have made more binding commitments to one another in this area with a view to the most demanding missions (Art. 42.6 TEU). This means that the new PESCO should be led by a restricted group of member states willing and able to use the EU framework to make substantial defence investments and share critical capabilities while acting together when necessary.

Furthermore, the TEU defines the procedures of the decision-making process, introducing, for the first time, a qualified majority vote in the sector of defence (Art. 46 TEU), a potentially big leap forward in terms of effectiveness and timing of decisions to be undertaken. The protocol annexed to the Lisbon Treaty also clarifies the two priority goals for each state participating in PESCO: proceed more intensively to develop its defence capabilities through the development of national contributions; and participate, either at national level or as a component of multinational force groups, in the tactical groups of the EU (Protocol 10 TEU).

This entails that the participating states develop shared capability projects, mainly for the main platforms as strategic enablers (transport, etc.), which, whenever possible, have to be purchased and managed jointly. The new PESCO could become the backbone of the Defence Readiness Roadmap, taking responsibility for the most demanding, resource-intensive projects, including flagship initiatives. This is probably the best option to better connect the growing role of the European Commission in the development of the EU's defence industry and the responsibility of member states for military planning, procurement of capabilities and operational deployment.

Embedding PESCO in the roadmap would reinforce its connection with the EU capability development process, led by member states and the EDA and regularly reviewed through CARD. Renewing PESCO could also help the European Council in its ambition to rein-

force and relaunch the EDA, with a view to recalibrating the power of the European Commission. For PESCO to function, it would be necessary to ensure access to adequate financial resources, including SAFE, the European Defence Industrial Strategy and the European Defence Fund, as well as other financial tools in the next Multiannual Financial Framework 2028-2035.

To fully accomplish its mission, the new PESCO should also have an intervention capacity. Therefore, members will have to share an operational force able to autonomously perform operations outside EU borders, for which the relevant size, tasks and governance structure have to be clarified. In the future, efforts currently conducted outside the EU framework, such as the coalition of the willing for Ukraine, should be embedded in the new PESCO, with a view to connecting it with EU institutions and aligning them with foreign policy objectives pursued at the EU level. Appropriate mechanisms should be found to ensure and facilitate the participation of third countries such as the UK, building on the lessons learned from the Military Mobility project.

Reinforcing PESCO is not in conflict with the prospect of a closer partnership between the EU and NATO, nor with the legitimate expectations of member states to keep NATO as a pillar of European defence. The main goal would be to search for cooperation and consistency between the EU and NATO, although with the necessary autonomy. At an operational level, the EU core in the sector of defence, as outlined by the perspective of differentiated integration, would become the European pillar of NATO, transforming NATO from an alliance of 32 members into a North American-European alliance. The alliance would be more balanced and mutually convenient for the USA and Europeans, adding European strategic enablers and an autonomous operational capacity when the USA is not willing to intervene.

However, it must be clear that PESCO, as it has been implemented so far, would not serve the scope. Unless it becomes permanent for a hard core of member countries, structured through a consistent series of joint development projects, and able to implement a credible political and operational policy, then it cannot be defined as PESCO.[10]

---

10 Marrone, A., N. Pirozzi and P. Sartori (2017) „PESCO: An ace in the hand for European defence". Istituto Affari Internazionali, 21 March.

Only by fulfilling these requirements, will PESCO be allowed to establish a genuine European defence, through differentiated integration.

A cultural battle for European defence

Beyond the issues connected to capability planning, budget and institutional setup, the success of European defence depends on fostering a shared understanding among citizens and leaders that investing in security is not an act of militarisation, but a means of preserving peace, democracy and sovereignty in an increasingly unstable world.

European citizens want the EU to take more responsibility in security and defence, but fewer than one in four (23%) want the EU to use its funds for military purposes and rank defence only seventh out of ten investment priorities.[11] Of course, there are differences among member states, as support for greater defence spending is highest among Russia's close neighbours (50% in Estonia and 46% in both Finland and Lithuania), but it is much lower in countries like Italy (12%), Bulgaria (13%), Spain (17%), Ireland (15%), Slovenia and Hungary (14%).

At the same time, political leaders in Europe are engaged in a debate on European defence and military spending that is poisoned by polarised and populist attitudes, breeding confusion and scepticism among their electorates. The European progressive family itself is divided due to different national sensitivities and threat perception and sometimes tends to interpret the current reality solely through the lens of its idealism.

In fact, European leaders should engage in a cultural battle in favour of further integration and investment in European defence. This campaign should make it clear that dismissing the possibility of war and retreating into antimilitaristic rhetoric will not help us build or defend peace. In a world marked by power imbalances, predatory military actions aimed at imperialistic purposes – such as Russia's war against Ukraine – and proliferation of conflicts fuelled by re-

---

11 „Eurobarometer: Public opinion in the European Union". European Parliament, October 2025.

gional powers can only be stopped and prevented in the future by developing credible defence and deterrence capabilities. This does not mean abandoning the aspiration for peaceful coexistence; rather, it requires recognising the real conditions for peace in today's world and devising practical measures to achieve it.

Increasing defence spending and investing in joint military capacities within Europe and with like-minded partners should not be seen as embracing a logic of endless war. It is, instead, a necessary condition for safeguarding freedom and democracy – the very ideals on which the EU was founded and to which many of its partners aspire. Of course, any credible political message should also clarify that, to ensure military spending truly serves a European purpose and is aimed at restoring and preserving peace, it must be guided by clear strategic goals, sound institutional frameworks and efficient decision-making processes.

Therefore, it will be crucial to undertake this cultural battle with concrete and solid proposals on how to build a genuine European defence through cooperation and integration, based on the very ideals on which the EU was founded and to which its partners still aspire.

Bibliography

"A Strategic Compass for security and defence - for a European Union that protects its citizens, values and interests and contributes to international peace and security". 7371/22. Council of the European Union, 21 March 2022.

"Security and defence partnership between the European Union and the United Kingdom of Great Britain and Northern Ireland". 8709/25. Council of the European Union, 19 May 2025.

"Council Regulation establishing the Security Action for Europe (SAFE) through the reinforcement of the European Defence Industry Instrument". 7926/25. Council of the European Union, 20 May 2025.

"The Draghi report on EU competitiveness". European Commission, 9 September 2024.

"Factsheet on preserving peace - Defence Readiness Roadmap 2030". JOIN(2025) 27 final. European Commission and High Representative of the Union for Foreign Affairs and Security Policy, 16 October 2025.

"Informal EU leaders' retreat, 3 February 2025". European Council, 3 February 2025.

"Eurobarometer: Public opinion in the European Union". European Parliament, October 2025.

"Joint press conference by NATO Secretary General Mark Rutte with the Prime Minister of the United Kingdom, Keir Starmer". NATO, 3 February 2025.

"2025 NATO Summit". NATO. The Hague, 25 June 2025.

Marrone, A., N. Pirozzi and P. Sartori (2017) "PESCO: An ace in the hand for European defence". Istituto Affari Internazionali, 21 March.

Pirozzi, N. (2023) "Grasping the nettle of the UN Security Council Reform: The uniting for consensus proposal". Istituto Affari Internazionali and SIOI, September.

Reclaiming the social democratic security tradition:
Linking defence, social progress and democratic resilience in Europe

TOBIAS CREMER

Abstract

Europe is today facing the most significant geopolitical threat in a generation: Russia's war against Ukraine and potential testing of NATO by 2029; the erosion of US security guarantees; and the destabilising effects of hybrid warfare, energy dependency and disinformation tantamount to an existential challenge to the European Union. Meeting this challenge requires not only stronger defence, resilience and strategic autonomy, but also renewed trust among citizens increasingly drawn to radical-right and radical-left narratives. Often in direct or indirect cooperation with foreign actors, such populist narratives seek to divide society by framing security as incompatible with social progress or diplomacy, invoking false "guns versus butter" or "deterrence versus dialogue" dichotomies. This chapter suggests that a potent approach to address such division is to reclaim Europe's social democratic tradition of linking social progress and cohesion with robust defence, treating strength and diplomacy as mutually reinforcing. From Helmut Schmidt, through François Mitterrand, to Jens Stoltenberg, European social democrats have put such a holistic vision of security into practice. Today, this tradition endures, in particular in Nordic and Eastern European centre-left parties. Proactively and confidently reclaiming the social democratic tradition of linking strong defence with social cohesion and democratic resilience of-

fers Europe's centre-left a path to not only re-establish credibility as a guarantor of a holistic vision of security, but to strengthen the very aspects of the European project that make it worth defending in the first place.

Introduction: Giving Europe's geopolitical Zeitenwende a social democratic anchor

Europe is today at a geopolitical inflection point. Russia's illegal annexation of Crimea in 2014, its full-scale invasion of Ukraine in February 2022 and the growing volatility of transatlantic relations have exposed Europe's vulnerability to external threats. The USA's gradual shift of strategic focus away from Europe, and perhaps even from the rules-based international order, underscores the necessity of a strong and self-sufficient European pillar within NATO. Strategic autonomy is no longer a lofty aspiration, but an urgent geopolitical requirement. At the same time, hybrid warfare, cyberattacks, energy insecurity and the weaponisation of disinformation, particularly by Russia, have reached unprecedented intensity, eroding the boundary between external and internal security while empowering extremist forces in Europe that sowed division and polarisation. Airspace violations in Poland and the Baltic states, drones paralysing airports in Denmark and Belgium, cyber attacks on hospitals in Germany: the list of hybrid attacks is growing almost daily. As Denmark's Social Democratic Prime Minister Mette Frederiksen recently put it: "*We are not at war time, but we are definitely not at peace time anymore*".

Yet, with many European countries having embraced the hope of Francis Fukuyama's proclaimed "end of history" and triumph of the west after the fall of the Iron Curtain, European leaders have largely failed to adequately prepare for these geopolitical challenges. Many European governments, including social democrats, reduced their commitment to robust defence in the early 1990s, hoping that we could live in a world where geopolitics played no role and there was no need for reassurance against imperialist superpowers. Especially in Western Europe, the "peace dividend" was used in favour of other budgetary priorities, even while in the east of the continent, an increasingly aggressive Russian regime returned to using military force

to assert its geopolitical interests: first with its invasion of Georgia in 2008, followed by the annexation of Crimea in 2014 and culminating in the full-scale invasion of Ukraine in 2022. At the same time, with Obama's announced pivot to Asia in 2011, it should have been clear to European capitals that the USA was going to shift its focus away from Europe and would no longer be ready to do the heavy lifting for Europe when it came to defence.

Yet, despite this decade-long trajectory, Russia's full-scale invasion of Ukraine on 24 February 2022, as well as Trump's re-election in 2023 caught Europe's leadership off guard. In spite of gradual increases in military spending after 2014, European governments were not prepared for the return of full-scale warfare on the European continent, and especially not without the certainty of American support.

Revisiting the social democratic security tradition

In this environment, the European Union (EU) in general, and European social democracy in particular, confront a dual challenge: to strengthen military defence, while simultaneously safeguarding and advancing democratic resilience and social progress. This duality is not new. It has shaped Europe's social democratic foreign and defence policy since its inception. On one hand, Europe's centre left rightly takes pride in its pacifist traditions, rooted in the conviction that peaceful coexistence among nations is both possible and necessary. This conviction was reinforced by the catastrophic experiences of two world wars, as well as after the successful peaceful settlement of the Cold War, not least thanks to the social democratic "new Ostpolitik" of Willy Brandt.

On the other hand, social democratic leaders have consistently acknowledged that "politics begins with the observation of reality", as postwar SPD leader Kurt Schumacher put it, and that to achieve peace, pacifist objectives must be married to pragmatic and responsible policy. The traumatic experience of World War II and the struggle against both the Nazi regime and the brutal persecution of social democrats by communist regimes in Eastern Europe deeply anchored the lesson that, when faced with tyrants and aggressors, appeasement does not work: their aggression can only be stopped

by credible deterrence. Smart diplomacy, in other words, is most effective from a position of strength.

This insight became a cornerstone of social democratic security and defence policy across Europe after 1945. Be it in Italy, the UK, Germany, Denmark, Norway or elsewhere in Europe, social democratic heads of governments and states advocated close ties within Europe and to Europe's transatlantic partners during the Cold War. They committed to military spending and deterrence, not as an alternative to diplomacy, but as the very precondition for its success. In West Germany, Chancellor Willy Brandt, remembered as the "Chancellor of Peace" for his Ostpolitik, presided over defence spending that reached 3.4% of GDP, equivalent to what NATO has now set as its new benchmark. Likewise, the NATO Double-Track Decision of 1979, widely regarded as pivotal in creating the conditions for the eventual end of the Cold War, was championed under the leadership of centre-left leaders such as Helmut Schmidt and François Mitterrand, despite strong opposition from within their own parties and societies. In Scandinavia, leaders like Gro Harlem Brundtland in Norway and Anker Jørgensen in Denmark combined commitments to welfare and equality with robust support for NATO membership and credible defence.

However, what distinguished social democratic leaders from their conservative or liberal counterparts was that their commitment to deterrence and credible military capabilities was not pitted against social progress, justice and cohesion. On the contrary, Europe's centre-left parties largely understood security in broader, more holistic terms, extending beyond the mere absence of violence or reliance on military power. Building on the interwar experiences of democratic collapse and postwar reconstruction, they recognised that social stability and collective resilience were inseparable from external security. Consequently, the development of Western Europe's welfare states during the mid-20th century was not pursued in opposition to a strong defence posture but in close connection with it. Leaders such as Willy Brandt in West Germany and Olof Palme in Sweden argued that social justice and solidarity were essential conditions for maintaining democratic resolve under Cold War tensions. Studies of Nordic social democracy (notably Esping-Andersen's work on

welfare regimes) have shown how robust welfare states contributed not only to reducing inequality, but also to strengthening societal trust, an important factor in resilience against both external pressure and internal polarisation. In this sense, social democrats advanced a "whole-of-society" conception of security, according to which only a united and socially cohesive society could withstand the strains of permanent confrontation and external threat. With Russia's war of aggression, reconsidering that tradition has acquired new urgency.

Peace through strength: "Zeitenwende" as a social democratic project

It was German Social Democrat Olaf Scholz, as Chancellor of Germany, who aptly described the Russian invasion of Ukraine as a historical "*Zeitenwende*", a "turning point" or a "shift of eras", from a unipolar world broadly governed by the rule of international law towards a new multipolar world, in which the law of the jungle seems to have made a comeback. With this geopolitical "turning point", European social democracy had to reconsider its own stance towards security and defence policy. It had to rediscover its Cold War leaders' wisdom that peace and cooperation could only be preserved from a position of strength.

Additionally, in today's age of hybrid warfare and disinformation, social democracy's holistic, whole-of-society approach to defence is perhaps even more relevant than it was during the Cold War. Against the Russian playbook of disinformation, manipulation and intimidation, it is not military capabilities alone, but social cohesion that is the backbone of a resilient society. Authoritarians inside and outside Europe know this, which is why both Moscow and far-left and far-right parties within our societies cite tight budgets to conjure up false dichotomies between defence and social spending, between "guns and butter", to divide our societies. The success of right-wing and left-wing populist parties in elections across Europe since Russia's full-scale invasion shows that this propaganda is falling on fertile ground, making a positive progressive counter-narrative all the more urgent.

This chapter makes the case that new efforts to strengthen defence and resilience may both make our societies more resilient against for-

eign interference, while also offering a path to regaining voters lost to radical right, radical left and populist competitors. Specifically, I argue that defence investments must be embedded in a broader strategy of societal resilience and democratic protection, as both factors are interdependent and reinforce each other. I outline five steps to reclaim and further develop a social democratic approach to security and defence that can meet the challenges of our time.

Firstly, Europe must recognise the current threat situation and strengthen European defence capabilities and deterrence. Secondly, we must ensure that increased defence spending is embedded in a whole-of-society approach, focussing on democratic resilience and social cohesion. Thirdly, to do so, we must secure sufficient financial means for defence transitions, including new European means. The fourth challenge concerns building a sovereign European defence industry. Lastly, Europe's role as a force for peace and global stability must be enhanced. The key questions underlying all five challenges are as follows: How can defence investments avoid crowding out social policies? How can progressive parties differentiate themselves from conservative or populist actors' security and defence policy? And how can a progressive and holistic approach to security and defence policy be reclaimed and adapted to today's challenges?

1 "Politics begins with the recognition of reality" (Kurt Schumacher)

To be able to defend itself and shape its future, **Europe must first recognise the geopolitical realities in which it operates**. And that reality is stark: Europe faces **the most severe security threat in a generation**, yet it still lacks both the hard power and the political decision-making capacity to meet it.

For decades, most European NATO members have underinvested in defence. The post-Cold War "peace dividend" led to sustained reductions in military budgets and the downsizing of armed forces. By the mid-2010s, only a handful of European states consistently met NATO's guideline of spending 2% of GDP on defence.[1] Even where

---

1   „Defence expenditure of NATO countries (2014–2021)". NATO, 2021.

that target was reached, expenditures were fragmented across national procurement systems, resulting in duplication, inefficiency and limited interoperability.

Additionally, **Europe continues to depend heavily on the USA for key strategic enablers**, such as airlift and sealift capabilities, intelligence and reconnaissance assets, missile defence, and command-and-control structures. The imbalance is particularly acute in **space-based surveillance, satellite communications and early-warning systems**, where the EU and its member states almost entirely rely on US infrastructure. These gaps severely constrain Europe's ability to conduct autonomous operations or sustain high-intensity military engagements without American support.

This dual reality of under-preparedness, on one hand, and over-dependence on the other has been brought home to European leaders with a vengeance through the double shock of Russia's full-fledged invasion of Ukraine in 2022 and Trump's re-election in 2024. Additionally, European intelligence services have been unanimous in their assessment that Putin will not stop in Ukraine, but that he is currently rearming at a scale that would allow a Russian attack on NATO territory to be possible by the end of the 2020s. As a result, Europe now faces the gravest military threat to its territorial integrity since World War II. And, for the first time in more than eight decades, it may have to face it largely on its own.

This new geopolitical reality demands a fundamental reassessment of our political priorities. The *Zeitenwende* announced by German Chancellor Olaf Scholz in February 2022 has been a key step in that direction. It was an SPD-led government, which committed €100 billion to modernise Germany's armed forces and pledged to meet NATO's 2% target immediately after the Russian invasion. Yet, while Scholz's speech was noted with considerable attention throughout Europe and the term "*Zeitenwende*" became a catchphrase even in non-German-speaking contexts, it soon became clear that even this was not nearly enough.

Instead, at the NATO Summit in The Hague in 2025, allies concluded that acquiring the capabilities needed to strengthen collective defence would require raising overall defence investment to approximately 5% of GDP, with 3.5% for military capabilities and 1.5% for crit-

ical infrastructure. The latter points to another major capability gap, namely, that European forces still face logistical bottlenecks when moving troops and equipment across borders due to regulatory and infrastructural barriers. Investing in dual-use infrastructure, such as railways, bridges and ports is therefore vital, enhancing both military mobility and civilian resilience. NATO's decision to include a dedicated infrastructure target is therefore an important step forward, as it reflects a broader understanding that modern defence depends not only on tanks and aircraft, but on robust logistics, energy systems and transport networks that underpin Europe's collective security.

Herein lies a significant opportunity for **progressive political forces**. The emphasis on resilience and critical infrastructure aligns closely with the **social democratic vision of a strong, capable state**. That is why the massive increase in defence spending must be approached as a whole-of-society approach, incorporated **into a comprehensive investment strategy that addresses both our vulnerabilities in military capabilities and those in our social fabric**.

2 Promoting the social democratic whole-of-society approach to security

Modern security challenges are shaped by the grey zone between war and peace. Cyberattacks, disinformation campaigns, energy dependency, election interference and the manipulation of social divisions by external actors affect Europe every day. These forms of hybrid warfare target the social and political fabric of democratic societies rather than their borders.

Russia's use of disinformation campaigns in European elections – ranging from the 2016 Brexit referendum to contests in Romania, Poland, Germany and other member states – demonstrates how social polarisation can be weaponised. Likewise, the manipulation of migration, such as the instrumentalisation of refugees by Belarus at the EU's borders in 2021, illustrates how humanitarian challenges are turned into geopolitical tools. These dynamics reveal that Europe's security depends not only on military deterrence but also on internal cohesion. Fragmented, polarised or economically insecure societies are more vulnerable to external influence and misinformation.

That is why Europe needs a new social democratic security policy that understands defence as a central pillar of a proactive Europe, committed to protecting its citizens while advancing competitiveness, social cohesion and ecological transformation. Strengthening our defence should not be seen as a retreat from social progress but as a precondition for preserving it. In an era of hybrid warfare, social unity and societal resilience are every bit as essential to our security as tanks and air defence systems.

The digital domain represents another important frontier in this context. Online platforms have become vehicles for disinformation and polarisation. Furthermore, cyberattacks on critical infrastructure, financial systems and democratic institutions have multiplied in recent years, often attributed to state or state-affiliated actors. Addressing these vulnerabilities requires investment in cybersecurity, regulatory oversight of digital platforms and media literacy programs.

Another policy area starkly affected by geopolitical developments is energy policy. Energy dependency has been one of the most obvious vulnerabilities in Europe's recent security crises. Europe's reliance on Russian fossil fuels not only finances the Kremlin's war machine, but has also exposed European societies to economic blackmail. The shock of the war in Ukraine accelerated efforts to diversify energy supplies and expand renewable capacity, but yet there is work to be done to become truly independent from Russian oil and gas.

Investments in renewable energy, energy efficiency and grid resilience thus serve dual purposes: mitigating climate change and strengthening European security. We must understand the European Green Deal as a cornerstone of Europe's broader security strategy – one that unites ecological sustainability, economic justice and geopolitical resilience.

To ensure that defence spending is both efficient and effective, Europe must actively pursue complementarities across policy areas. Investments in dual-use infrastructure – such as transport networks and energy grids – serve both military and civilian purposes, strengthening security while supporting economic growth. Likewise, the green transition contributes to strategic resilience by reducing energy dependencies, creating jobs and lowering household costs.

Given the geopolitical implications described, resilience must be understood as multidimensional: encompassing democratic institutions; social trust; energy security; and digital infrastructure. By embedding defence debates in such that holistic discourse and investment strategy, social cohesion's role as a security imperative, not merely a goal of welfare policy, becomes clear. That challenges the false dichotomy between "guns and butter", suggesting instead that sustainable security requires both.

For Europe's centre-left parties, reclaiming its holistic security tradition and emphasising the importance of societal resilience provides a normative and strategic opportunity. Normatively, it aligns with the priorities on social justice, welfare and inclusion. Strategically, it allows social democracy to distinguish itself from other parties through its holistic concept of security and a return to its own security policy origins.

3 Europe must give itself the means to act

Strengthening Europe's defence and societal resilience requires not only political determination but also **adequate and sustainable financial resources**. The post-2022 security environment demands **unprecedented commitments** to increase military spending, accelerate investments in resilience and diversify energy supplies. It is **not realistic** to finance these needs solely through existing national budgets.

Populists on both the left and right often claim that higher defence spending must come at the expense of social policy, implying that the welfare state, or what they call the "*social hammock*", should be the first source of savings. This narrative is **both politically divisive and economically illogical**. To fund the proposed NATO target of around **5% of GDP** in defence spending from current budgets, most European countries would have to dismantle key pillars of their welfare systems, including pensions. This would not only violate constitutional protections in many member states but also **undermine public support for defence policy**, effectively serving the interests of the Kremlin.

Given the magnitude of resources required, **a bold rethinking of both national and European financing mechanisms** is essential. The

European Commission has already taken an important first step. Under the *ReArm Europe – Readiness 2030* initiative, the Commission has proposed **exempting national security and defence expenditures from the Maastricht criteria**, allowing member states to exceed conventional spending limits for strategic purposes.[2]

However, such measures can only serve as an initial response. **Additional, innovative funding sources** should be considered. These could include **windfall taxes** on extraordinary profits in the defence sector, a **financial transaction-based "peace tax"**, ensuring that those benefiting most from Europe's stability contribute proportionately to its defence. And in the medium term, the issuance of **common European debt instruments**, such as **Defence Bonds** or a **European Defence Mechanism**, as proposed by the Bruegel Institute.

Issuing common debt would reduce the fiscal burden on weaker member states, strengthen European solidarity and mobilise resources at scale. It would also underscore that **European defence is a collective, not national, endeavour**.

From an economic perspective, **debt-financed investment** is not only viable but also efficient. Research by the Kiel Institute[3] indicates that increasing defence expenditure from 2% to 3.5% of GDP could **raise GDP by 0.9−1.5%**, as long as procurement prioritises European suppliers, is financed through debt rather than budget cuts or tax increases, and avoids crowding out private investment.

When combined with redistributive measures such as **windfall or financial transaction taxes**, this approach enhances both **fiscal fairness and political legitimacy** by ensuring that those who benefit most from Europe's stability contribute equitably to its maintenance. It will be essential to integrate fairness-based instruments into public discourse early in the process to build durable consensus.

At the same time, **increased defence spending must go hand in hand with transparency and accountability**. Strengthened governance mechanisms should ensure effective oversight of defence funds; strict performance standards for contractors; and measurable social returns such as **high-quality employment and regional development**.

---

2   „Acting on defence to protect Europeans". European Commission.
3   Ilzetki, E. (2025). "Guns and Growth. The Economic Consequences of Defense Buildups." Kiel Institute for the World Economy. February 2025.

Even with these measures, **public budgets alone will not suffice**. Mobilising **private capital** will be indispensable. This is not about financing large arms corporations, but ensuring that **SMEs and start-ups** in the defence and dual-use sectors can access financing on favourable terms. Currently, many banks maintain restrictive lending policies toward defence-related firms due to misinterpretations of environmental, social and governance (ESG) criteria, which inadvertently constrain the growth of Europe's defence industrial base.

In this context, the decision to **expand the European Investment Bank's (EIB's)** mandate to cover a broader range of dual-use projects was both timely and necessary. Following this decision, the EIB has **unlocked €8.9 billion** in additional funds for dual-use infrastructure and related projects,[4] and **tripled its financing for defence-related SMEs to €3 billion**.[5] These measures have not only provided direct financial support but also sent a strong **signal to private lenders**, helping to normalise responsible investment in Europe's security and resilience.

4 Building a sovereign European defence industry

However, **spending alone will not suffice**. Current inefficiencies within Europe's defence landscape remain unacceptably high. According to the *Draghi Report*, EU member states pay an average **30% premium** for defence equipment due to insufficient standardisation, harmonisation and cooperation. In an era of constrained public finances, such inefficiencies can no longer be justified to European taxpayers.

To ensure better value and effectiveness, Europe must pursue a **dual strategy**: on the **demand side**, advance **joint procurement** to pool resources, reduce duplication and generate economies of scale; on the **supply side**, establish a **genuine European defence market** that promotes industrial integration, innovation and efficiency.

---

4 „EIB steps up financing for European security and defence and critical raw materials". Press release. European Investment Bank, 21 March 2025.

5 „EIB triples financing for banks to provide liquidity to SMEs in the supply chain of Europe's defence industry, signs first deal with Deutsche Bank". Press release. European Investment Bank, 11 June 2025.

For decades, Europe's defence industry has been characterised by fragmentation, duplication and inefficiencies, with national governments prioritising national sovereignty over scale.[6] The result is a patchwork of small production runs, high unit costs and limited interoperability. As security threats intensify, this model is increasingly unsustainable.

Europe currently operates more than 17 different types of main battle tanks and 20 different fighter aircraft models, compared with far fewer in the USA.[7] That fragmentation inflates costs, complicates logistics and undermines collective defence. Moreover, dependence on external suppliers – particularly from the USA – limits strategic autonomy and exposes Europe to potential political interference.

Already before the full-fledged Russian invasion of Ukraine, the EU had taken steps to address these challenges through initiatives such as the European Defence Fund and Permanent Structured Cooperation. These frameworks aim to foster joint research, development and procurement, while incentivising cross-border cooperation and reducing fragmentation. Both lack, however, implementation of their projects as capabilities on the ground.

After the Russian invasion of Ukraine, the European Commission developed further projects to stimulate the common and harmonised procurement of weapons (ASAP, EDIRPA, EDIP). These programmes continue along the right and necessary path of enhanced cooperation between EU member states. Scaling up production and focussing on products originating in the EU and partner states with security agreements with the EU creates economic synergies.

Investments in the defence industry have the potential to create high-skilled jobs, drive technological innovation and strengthen Europe's competitiveness in advanced sectors. While they cannot fully offset the structural challenges and ongoing transformation of key industries such as the automotive sector, their sectoral advantages and potential spillover effects should be leveraged wherever possible.

---

6   Clapp, S. (2024) „European defence industry programme (EDIP)". European Parliamentary Research Service, May.

7   Centrone, M. and M. Ferandes (2024) „Improving the quality of European defence spending: Cost on non-Europe report". European Parliamentary Research Service, November.

Finally, the pursuit of industrial sovereignty must be balanced with transatlantic cooperation. While reducing dependency on US suppliers enhances autonomy, Europe remains embedded in NATO structures. The challenge lies in strengthening the European pillar of NATO without undermining the cohesion of the alliance. The EU must demonstrate to its American partners that it is both willing and capable of taking greater responsibility for security in its own neighbourhood. Only then can it credibly argue that continued US support – particularly in areas where Europe cannot yet match American capabilities – is in the mutual interest of both sides, regardless of the political leadership in Washington, DC. Improving the cooperation and coordination between NATO and the EU will allow complementarity and synergies between both organisations to be ensured. For instance, the EU could effectively enforce NATO standards through binding industrial legislation, which would counter the lack of harmonisation in defence equipment and enhance interoperability.

5 Europe as a force for peace and global security

While strengthening defence capabilities is crucial, Europe's role in the international order cannot be reduced to military hard power. The EU has long cultivated a reputation as a "civilian power", promoting diplomacy, multilateralism and normative frameworks such as international law and human rights. The erosion of US leadership and the rise of authoritarian powers necessitate a recalibration: Europe must combine credible defence with renewed diplomatic engagement. The strong interest of partners like Norway,[8] the UK,[9] Canada[10] and others to enter into strong and binding security partnerships with the EU speaks for itself.

Furthermore, supporting Ukraine in its fight for freedom is crucial to Europe's security. A Russian victory or even a Trump-style sham

---

8   „EU-Norway security & defence partnership". European External Action Service, 28 May 2024.
9   „Security and defence: EU and UK conclude security and defence partnership". European External Action Service. 19 May 2025.
10 „Security and defence: EU and Canada sign security and defence partnership". European External Action Service, 24 June 2025.

peace would embolden autocrats, jeopardise Europe's stability and increase the cost of deterrence. What is currently being decided in Ukraine is not only the future and security of Ukraine, but the future security of Europe. We should act accordingly by continuing and increasing financial, humanitarian and military support – including the use of frozen Russian assets. At the same time, accelerating Ukraine's accession to the EU is an important step in making it clear to Putin that Ukraine's future lies not in the shadow of the Kremlin, but in Europe. And what's more, parts of the EU defence industry are already deeply intertwined with Ukraine's defence companies. Strengthening these industrial partnerships would not only enhance Europe's security capabilities, but also contribute to Ukraine's resilience and long-term integration into the European community.

While surges in European defence spending are necessary to deter our enemies and safeguard peace in Europe, the centre left must continue to advocate for multilateralism, arms control and international cooperation. One arena where this engagement is urgently needed is EU enlargement. Accelerating accession for Ukraine, Moldova and Western Balkan states sends a signal of commitment to stability and democracy. Enlargement is not only a geopolitical strategy to bind our neighbours to us and the EU, but also a means of embedding social standards and democratic reforms in Europe's neighbourhood.

The EU's credibility also depends on building partnerships beyond its immediate neighbourhood. Relations with like-minded democracies – such as the UK, Australia, South Korea and Japan – are increasingly important. The aforementioned security partnerships are a crucial step in this regard and show the importance these countries place on a tight partnership with the EU. At the same time, engagement with the Global South is crucial to counter authoritarian influence and maintain legitimacy. Social democracy must forge cooperation with these areas of the world.

To act effectively on the global stage, further institutional reforms are needed. Unanimity in foreign and security policy often paralyses the EU, as seen in repeated vetoes by member states with divergent interests. Advocating for qualified majority voting, or for "coalitions of the willing", allows the EU to act more decisively. The EU cannot

depend on the toilet breaks of Victor Orban or other friends of Putin in the EU, as was the case in December 2023 when the EU was to decide about Ukraine's EU accession.[11]

Conclusion

Securing Europe by reclaiming a social democratic vision of resilience and strength

Europe's security environment has irreversibly shifted over the last decade. Russia's war of aggression, the volatility of transatlantic guarantees, hybrid warfare, and authoritarian influence have exposed Europe's vulnerability in ways unimaginable only ten years ago. Meeting this challenge cannot be reduced to a debate over percentages of GDP for defence. It demands a re-anchoring of Europe's security strategy in the values that have historically made our societies both resilient and worth defending: democracy, social justice, cohesion, and peace through strength.

The core argument of this chapter is that Europe's centre left possesses a political tradition uniquely capable of uniting these imperatives. The social democratic understanding of security, rooted in credible deterrence, strong alliances, social cohesion and diplomacy from a position of strength, offers a holistic alternative to both purely military-focused approaches and populist isolationism, which is tantamount to the denial of reality. Rather than accepting the false and divisive "guns versus butter" narrative used both by the Kremlin and by Europe's own populists on the far right and far left to sow discord, social democrats must articulate a modern vision inspired by the tradition of leaders such as Brandt, Schmidt, Mitterrand, Brundtland and Stoltenberg. This requires action on five intertwined fronts.

First, Europe must recognise the reality of the threats it is facing and define the military capabilities needed to address them. Social democrats should push for maximum European cooperation in defence research and procurement, prioritising European-made equipment with European value creation. We must also champion dual-

---

11 Camut, C., J. Barigazzi and P. Dallison (2024) „Toilet diplomacy: How many bathroom breaks can the EU force Viktor Orbán to take?" *Politico*, 1 February.

use infrastructure investments and communicate their civilian and military benefits to maintain public support.

Second, social democracy should reclaim and confidently promote its traditional "whole of society" approach to security, which links a robust defence stance with a broad strategy to strengthen social trust and cohesion. Russia already seeks to undermine our social cohesion through hybrid warfare. Hence, strengthening defence must not come at the expense of social and infrastructure spending.

Third, the financial burden of increased defence spending must be shared fairly. We should support EU-level financing tools matching the ambition of the COVID-19 response and resist cuts to social spending. At the same time, we must mobilise private capital to limit pressure on public budgets.

Fourth, social democrats should foster an efficient and resilient European defence industry that creates high-quality jobs and drives civilian innovation. Synergies and cooperation must be prioritised. While Europe strengthens its capabilities, NATO remains our security cornerstone. We must continue to promote industrial and military cooperation with our transatlantic partners and reinforce NATO's European pillar. Concluding a NATO-EU partnership agreement is at the core of our interests, and social democrats must strongly advocate for the conclusion of such an agreement.

Fifth, Europe must pair stronger defence with stronger alliances. Diplomacy, disarmament and international cooperation remain our essential goals. Recent deals with the UK and Canada show the appetite for partnership with the EU. Social democrats should champion new economic and security alliances to reinforce Europe's role as a global actor. At the same time, we must also promote institutional reforms, such as the abundance of unanimity voting in the European Council, to make Europe ready to act.

Together, these five steps can transform defence from a reactive cost to a proactive investment in security, democracy and long-term European strength. For European social democracy, this is not only a security imperative but also a political opportunity. By reframing security as a public good that protects democratic freedoms, living standards and social stability, social democrats can reclaim credibility

on defence while remaining true to their values. They can show that strengthening Europe's capacity to deter aggression is not a departure from their tradition, but a return to its most successful foundations.

If Europe is to navigate its "*Zeitenwende*" with unity and purpose, the centre left must lead in shaping a security model that is both firm and fair: capable of defending our continent while safeguarding the social fabric that holds it together. A social democratic security doctrine for the 21st century must therefore be resolutely European, resilient against authoritarian pressure, socially just at home, and engaged in spreading peace abroad.

Bibliography

„Bundeshaushalt digital". Bundesministerium der Finanzen.

Camut, C., J. Barigazzi and P. Dallison (2024) „Toilet diplomacy: How many bathroom breaks can the EU force Viktor Orbán to take?" *Politico*, 1 February.

Centrone, M. and M. Ferandes (2024) "Improving the quality of European defence spending: Cost on non-Europe report". European Parliamentary Research Service, November.

Clapp, S. (2024) "European defence industry programme (EDIP)". European Parliamentary Research Service, May.

Ilzetki, E. (2025). "Guns and Growth. The Economic Consequences of Defense Buildups." Kiel Institute for the World Economy. February 2025.

"Acting on defence to protect Europeans". European Commission.

"Security and defence: EU and UK conclude security and defence partnership". European External Action Service. 19 May 2025.

"EU-Norway security & defence partnership". European External Action Service, 28 May 2024.

"Security and defence: EU and Canada sign security and defence partnership". European External Action Service, 24 June 2025.

"EIB steps up financing for European security and defence and critical raw materials". Press release. European Investment Bank, 21 March 2025.

"EIB triples financing for banks to provide liquidity to SMEs in the supply chain of Europe's defence industry, signs first deal with Deutsche Bank". Press release. European Investment Bank, 11 June 2025.

"Bruttoinlandsprodukt (BIP) Deutschland 2025 & Prognosen". Landesbank Baden-Württemberg, 30 October 2025.

"Defence expenditure of NATO countries (2014–2021)". NATO, 2021.

"Deutsche Außenpolitik 2024: Tabellenbericht". Verian and Körber-Stiftung, 2024.

The shiver beneath the vote: Populism and the nervous body politic

KATA TÜTTŐ

Abstract

This chapter explores right-wing populism not just as a political phenomenon, but as a neurobiological and psychological event. Drawing on neuroscience, sociology and philosophy, it argues that populist movements exploit the brain's fear circuitry – particularly the amygdala – to hijack public emotion. Chronic stress, acceleration and social disconnection weaken rational thinking and empathy, making people more susceptible to simplistic, tribal narratives. Populists don't persuade – they provoke, mirror emotion, and tell symbolic stories that offer certainty and belonging. Thinkers like Hartmut Rosa, Robert Sapolsky, Carl Jung, Slavoj Žižek and Jordan Peterson help map this terrain, revealing how populism taps into deep psychological needs: safety; identity; meaning; and revenge for perceived humiliation. Social media amplifies this dynamic through rage-bait and emotional manipulation. The chapter warns that liberal democracy must confront this emotional battlefield by telling deeper stories – not just of policy, but of purpose – if it is to resist authoritarian drift and restore the resilience liberal democracy.

Author's Note

There's an old joke that goes like this:

A wife walks in on her husband in bed with another woman.

Shocked, she says: "You're cheating on me!"

The husband replies: "Of course not, darling, you're mistaken".

"But I can see you lying naked with another woman!" she insists.

To which he says: "Come on, Darling – who are you going to believe, me or your own eyes?"

This joke perfectly captures the strange phenomenon we are experiencing. Even when the evidence is in plain sight, populist leaders can persuade people to doubt their own senses. Although I am an economist by training and a politician by profession, I have always had a deep fascination with natural science – particularly biology and the way living systems work. I believe that if we wish to treat a problem, we must first understand the underlying mechanism. With right-wing populism surging in many countries, I believe we are still in the diagnostic phase. I can't offer a convincing antidote, but by understanding the biological and psychological mechanisms that make it work, we can at least see what will not work. And that, in itself, is progress.

This chapter draws together the threads I have found most revealing about this new authoritarian wave and seeks to weave them into a coherent narrative: to look at populism not just as a political strategy, but as a neurobiological, psychological and symbolic event, and to suggest new ideas and approaches to counter it.

1. Introduction: "Something in the air"

In recent years, political analysts have run out of labels: populism; post-truth; authoritarianism with a smile. None quite capture the urgency of what we're witnessing – a surge of collective emotion tearing through the logic of liberal democracies. Something more primal is at work. Beneath the surface of policy debates and party politics, a deeper process is unfolding: **the emotional hijacking of public life**.

The term "**amygdala hijack**" was coined by psychologist Daniel Goleman in 1995 to depict what happens when the brain's threat-detection system overrides its rational functions.[1] We go from reflection to reaction in an instant. And populist movements have mastered the art of pushing that button. They don't just communicate. They trigger.

This isn't just a metaphor. It's a diagnosis. Populism is the political symptom of a deeper **neurological vulnerability**, inflamed by fear,

---

1   Goleman, D. (1995) *Emotional Intelligence: Why It Can Matter More than IQ* (New York: Bantam Books).

fuelled by alienation and guided by myth. It doesn't offer solutions. It offers **certainty**. And in a world drowning in complexity, certainty is a hell of a drug.[2]

As progressives, we seek to fight populism with facts. But we forget: by the time facts arrive, the emotional battlefield has already been lost. The real fight is upstream – in the mind, the body, the stories we tell and the shadows we repress.

This chapter explores populism not only as a political phenomenon, but as a **neuropsychological event**. Drawing on thinkers and modern neuroscience, we will map the terrain of where populism really lives: not just in parliaments, but in the **nervous system of democracy itself**.

2. The biology of fear and belonging

> *"Populism doesn't just speak to people.*
> *It speaks to their cortisol levels."*

At its core, populism is not an argument – it is a **signal of collective distress**. To understand why it resonates, we must first understand the **brain under pressure**. Particularly, one small almond-shaped structure buried deep in our limbic system: the amygdala.

The amygdala evolved to do one thing: **detect threat**.[3] Whether it's a rustle in the bushes or a destabilising social shift, the amygdala triggers a physiological cascade – flooding the body with cortisol and adrenaline, narrowing attention, and sharpening tribal instincts. It does not ask whether the threat is real or imagined. Its job is to keep us alive.

Populist movements exploit this biological reality. They do not rely exclusively on persuasion but on activation. They flood the public sphere with signals of existential danger: *"they are replacing us"; "the na-*

---

2   Kruglanski, A. W. and D. M. Webster (1996) "Motivated closing of the mind: 'Seizing' and 'freezing'". *Psychological Review*, 2(103): 263-283.

3   The amygdala processes fear, arousal and emotional stimuli. When it perceives a threat, it sends a distress signal to the hypothalamus, which activates the sympathetic nervous system. This triggers the adrenal glands to release catecholamines such as epinephrine. If the threat persists, the hypothalamus activates the hypothalamic-pituitary-adrenal axis, leading to cortisol release from the adrenal cortex and keeping the body on high alert.

tion is under attack".; "*you have been betrayed*". These aren't just slogans – they are **neurological triggers**. They spike cortisol, shrink tolerance for ambiguity and tilt perception toward black-and-white thinking.

The amygdala can hijack our responses before the neocortex – the rational brain – even processes what's happening. As Daniel Goleman put it: "*In an emotional hijacking, the amygdala acts before the neocortex has had time to fully assess the situation*". In this light, populism can be seen as a mass hijacking – a large-scale physiological event where millions feel, and vote, under stress.

But fear alone doesn't explain the phenomenon. Humans aren't just creatures that become afraid. We are also **belonging creatures**.

According to **social neuroscientist John Cacioppo**, our need for social connection is as fundamental as hunger or thirst.[4] Loneliness, social fragmentation and lack of recognition register in the brain as pain – literally. The populist promise – „*We see you; you are one of us*" – is therefore a **dopaminergic hit** to the brain's reward centres. It soothes the ache of alienation.

Karl Friston's **Free Energy Principle** adds another layer to that understanding.[5] The brain's job, according to his theory, is to minimise uncertainty – to reduce the gap between what it expects and what it experiences. Populism simplifies the world into neat packages of cause and effect: „*They are to blame. We are the victims. I will fix it.*" In a world of chaos, this simplicity is **neurologically comforting**. It reduces mental entropy.

This also explains why populism thrives in times of **rapid change** – migration, globalisation, digital disruption and pandemics. These events trigger uncertainty at scale. And in response, people gravitate toward leaders and movements who promise **predictability**, however illusory.

Better a wrong answer than no answer at all – that is the silent logic of the anxious brain.

---

4 Cacioppo, J. T. and W. Patrick (2008) *Loneliness: Human Nature and the Need for Social Connection* (New York: W.W. Norton).
5 Karl Friston is a British neuroscientist and theoretical biologist, best known for formulating the Free Energy Principle – a unifying theory that explains how living systems, from single cells to societies, resist disorder by minimising uncertainty about their environment. Friston, K. (2010) "The free-energy principle: A unified brain theory?" *Nature Reviews Neuroscience*, 2(11): 127-138.

3. Acceleration, fear and the hijacked mind

Hartmut Rosa and the Politics of Perpetual Motion:
"We are running faster than ever to stay in the same place."

The sociologist Hartmut Rosa begins with a disturbing observation:[6] modern societies no longer advance toward a clear destination. Instead, they have to accelerate simply to keep their balance. This is what he calls **dynamic stabilisation** – the paradox that stability now depends on perpetual motion.

In earlier centuries, stability came from repetition: the turning of the seasons; the passing down of trades; the rhythms of inherited rituals. In our time, it comes from constant growth, continual innovation and relentless speed. Standing still is no longer neutral; it represents a kind of collapse.

The three spirals of acceleration

Hartmut Rosa describes our age as being shaped by three spirals of acceleration that feed into one another. First there is **technological acceleration**: from sailing ships to jets; from letters to instant messages; each leap in innovation compresses time and raises expectations of immediacy, leaving us less tolerant of delay. Then comes the **acceleration of social change**: life scripts that once provided stability – careers, family patterns, political loyalties – now shift rapidly, as skills expire, institutions transform and alliances dissolve, creating fertile ground for populism's promise of a nostalgic pause. Finally, there is the **acceleration of life** itself: the subjective sense that time is always running out. We pack more into each day, multitask compulsively and treat stillness as wasted opportunity, producing what Rosa calls **temporal scarcity** – the chronic feeling of being late in life itself.

The frenetic standstill

Herein lies Rosa's central paradox: **despite all this motion, we often feel stuck**. Individuals and institutions alike are caught in a loop of reaction rather than creation, sprinting on a treadmill that speeds up

---

6   Rosa, H. (2013) *Social Acceleration: A New Theory of Modernity* (New York: Columbia University Press).

every year. Movement is mistaken for progress. Busyness becomes a substitute for vision.

From a neurological perspective, this is a collective amygdala hijack. Urgency overwhelms reflection. Threat signals saturate the nervous system, **shrinking the cognitive space for strategy, empathy and long-term thinking**.

Acceleration, cortisol and social burnout

A society living in chronic urgency begins to mirror the biology of sustained threat: cortisol levels rise and stay elevated; the amygdala, the brain's fear detector, remains in a state of hypervigilance; the prefrontal cortex – responsible for planning, complex reasoning and empathy – is weakened. The result is not just individual burnout but institutional burnout. States, cities and organisations become locked in crisis management, perpetually firefighting rather than building for the long term.

How populism feeds on acceleration

Populists cast themselves as **narrative decelerators**. They promise to slow immigration, halt globalisation and defend "traditional" culture. The appeal is rarely about the specifics of policy; it is about offering **emotional relief** from the fatigue of acceleration and the pace of social change.

Progressives, meanwhile, can inadvertently intensify the sense of speed. By constantly championing reform, innovation and urgency, they risk reinforcing the very physiological exhaustion that drives voters toward the populist pause button. Without stable cultural anchors, even the most well-meaning progressive agenda can feel like another gust in the storm.

The lesson: speed alone does not create hope. For **politics** to be sustainable – biologically, emotionally, democratically – it **must also build spaces of stability** where the nervous system can rest, and where reflection has time to breathe.

From acceleration to the hijacked brain

What Rosa describes as "dynamic stabilisation" is, in biological terms, a society stuck in permanent fight or flight. Acceleration is not just

a sociological condition – it is a physiological state. The constant demand for more speed keeps the amygdala firing like an alarm that never shuts off. **Cortisol** becomes the background chemical of public life. And when the **amygdala** dominates, **the prefrontal cortex** – the seat of reflection, empathy and long-term vision – **goes quiet**.

3.1. Chronic stress, reasoning and empathy

> Under chronic stress, the very structures in the brain that are supposed to calm the amygdala and restore order – the hippocampus and prefrontal cortex – begin to atrophy, leaving us less able to think clearly and more at the mercy of our primitive fears.
> Robert Sapolsky[7]

Robert Morris Sapolsky is a neuroscientist, primatologist and Stanford professor. His pioneering research on stress and the brain shows how chronic exposure to **cortisol reshapes neural circuits**, weakening reasoning and empathy, and **amplifying fear**; this mechanism helps explain why populist narratives take root under pressure. Under sustained pressure, the brain does not simply fray – it adapts in ways that make people more susceptible to the simplistic certainties that authoritarian movements provide. Robert Sapolsky's work on stress demonstrates that the hypothalamic-pituitary-adrenal axis responds to prolonged psychological strain – whether job insecurity, cultural upheaval or an assault on personal identity – by continuously bathing the body in glucocorticoids such as **cortisol**.[8] This hormonal cascade has far-reaching effects on neural architecture. The **prefrontal cortex**, which mediates reasoning, long-term planning, empathy and impulse control, **suffers** under this chemical barrage; synaptic connections wither, its volume contracts and its capacity to override

---

7   Robert Sapolsky is an American neuroendocrinologist and primatologist, whose research on stress physiology has shown how **chronic stress can literally reshape the brain**, impairing memory, decision-making and emotional regulation – making his work essential to understanding the neurobiology behind fear-driven politics and the amygdala hijack. Sapolsky, R. M. (2004) *Why Zebras Don't Get Ulcers: The Acclaimed Guide to Stress, Stress-Related Diseases, and Coping*, 3rd ed. (New York: Holt Paperbacks).

8   Sapolsky, R. M. (1996) *Why Zebras Don't Get Ulcers* (New York: W. H. Freeman), especially Chapter 17, where he details how prolonged stress damages hippocampal neurons and alters prefrontal cortex function.

emotional impulses diminishes. In such a state, **nuanced democratic argument feels intolerably complex**; clarity, blame and immediate action become appealing, even when irrational.

At the same time, chronic stress sensitises the **amygdala**. Repeated exposure to glucocorticoids enlarges this almond-shaped structure and amplifies its reactivity, so that ambiguous stimuli are perceived as threats. Fearful narratives flourish when minds are primed to see danger everywhere. Compounding this, elevated cortisol dampens activity in the brain's mirror-neuron systems that support perspective-taking and compassion. **Under stress**, people identify less with those beyond their own group and prioritise **self-preservation** over altruism.

Together, these changes produce **a psyche tailored to populism**: a diminished capacity for critical reasoning; a hair-trigger sense of danger; an eroded reservoir of empathy; and an urgent desire for certainty.

3.2. Populist storytelling and mass psychology

"Democracy runs on persuasion.
Populism runs on provocation."

To understand populism, it is not enough to examine what it says – we must examine how it speaks. Populists are not only political figures. They are master storytellers, showpeople and provocateurs. They use narrative, tone rhythm and framing not to explain the world, but to **emotionally choreograph it**.

In his insightful book from this year, *Het spel van de populist* (*The Game of the Populist*), Dutch author **Bas Erlings** reveals the mechanics behind this phenomenon. Populism, he argues, is not primarily an ideology – it is a **style of communication** built on emotional shortcuts and symbolic gestures. The goal is not to win a debate, but to **dominate the conversation**. Erling argues that populists strategically escalate situations through there understanding of how the human brain works.

Erlings identifies core strategies that define the populist playbook. **Populists simplify the world into stark binaries** – good versus evil, people versus elites, native versus foreign – triggering the brain's limbic system and leaving little room for nuance. They seek to **provoke**

deliberately, using outrage and spectacle to dominate media cycles and ensure constant visibility, regardless of whether their claims are absurd. Rather than shaping opinion, **they mirror the emotions** of their base, reflecting anger and frustration back to voters in a way that fosters deep identification. Finally, they **offer symbolic redemption**, framing supporters not as mistaken but as betrayed, and promising to restore their dignity – an appeal rooted in timeless narratives of humiliation and rescue.

Erlings argues that populists exploit three primal voter needs – **protecting one's close circle, feeling a sense of belonging and experiencing gradual improvement** – linking them to established psychological theories.

Bas Erlings argues that the antidote to populism lies not in retreating to dry facts or defensive reactions, but in reclaiming the political arena with clarity, courage and emotion. Instead of answering every attack, leaders should **seize the narrative** and set the tone themselves. This requires weaving a **positive "we story"** that inspires belonging and hope, while speaking to people's hearts as much as their minds. Facts matter, but without emotional resonance they fall flat; trust and passion are the true currencies of politics. To counter populists' simplicity, leaders must dare to make bold, visible choices and embody energy and conviction in their leadership. For Erlings, the lesson is that **populists dominate** not because they are right, but because they **master the psychology of connection and conflict** – and democrats must learn to do the same, but in the service of inclusion and democracy rather than division.

These techniques draw from an older tradition of **mass psychology**, explored by thinkers like **Gustave Le Bon** (*The Crowd*, 1895) and **Wilhelm Reich** (*The Mass Psychology of Fascism*, 1933). Le Bon observed that crowds did not behave like individuals. Once gathered into a collective, people regress psychologically: emotion trumps reason; and suggestion becomes more powerful than logic.[9]

Populist leaders instinctively understand this. Their rallies are not informational events – they are **emotional rituals**. The crowd does not

---

9   Silva, C. (2025) "Psychology of the crowd: Revisiting Gustave Le Bon". *Neuro & Psycho*, summarises Le Bon's findings that crowds suppress individuality and are driven more by emotion than reason.

learn something new. It **feels itself into existence**. The leader becomes a mirror, a vessel, a symbol of the people's imagined unity and rage.

Erich Fromm, in *Escape from Freedom*, argues that many people do not desire freedom as much as they desire **certainty**. When life becomes too complex, too fast, too anonymous, people long to submit to a strong figure who gives direction and meaning. Populism thrives precisely in this zone of emotional fatigue – it replaces choice with clarity.[10]

The **failure of liberal democracies to communicate emotionally** becomes a structural weakness. Progressive messages often appeal to the neocortex – logic, evidence, fairness – while populist messages appeal to the amygdala and limbic brain. It's not a fair fight.

What makes this dangerous is the **feedback loop of attention and effect**. Outrage spreads faster than facts. Simplistic narratives outperform nuanced explanations. Social media amplifies anger and reward signals, turning provocation into power.

To resist this, progressives must become emotionally literate without becoming manipulative. We must learn to speak not just in facts, but in frames, feelings and stories – to **reclaim emotional ground** without surrendering to populist cynicism.

3.3. Farming the nerves: Rage-bait and aura farming – engines of emotional politics

> *"If democracy is a nervous system,*
> *social media is an unregulated stimulant dealer."*

If the amygdala is the **panic button**, social media is the finger that keeps pressing it.

For most of history, our nervous systems evolved in slow news environments. Now, the amygdala is bombarded with triggers – headlines, memes, artificial intelligence generated videos, comment wars – 24/7.

Fear and outrage spike **cortisol**; likes and shares give **dopamine**. This makes outrage **addictive**. Online insults hit the brain like in-person rejection, triggering primal pain circuits. Populists exploit this by framing opponents as traitors, deepening in-group/out-group divides.

---

10   Fromm, E. (1941) *Escape from Freedom* (New York: Farrar & Rinehart) explains how freedom can cause anxiety, leading to authoritarian submission.

Platforms optimise for engagement, and machine learning learns fast – negative emotions outperform calm debate every time. Extremes rise; nuance is buried.

In the algorithmic marketplace of modern politics, attention is the most valuable currency – and emotion is the most reliable way to earn it.

Rage-bait is the art of provoking anger and outrage in the new attention economy of social media. A deliberately inflammatory statement about migration, gender roles or national sovereignty is posted into the digital stream. Opponents rush to condemn it, quote it and share it – inadvertently amplifying its reach. Algorithms, hungry for engagement, reward the spike in interaction, pushing the provocation into millions of feeds. What appears as a clumsy gaffe is, in reality, a calibrated strike at the amygdala: triggering fight or flight; flooding the bloodstream with cortisol; and narrowing the mind's field of vision.

Here are examples of rage-bait in practice. Donald Trump described undocumented immigrants at a 2024 rally: "They're not humans. They're animals". Viktor Orbán in 2022 declared: "We are not a mixed race […] and we do not want to become a mixed race […] countries where Europeans and non-Europeans mingle are no longer nations". And in Romania's 2025 presidential race, George Simion fumed that judges who invalidated his ally's candidacy "should be publicly skinned alive".

Each of these statements is designed not to inform but to inflame. They reduce people to animals or poison, turn diversity into existential threat, or call for violence against institutions themselves.

If rage-bait is the jolt, **aura farming** is the glow that follows. Here, the leader cultivates not outrage but charisma, mystique and symbolic authority. Through imagery, rituals and carefully staged performances, the leader becomes more than a politician – they become an emblem.[11]

---

11 Huynh, N., L. Ittimani and A. Gorman (2025) „Explain it to me quickly: What is aura farming, and is it cool or cringe?" *The Guardian*, 6 June; defines "aura farming" as the deliberate cultivation of coolness or mystique – performative behaviours or aesthetics meant to project charisma, confidence or "aura", often rooted in video game or anime culture.

These two strategies are rarely used in isolation. Rage creates the sense of **crisis**; aura offers the feeling of **resolution**. The public is kept oscillating between emotional high alert and the relief of **strong leadership**. The cycle is addictive – fear primes the desire for safety; safety reinforces loyalty to the one who offers it.

3.4. The symbolic mind: Jung, archetypes and myth

"The populist does not just tell a story
– they awaken something ancient."

Populism is often mistaken for a modern phenomenon. But at its heart, it speaks the language of myth. Its characters are timeless: the betrayed people; the corrupt elites; the heroic leader who rises from the soil to restore lost glory. These aren't just rhetorical devices. They are **archetypes**, embedded in the collective unconscious of our species.

According to **Carl Gustav Jung**, the human psyche is structured not only by individual experiences, but **by primordial images** across cultures and generations – archetypes.[12] These structures shape how we perceive the world before we even begin to think about it.

Populist leaders instinctively know how to **activate these archetypes**. They rarely speak in policy detail; instead, they invoke a symbolic drama: the pure people versus the corrupt elites; the homeland as an endangered mother; the leader as the one who hears the people's pain and dares to act. These narratives do not need to be logical – they need **to feel true**.

Jung emphasised that the modern world repressed the archetypal dimension. We suppress the **shadow** – the dark, chaotic, angry parts of ourselves – in favour of civilised, rational appearances. But when societies are undergoing stress, this repressed material returns with a vengeance. Populism is often **the return of the shadow** – collective rage, humiliation, fear of decline – projected onto scapegoats.

In this light, populism is not a political innovation but **a psychic regression** – a return to **myth** in the absence of **meaning**. The popu-

---

12 Jung, C. G. (1969) *The Archetypes and the Collective Unconscious*, 2nd ed., trans. R. F. C. Hull (Princeton, NJ: Princeton University Press). In this volume, Jung lays out his theory of the **archetypes** – innate, universal patterns and images that shape human perception, myth and behavior. These include figures like the Hero, the Shadow, the Wise Old Man and the Great Mother, which emerge in dreams, religion, folklore and political life.

list offers not policies but purpose. Not plans but symbols. And these symbols often tap into deep psychological hunger that the technocratic language of modern democracies fails to satisfy.

We see this vividly in the use of national mythologies. In Hungary, Viktor Orbán invokes the Hungarian Warrior spirit, the siege of Europe and a lost Christian civilisation. These myths work as psychological glue, holding together identities in flux. Moreover, the populist message resonates because it offers a narrative of restoration. The future is uncertain, but the past feels safe – purified, glorious and unified. Populism thus functions as a **symbolic anchor** in a world that feels adrift.

The fight against populism is also a mythological battle – a struggle over the stories we tell ourselves about who we are, what we fear and what we might become.

4. Žižek: Fantasy, enjoyment and the populist gaze

"Populism is ultimately sustained by the frustrated exasperation of ordinary people, by the cry 'I don't know what's going on, but I've just had enough of it. It cannot go on! It must stop!'"[13]

Slovenian philosopher **Slavoj Žižek** insists that populism cannot be understood merely by what it says; we must ask **what it allows us to enjoy**. Populism is a fantasy in which the source of problems is always external: our lives would be perfect if only *they* weren't sabotaging us. The foreigner, the bureaucrat, the liberal, the trans activist. The fantasy says *You are good. They are bad. I will cleanse the system.* It offers not a better life, but **moral absolution**.[14]

Žižek's ideas matter here because he refuses to reduce populism to a checklist of economic grievances or institutional breakdown. He perceives it instead as a symptom of something deeper: the **collapse of symbolic structures** that once anchored identity and authority. For him, populism flourishes when people no longer find meaning in the traditional bonds of family, faith or community, and

---

13 Žižek, S. (2009) *First as Tragedy, Then as Farce* (London: Verso).
14 Žižek, S. (2017) "Populism as a way to disavow social antagonism". Lecture. Ghent University, May.

when **humiliation** becomes the unspoken currency of social life. This is what makes Žižek so compelling for our purposes. He forces us to look at populism, not only as a political style, but as a **drama of the unconscious** – a struggle over fantasy, shame and the need for recognition. Including his work in this chapter allows us to confront the terrain where reason alone cannot compete: the realm of **desire**, **myth** and the **wounds** that make people long for strong leaders.

Žižek argues that populist movements provide **jouissance**[15] – a strange enjoyment derived from hate, blame and watching chaos unfold. Populist followers often do not care whether their **leaders lie** or contradict themselves because the leader functions as a fantasy object: a figure who permits transgression; embodies "**truth beyond facts**"; and mirrors the people's repressed desires. This is precisely what makes populism so powerful. It not only promises material security or a political voice, but it offers **enjoyment**: the thrill of belonging to a crowd; the intoxication of **chanting against an enemy**; the bittersweet satisfaction of feeling wronged together. Even humiliation can be transfigured into a form of jouissance when it is shared and dramatised. Populist leaders understand this intuitively. Their rallies are not policy seminars; they are **carnivals of jouissance**. The **insults**, the **crude jokes**, the exaggerated promises – all function not as rational arguments, but as invitations to enjoy. Understanding humiliation reshapes the debate about populism. Economic injustice and cultural anxiety matter, but so does the psychic injury of feeling unneeded, unseen or disrespected. Populist leaders convert **private shame** into public aggression. They offer a release valve for anger by directing it at **scapegoats**. Recognising this dynamic does not justify it, but it clarifies why rational arguments often fail to break the spell. People do not simply vote for their interests; they vote for their identities and their wounds.

In the recent presidential election, Donald Trump gave endless examples to illustrate this: called America a "Garbage Can" of undocumented immigrants; called Joe Biden a "stupid fool", Nancy Pelosi "crazy as a bedbug"; said immigrants were "poisoning the blood of our country"; called journalists "the enemy of the people".

---

15 YouTube video, majidabed7983, "Slavoj Žižek: From pleasure-in-pain to surplus-enjoyment", 19 September 2021.

This insight matters for progressives. If politics is also about jou-issance, then facts and programs will never be enough. The left must learn how to engage the dimension of desire and enjoyment without succumbing to manipulation or cruelty. The lesson is not to abandon truth, but to recognise that **truth alone cannot fight fantasy**. The left must construct its own narratives – not just about justice, but about **desire**, **sacrifice** and **meaning**. People do not merely want good governance; they want a story in which their **suffering makes sense**.

He also warns progressives not to underestimate their own complicity. The liberal fantasy often rests on *moral superiority*, *technocratic faith* and *ideological purity* – which can easily alienate those who feel ignored, shamed or left behind. Populism feeds on this resentment. Populism hijacks the symbolic field. The only way to reclaim it is not to mock the fantasy, but to **write a deeper one** – that includes suffering, struggle, redemption and complexity. In this sense, Žižek helps us see that populism is not the disease of democracy. It is the **symptom of its repression**. It shows us what we have failed to speak about: enjoyment; humiliation; and the search for meaning in a collapsing symbolic order.

And this is precisely where Jordan Peterson's work enters the picture. If Žižek shows us how populism hijacks the symbolic order, Peterson reveals why so many are desperate for a symbolic map in the first place. His appeal rests on the promise of restoring order, responsibility and purpose in a time when traditional anchors of identity are eroding. Where Žižek warns us about the dangers of unaddressed fantasies, Peterson demonstrates the gravitational pull of **order and discipline** as a response to **chaos**.

5. Jordan Peterson and the masculinity vacuum

"All they've heard their whole goddamn life is that there's something toxic and oppressive about our patriarchal society."[16]

In the background of many populist surges, there is a quiet crisis – not always visible in policy or debate, but deeply present in the emotional landscape: the **collapse of traditional masculinity**. Men,

---

16 YouTube video, JPslectures, "Jordan Peterson: Toxic masculinity - a 12 rules for life lecture", 2 October 2020.

especially younger men, are drifting – economically precarious, culturally anxious, symbolically displaced. And into this vacuum step populist leaders and cultural figures who offer them **structure, identity and myth**.

No one has tapped into this psychological terrain more potently than **Jordan B. Peterson**, the Canadian psychologist, whose rise coincided with a generation of young men searching for purpose. His message is not overtly political. Yet the emotional resonance of his work overlaps with the **psychological scaffolding of populism**: meaning through order, discipline, hierarchy and personal sacrifice.

Peterson's mantra – *"clean your room, stand up straight, take responsibility"* – is deceptively simple. What it really offers is a **symbolic map** in a world of chaos. In his framework, suffering is real and inevitable. The only antidote is to voluntarily shoulder responsibility and walk toward meaning. This resonates deeply in a culture where many men feel **emasculated by modernity** and **unmoored by fluid norms**.

In *12 Rules for Life*, Peterson warns against nihilism, resentment and the seductive lure of chaos. But it is precisely these conditions – spiritual disorientation, identity confusion, fear of irrelevance – that populist movements exploit. Both propose an answer to the modern masculine ache: *you are not the problem; you are the solution – if only you take up your ancient role*.

Populist strongmen from Orbán to Trump signal this same message in political form: masculinity as protector, warrior, builder, father of the nation. But unlike Peterson's individualistic ethic of self-responsibility, the populist twist externalises the blame – toward feminists, migrants, liberals, "globalists". It is a **perverted re-masculinisation**, built on exclusion and domination.

What unites these strands – from Peterson's moral seriousness to the sigma fantasy[17] and the populist father figure – is a **reaction to perceived loss** of agency, identity, structure and worth. In many European societies, young men face the risk of unemployment, obsolete

---

17 The term *sigma male* comes from online masculinity subcultures and refers to a man who is successful yet highly independent and self-reliant, essentially a "lone wolf" who rejects the social dominance hierarchy embraced by alpha and beta male archetypes.

skills, declining economic status and cultural messages that oscillate between *"you are dangerous"* and *"you are irrelevant"*. Populism does not invent this crisis. It **weaponises it**.

For progressives, the challenge is not to dismiss these emotional needs, but to **reframe them**. Masculinity cannot be reduced to aggression. The desire for strength, responsibility and purpose is not inherently toxic. It becomes toxic when ignored or ridiculed.

6. Conclusion: The nerve to govern

If populism is a physiological event – a hijack of the nervous system – then our response as progressives must also be embodied. This is not a call to abandon reason, but to recognise its limits in times of fear. We cannot argue people out of an amygdala hijack. We must help them out of it – not with more data, but with more courage, connection and meaning. In biological terms, what calms the amygdala is not argument. It is safety. It is trust. It is the presence of others who do not flinch. Courage, then, is contagious. So is fear. And this gives us a clue.

Bibliography

Cacioppo, J. T. and W. Patrick (2008) *Loneliness: Human Nature and the Need for Social Connection* (New York: W.W. Norton).

Cohen, S. and T. A. Wills (1985) "Stress, social support, and the buffering hypothesis". *Psychological Bulletin*, 2(98): 310-357.

Eisenberger, N. I., M. D. Lieberman and K. D. Williams (2003) "Does rejection hurt? An fMRI study of social exclusion". *Science*, 5643(302): 290-292.

Erlings, B. (2025) *Het spel van de populist* (Amsterdam: Querido Facto).

Friston, K. (2010) "The free-energy principle: A unified brain theory?" *Nature Reviews Neuroscience*, 2(11): 127-138.

Fromm, E. (1941) *Escape from Freedom* (New York: Farrar & Rinehart).

Goleman, D. (1995) *Emotional Intelligence: Why It Can Matter More than IQ* (New York: Bantam Books).

Jung, C. G. (1969) *The Archetypes and the Collective Unconscious*, 2nd ed., trans. R. F. C. Hull (Princeton, NJ: Princeton University Press).

Jung, C. G. (1971) *Psychological Types*, trans. H. G. Baynes (Princeton, NJ: Princeton University Press).

Kruglanski, A. W. and D. M. Webster (1996) «Motivated closing of the mind: 'Seizing' and 'freezing'». *Psychological Review*, 2(103): 263-283.

Le Bon, G. (1895) [2002] *The Crowd: A Study of the Popular Mind* [Mineola, NY: Dover Publications].

Peterson, J. B. (2018) *12 Rules for Life: An Antidote to Chaos* (Toronto: Random House Canada).

Rosa, H. (2013) *Social Acceleration: A New Theory of Modernity* (New York: Columbia University Press).

Sapolsky, R. M. (2004) *Why Zebras Don't Get Ulcers: The Acclaimed Guide to Stress, Stress-Related Diseases, and Coping*, 3rd ed. (New York: Holt Paperbacks).

Sapolsky, R. M. (2017) *Behave: The Biology of Humans at Our Best and Worst* (New York: Penguin Press).

Silva, C. (2025) "Psychology of the crowd: Revisiting Gustave Le Bon". *Neuro & Psycho*.

Singer, T. and O. M. Klimecki (2014) "Empathy and compassion". *Current Biology*, 18(24): R875-R878.

YouTube video, JPslectures, "Jordan Peterson: Toxic masculinity - a 12 rules for life lecture", 2 October 2020.

YouTube video, majidabed7983, "Slavoj Žižek: From pleasure-in-pain to surplus-enjoyment", 19 September 2021.

Zak, P. J. (2008) "The neurobiology of trust". *Scientific American*, 6(298): 88-95.

Žižek, S. (2009) *First as Tragedy, Then as Farce* (London: Verso).

Žižek, S. (2017) "Populism as a way to disavow social antagonism". Lecture. Ghent University, May.

Populism through history: Lessons from the past

ANA CATARINA MENDES,
ANDRÉ RIBEIRO DA COSTA and MARIA JOÃO DORNELAS

Abstract

Populism is not a phenomenon of the 21st century; it is as old as democracy itself. The appeal to "the people" against "the elite" has been a recurring threat throughout history, adapting to the cultural, economic and technological realities of each era. Understanding these historical roots is essential for social democrats who aim to counter contemporary populist movements, because the strategies that resonate today are deeply intertwined with longstanding human instincts about fairness, justice and identity.

In ancient Rome, populism emerged as a political strategy long before the term existed. Tribunes, elected to protect the interests of the plebeians, often framed their campaigns around the narrative of defending ordinary – and poorer – citizens against the Senate, which represented wealthy patricians. **The fundamental structure of "the people versus the elites" was already present, demonstrating that populism thrives whenever citizens perceive exclusion, injustice or betrayal.**

Centuries later in the USA, populism appeared in the agrarian movements of 19th century farmers who, while struggling with debt, declining crop prices and exploitative railroad monopolies, felt abandoned by both of the main political parties. The Populist Party, founded in 1891, leveraged the rhetoric of ordinary citizens versus economic elites, advocating for reforms such as public ownership of railroads, progressive taxation and the direct election of senators.

The lesson is clear: populism gains traction when citizens perceive systemic economic inequality and feel a lack of recourse through standard political channels.

In Europe, the 19th and early 20th centuries provided fertile ground for populist movements in the context of industrialisation and social change. The Russian Revolution of 1917, for example, was fuelled – at least in part – by narratives portraying the monarchy and aristocracy as **disconnected from the suffering of the ordinary working people. This disconnect recalls the famous (though likely apocryphal) statement attributed to Marie Antoinette during the French Revolution: "Let them eat cake", supposedly said in response to hearing that the people in Paris had no bread, symbolising the idea of obliviousness of the elite to the struggles of the common populace.**

Later, the interwar period in Europe offers perhaps the most striking historical warning for contemporary democracies. The Weimar Republic of Germany, established after World War I, was a fragile democracy, struggling with economic instability, national humiliation and political fragmentation. Populist parties such as the National Socialist German Workers' Party (Nazis) exploited widespread discontent with hyperinflation, unemployment and perceived elite betrayal. By framing their movement as the salvation of "the people" from corrupt politicians, foreign powers and minority groups, the Nazis were able to **erode democratic norms gradually and question the legitimacy of institutions**, endorsing Levitsky and Ziblatt's insight that democracy rarely dies in sudden coups: it decays as institutions are delegitimised and norms are abandoned.[1] **Democracies die with the slow erosion of institutions**, their legitimacy and credibility sponsored by a so-called "government of the people".

Despite some differences among political populist movements, **the emotional grammar of populism has remained remarkably consistent across centuries**. **It excludes nuance.** Populist movements typically present a binary opposition: the honest, hardworking people are betrayed, neglected or exploited by elites who are self-interested

---

1   Levitsky, S. and D. Ziblatt (2018) *How Democracies Die: What History Reveals about Our Future* (New York: Crown).

and corrupt. This binary is often extended to include distinctions between migrants and nationals, serving as a powerful example of how populism defines an "us versus them" dynamic. It resonates particularly strongly during periods of economic turmoil, social transformation or perceived decay of moral and values.

For contemporary social democrats, these historical lessons are crucial. Recognising that populism exploits legitimate concerns – identifying oversimplified root causes and channelling them through oversimplified narratives, easy solutions and emotional appeals – allows for the development of strategies that address multifaceted root causes, rather than merely countering rhetoric. Economic inequality, social exclusion and institutional dysfunction are not abstract problems; they are the conditions that historically allowed populism to flourish.

Social democrats seeking to strengthen liberal democracy must understand that populism thrives where citizens feel ignored, excluded or powerless. The real challenge lies in addressing these conditions with concrete policies, participatory institutions and a compelling vision of inclusive governance.

Contemporary populism and the digital age

While populism has deep historical roots, the 21st century has introduced a transformative factor: digital technology, which together with an already fast media cycle has created a challenging environment for democracies. The rapid rise of social media, personalised information feeds, the dark web, deepfakes and real-time communication have fundamentally altered how political messages are disseminated, consumed and amplified. Unlike in the past, populist movements today can bypass traditional media filters, reaching citizens directly with emotionally charged, simplified narratives (often sharing manipulated and false information) that exploit both economic and cultural concerns.

Social media platforms, such as Facebook, X (formerly Twitter), Instagram and TikTok, have become central to political campaigning. **Algorithms are designed to maximise engagement**, often prioritising content that provokes strong – negative – emotional reactions.

Outrage, fear and moral indignation perform well in this environment, making populist rhetoric particularly effective. This is not merely theoretical: analysis of the 2016 US presidential election shows that politically polarising content was shared at rates far higher than neutral news, creating echo chambers where misinformation could spread unchecked.[2] A notable example is the Cambridge Analytica scandal, where data harvested from millions of Facebook users was used to micro-target voters with tailored political messaging designed to exploit their fears and biases, regardless of the veracity of the facts presented. Investigative journalist Carole Cadwalladr's reporting revealed how this manipulation also played a significant role in the UK-EU membership referendum, where an online network of forums, chats and dark net platforms worked actively to spread online network manipulated content, memes and fake information.

The digital environment has also facilitated the **transnational spread of populist ideas**. Slogans, strategies and rhetorical styles cross borders rapidly, creating a global ecosystem of populist messaging. European politicians borrow from US campaigns, while Latin American leaders reference European examples. Terms like "globalist elites", "traitorous bureaucrats" or "foreign invaders" are no longer confined to national narratives: they circulate transnationally, amplified by digital platforms and global news coverage. This creates a feedback loop, where populist movements in one country inspire similar strategies elsewhere. The fact that nationalist movements are often inspired by movements from foreign countries is, in itself, an ironic contradiction.

Misinformation and disinformation exacerbate this phenomenon. False news, doctored images and artificial intelligence (AI) generated content can reach millions within hours, often outpacing efforts by fact checkers and journalists to correct errors. Traditional media, national and regional press space as mediators, has also been dramatically shrinking and impacted negatively by a new digital world where "everyone is a content producer", and therefore, can spread all kinds of false narratives. This has produced what schol-

---

2   Allcott, H. and M. Gentzkow (2017) "Social media and fake news in the 2016 election". *Journal of Economic Perspectives*, 2(31): 211-236.

ars call an "**epistemic crisis**": a situation in which citizens struggle to agree on basic facts, undermining the shared knowledge that democratic deliberation depends upon.[3]

The digital age also blurs the line between information, propaganda and entertainment. Populist content often takes the form of memes, viral videos or staged social media events that combine humour, spectacle and outrage, sometimes even insults. This transformation challenges the deliberative foundations of democracy, as political debate becomes dominated by emotion and virality, rather than evidence and reasoned, moderated argument.

Furthermore, the rise of personalised news feeds has intensified **echo chambers and polarisation**. Citizens increasingly encounter information that aligns with their pre-existing beliefs, reinforcing biases and limiting exposure to alternative perspectives. Populist leaders thrive in this environment, portraying themselves as truthtellers challenging "biased" mainstream media and presenting their followers with a sense of epistemic certainty that is otherwise absent.

Yet, despite these challenges, the digital age also presents opportunities for democratic renewal. Participatory platforms (also at the level of political parties), online consultations and digital civic engagement initiatives enhance transparency and give citizens a more direct voice in policy making. Social democrats can leverage these tools to counter misinformation, foster inclusive debate and mobilise grassroots movements that address genuine grievances. The key lies in combining technological literacy with democratic principles, ensuring that the digital ecosystem strengthens rather than undermines civic participation.

To counter this phenomenon, social democrats must understand the digital dynamics of modern politics, develop strategies for transparency and citizen engagement, and create policies that address the economic and social grievances driving populist sentiment. Only by combining digital savvy with substantive reform can liberal democracy withstand the pressures of the 21st century.

---

3   (Moore, 2018)

The democratic gap: Principles versus practice

One of the most striking features of contemporary politics is **the divergence between citizens' support for democratic ideals and their confidence in the functioning of democratic institutions**. Surveys repeatedly show that people value democracy in principle yet increasingly doubt its capacity to deliver meaningful outcomes. This paradox (what scholars call the "**democratic gap**") is central to understanding the appeal of populism and the challenges facing social democrats.

In the European Union (EU), the Eurobarometer survey of 2024 found that 52% of respondents expressed trust in the EU, and 74% agreed that their country benefits from EU membership. Yet at the national level, trust in governments and parliaments was far lower, hovering around one third of citizens. Similar patterns appear globally: in the USA, Pew Research Center surveys indicate that, while 75% of Americans value democracy, fewer than 30% express confidence that Congress or the federal government acts effectively.[4] Aligned with the "democratic gap", citizens continue to affirm democratic ideals, even as they perceive systemic dysfunction.

The democratic gap manifests most clearly in political participation. Traditional forms of political involvement, such as party membership or union affiliation, have also contracted sharply. In Germany, membership of major parties fell from over 2 million in 1990 to fewer than 1.2 million by 2020, while trade union density declined from 35% in the early 1990s to under 20% today.[5]

The decline of formal engagement does not imply the disappearance of political expression, however. **Citizens' form of participation in the democratic life of their countries and cities is also changing**: increasingly mobilisation through alternative channels, including protests, petitions, online campaigns and grassroots initiatives. What has somehow weakened is trust in **representative mechanisms**.

This trust deficit is particularly pronounced among younger generations, **many of whom face economic insecurity, precarious**

---

4   "Trust in government and views on democracy". Pew Research Center, 2022.
5   Schneider, J. (2021) *Party Membership and Civic Engagement in Europe: Trends and Implications* (Springer).

employment and limited social mobility. Millennials and Generation Z often feel that democratic institutions are slow, unresponsive or dominated by elite interests, while they face the long-term consequences of climate change, debt and more recent housing shortages. A 2021 survey by the European Youth Forum found that nearly 60% of respondents aged 18-29 believe their generation will have fewer opportunities than their parents, a perception that directly erodes faith in democratic processes.[6] This claim is also often used by populist political parties to fostering a negative spiral, based on a disempowering and determinist view of the future. When citizens perceive that elections fail to produce meaningful policy change and hope for the future, the appeal of populist leaders who promise rapid, decisive action grows within societies.

The democratic gap also intersects with **inequality, cultural division and institutional opacity**. When citizens feel economically and socially marginalised, they are more likely to see politics as a closed system favouring insiders.

Addressing the democratic gap requires more than rhetoric or big political debates; it demands substantive reforms that restore citizen trust, participation and influence. Social democrats are uniquely positioned to close this gap, given their historical emphasis on collective action, fairness and institutional reform. Measures such as participatory budgeting, citizen assemblies, open policy consultations and digital engagement platforms could help strengthen the link between citizen preferences and policy outcomes. By demonstrating that democratic institutions are responsive, inclusive and effective, social democrats can counter the allure of populist alternatives.

Closing the democratic gap is not solely about increasing participation; it is also about enhancing **legitimacy, transparency and accountability**, and most of all, solving issues and presenting real and credible solutions to problems of daily life. When policies address everyday needs like affordable housing, healthcare, education, employment security and climate resilience, citizens experience democracy not as an abstract principle but as a concrete force that im-

---

6   "Youth perceptions of democracy and future opportunities". European Youth Forum, 2021.

proves their lives. In the end, democracy is all about equal opportunities and a strong welfare state that solves citizens' problems. Today, too many feel that the welfare state doesn't provide the necessary concrete answers, and thus, defending democracy implies defending a strong welfare state.

The polycrisis: Economic, environmental and geopolitical shocks

The 21st century has introduced an era of **polycrisis**: a confluence of economic, environmental, health and geopolitical shocks that collectively put great stress on democratic institutions and exacerbate social discontent. For social democrats, understanding the polycrisis is essential to designing policies that not only respond to emergencies but also build long-term resilience.

The first major shock of this era was the **2008 global financial crisis**, which exposed the fragility of economic systems previously assumed to be stable. Triggered by the collapse of subprime mortgages in the USA and the criminal behaviour of financial actors, the crisis quickly spread internationally, resulting in bank failures, stock market crashes and unprecedented unemployment in advanced economies. European governments – some of them from the social democratic family – responded with heavy austerity measures negotiated with the non-democratic structure, the so-called troika, which very often deepened inequality, cut social services and fuelled public frustration.[7] When economic orthodoxy, such as the infamous "There Is No Alternative" (TINA) doctrine, limits the ability of governments to implement transformative policies (narrowing down from governing to non-ending crisis management), voters perceive elections as largely symbolic exercises, with little impact on substantive outcomes. In some European countries, repeated austerity programs and technocratic interventions deepened this sense of futility, directly contributing to the rise of populist parties and movements.

---

7   Blyth, M. (2013) *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press).

In addition, the **COVID-19 pandemic** of 2020-2022 represented both a health and political crisis, exposing the limits of state capacity, preparedness and readiness to face a global crisis. Governments were forced to implement lockdowns, travel restrictions and unprecedented fiscal interventions. While some countries demonstrated competence, others were criticised for mismanagement, lack of coordination or corruption. In some countries, citizens observed that the ability of governments to protect public health and economic stability was highly uneven, reinforcing some perception that democracy was not able to respond to big shocks.

Given the unprecedented nature of the COVID-19 pandemic, governments around the world were forced to implement urgent measures based largely on limited and rapidly evolving scientific knowledge. With no clear roadmap and a lack of historical precedent for such a global crisis, decisions were often made reactively rather than proactively. This reliance on short-term data and projections led to policy shifts that sometimes lacked consistency or long-term foresight, which undermined, to a certain extent, the perceived reliability of political decisions. At the same time, the COVID crisis strengthened countries' capacity to develop strategies cooperatively and provide shared responses, as the EU was responding through the COVID vaccines and the Recovery and Resilience Plan showing that where there is a will, there is a way.

The **Russian invasion of Ukraine in 2022 (just a few years after the aggression act of claiming Crimea)** added a new geopolitical dimension to the polycrisis, with consequences that rippled across Europe and beyond. Energy shortages, supply-chain disruptions and **unprecedent inflationary pressures** highlighted the vulnerability of globalised economies to sudden shocks which impacted directly on the middle class – among the traditional voters of social democratic parties. Such shocks not only strained household budgets, but also strengthened the perception that governments were reactive rather than proactive, further eroding confidence in democratic institutions.

Environmental crises compound these challenges. Climate change has intensified extreme weather events, wildfires and flooding, threatening livelihoods and public infrastructure. For citizens liv-

ing in vulnerable regions, environmental crises are no longer abstract warnings. Young citizens, in particular, perceive a generational injustice, observing that policy failures today will shape the world they inherit, feeling that they have been deprived from the right to choose, as well as the right to live healthy.

The cumulative effect of the polycrisis is political exhaustion and cynicism. Citizens observe governments constantly reacting to crises, rarely shaping long-term policy or offering coherent visions for the future. Many of these crises had a severe impact on low- and middle-income classes, which are the backbone of democratic societies and very often the electoral basis of social democratic parties. This creates the impression of politics as perpetual crisis management, eroding the legitimacy of democratic processes.

Housing crises exemplify the tangible, everyday dimensions of the polycrisis. Rising property prices, rent burdens and speculative real estate markets have made basic shelter unaffordable for large segments of the population. When basic needs such as housing or energy security are unmet, the democratic deficit is no longer abstract; it becomes a visible failure of governance.

Addressing the polycrisis requires multi-dimensional policies that combine **economic, social and ecological strategies**. Social democrats must advocate for fiscal policies that reduce vulnerability to shocks, including robust public services, social safety nets, and strategic investments in infrastructure and energy resilience. By demonstrating competence in managing both immediate crises and long-term systemic challenges, governments can rebuild trust, strengthen legitimacy and reduce the appeal of populist alternatives.

Social democracy's response: Economic renewal

Addressing economic inequality is central to countering populism and restoring faith in democracy. Social democracy has historically championed policies aimed at guaranteeing balanced incomes, quality employments, redistributing wealth, expanding access to public services and protecting workers. In the contemporary context, these goals are more urgent than ever, given the pressures of globalisation, automation, AI, climate change and demographic shifts. Economic

renewal under social democracy is not just about fairness: it is a strategic response to the conditions that fuel populist movements.

Wages, progressive taxation and wealth redistribution

One of the primary tools of economic renewal is **progressive taxation**. Social democrats advocate for robust taxes on high incomes and wealth, closing loopholes, combating tax evasion and implementing global minimum corporate taxes. This approach ensures that the financial burden of public services is equitably shared and reduces extreme disparities in wealth that drive social resentment.

To restore citizens' trust in social democracy and its ability to address deepening inequalities, ensuring fair wages is a fundamental pillar. While redistribution through taxation and social programs is paramount, it alone cannot resolve the root causes of economic disparity. Fair wages empower workers directly by recognising the value of their labour and providing them with the means to live with dignity and security. By prioritising policies that promote living wages, strengthen collective bargaining and reduce wage stagnation, social democracy can more effectively combat inequality at its source. This approach not only fosters economic justice, but also revitalises the social contract, demonstrating that the system actively works to improve the everyday lives of citizens.

Social democrats should also emphasise measures to tackle **corporate tax avoidance**. The OECD's Base Erosion and Profit Shifting framework provides tools for international cooperation, allowing countries to prevent multinational corporations from exploiting tax havens. By ensuring that large corporations contribute fairly to public coffers, governments can finance essential services while signalling to citizens that elites are accountable.

Investment in public services

Robust public services form the backbone of equitable societies. Social democracy must continue prioritising universal healthcare, high-quality education, accessible public transportation and large-scale

public housing programs. A modern welfare state, with a prepared and modern public administration, is key to strengthening democratic societies. Moreover, these policies not only address inequality, but also reinforce citizens' trust in institutions and securing high social mobility. The welfare state is, at its core, an expression of collective aspiration: not merely a mechanism for ensuring social mobility or access to education, but a vision of shared progress and dignity. Public services and public goods embody this ideal, representing investments in the kind of society we wish to become. Yet, to fulfill this promise, such investment must be guided by foresight. For instance, the role played by public schools is key in a number of communities and cities to secure and promote social mobility. Social democrats should therefore lead by example, defending and promoting public investment in education. This was and should continue to be one of the main priorities for social democrats.

Labour market reforms

Economic renewal also requires **strengthening labour protection** in the face of changing employment patterns. Social democrats should continue advocating for stronger collective bargaining rights, minimum living wages, and regulations that guarantee full protections for gig economy and platform workers. By addressing labour market inequalities, new issues like the right to disconnect, social democrats can prevent populist actors from exploiting feelings of insecurity and unfair treatment in the workplace.

Trade unions play a crucial role in strengthening social democracy and combating inequalities by serving as powerful advocates for workers' rights, fair wages and decent working conditions. Beyond their economic function, trade unions act as essential mediators between workers and policymakers, helping to ensure that the impact of public policies contributes to fairer societies. Much like independent newspapers and diverse media, trade unions contribute to a balanced public discourse, providing fact-based perspectives and fostering social dialogue. This mediating role is vital in countering the polarisation and mistrust that often fuel the rise of populism. By promoting collective bargaining and social solidarity, trade unions

help to build trust in democratic institutions and demonstrate that constructive dialogue and cooperation are effective alternatives to divisive rhetoric and simplistic solutions.

A critical dimension of economic renewal is ensuring **intergenerational fairness**. Young adults face disproportionate economic challenges, including high student debt, precarious jobs and limited access to affordable housing. Social democratic policies targeting youth employment, paid internships, affordable housing and green job programs can prevent a "lost generation" from turning to populist narratives that promise radical but unrealistic change.

The Green economic transition

Ecological responsibility must also be integrated into economic renewal under social democracy. Investment in renewable energy, sustainable public transport and just transition plans for workers in carbon-intensive industries provides both economic security and environmental protection. By linking economic fairness with ecological responsibility, social democrats address multiple dimensions of citizens' concerns, from financial security to environmental sustainability.

Economic renewal is a cornerstone of the social democratic response to contemporary challenges. By combining progressive taxation, robust public services, labour protections, youth-focused programs and a green economic transition, social democrats can directly address the grievances that fuel populism. Economic fairness is not merely a policy goal; it is a means of restoring faith in democracy, showing that governments can act decisively to improve citizens' lives and protect the social contract.

Democratic renewal: Participatory and transparent institutions

If social democracy seeks to counter populist narratives effectively, it must also **revitalise political institutions**, making them participatory, transparent and accountable. Citizens increasingly demand more than periodic elections: they want a meaningful voice in shap-

ing policy, assurance that decision makers act in their interests, and confidence that governance processes are fair and transparent.

Participatory mechanisms: Citizens' assemblies and digital platforms

Participatory democracy allows citizens to **co-create policies** rather than merely endorse decisions made by elites. Citizens' assemblies, participatory budgeting and secure digital consultation platforms are powerful tools in this regard. For example, Ireland's Citizens' Assembly, which addressed issues such as abortion, climate change and electoral reform, demonstrated that randomly selected citizens could deliberate on complex topics, weigh expert input and produce informed recommendations to guide national policy. This model shows that ordinary citizens, when empowered and informed, can contribute meaningfully to decision-making while increasing legitimacy and reducing polarisation.[8]

Digital platforms have further expanded participatory possibilities. Tools that allow secure, transparent and scalable citizen consultation can complement traditional assemblies and forums. These platforms can also enhance access and inclusion, particularly for younger or geographically dispersed populations, and counter the narrative that democracy is a distant, inaccessible process.

Transparency tools and accountability

Accountability and transparency are central to democratic legitimacy. Citizens must be able to monitor decision-making, understand policy rationales and hold officials accountable. Social democrats advocate for **stronger regulation of lobbying, open-data portals and independent anti-corruption authorities**.

Accountability measures also include robust audit systems, parliamentary oversight committees and judicial independence. By ensuring that decisionmakers face consequences in case of miscon-

---

8   Setälä, M. and G. Smith (2018) *Deliberative Democracy and Its Challenges* (Palgrave Macmillan).

duct, democracies can strengthen citizens' faith in governance and demonstrate that the system is responsive to public interests. This is particularly important in countering populist claims that "the elite operates with impunity".

Revitalising political parties

Political parties remain central to representative democracy, but their traditional structures often alienate citizens. Social democrats must **open parties to civic movements, encourage gender parity and youth representation, and consider experimenting with open primaries**. Also, party structures should be more flexible and ensure improved internal communication between national and regional leaders and party activists. By doing so, parties can become platforms for citizen engagement rather than bureaucratic hierarchies. The same way technology can be used by governments to reach citizens, it can also offer powerful tools to bridge the gap between party structures, activists and wider society.

Digital platforms can facilitate real-time communication, greater transparency and more inclusive participation, enabling party members at all levels to contribute ideas, coordinate actions and engage with citizens beyond traditional meetings. Social media, online forums and interactive apps can help parties become more responsive and connected, fostering continuous dialogue rather than sporadic outreach. By leveraging technology imaginatively, parties can break down hierarchical barriers, energise grassroots activism, and create dynamic spaces where diverse voices shape policy and strategy – ultimately revitalising democratic engagement and strengthening the bond between political organisations and the communities they serve.

Combating populism through institutional reform

Participatory and transparent institutions act as a **preventive strategy against populism**. When citizens perceive that their input genuinely affects policy outcomes, feelings of exclusion diminish. Participatory structures make it harder for populist actors to frame

politics as a closed system, while transparency measures reduce the plausibility of anti-elite narratives. By demonstrating that democracy is both **accessible and accountable**, social democrats can rebuild trust; strengthen civic engagement; and reduce the appeal of simplistic, divisive solutions offered by populist movements.

Democratic **renewal requires a dual focus on participation and transparency, besides the pivotal focus on improving the living standards of citizens**. By empowering citizens, revitalising parties and strengthening accountability, social democracy can demonstrate that governance is responsive, fair and effective. This institutional legitimacy is crucial for countering populism, bridging the democratic gap and ensuring that democracy functions not merely as an ideal but as a lived reality.

Green and global renewal: Climate justice and multilateralism

In the 21st century, democratic renewal cannot ignore the intertwined crises of climate change, environmental degradation and global inequality. Social democrats face the dual challenge of ensuring ecological sustainability while fostering economic fairness and global solidarity. The "green and global renewal" agenda emphasises climate justice, sustainable economic systems and responsible international engagement as core pillars of social democracy.

Climate justice and ecological transition

Climate change disproportionately affects vulnerable populations, exacerbating existing inequalities. Low-income communities, both domestically and globally, bear the brunt of environmental hazards such as flooding, heatwaves and pollution. Social democrats should advocate more vocally for **climate justice**: policies that not only reduce emissions but also protect the most affected communities, including those who can be affected by this transition and are at the risk of losing their jobs. More financial support is needed for training and reconversion programmes, as well as more social safety networks for those who could end up unemployed due to the need to

adapt businesses to new realities. Social democracy should also consider its stance on climate migrants, who, again, are often those that are less fortunate and paying the price of climate change.

The concept of a **just transition** is therefore central. Workers in carbon-intensive industries, such as coal mining or heavy manufacturing, must be supported through retraining, job guarantees and regional investment programs. Several progressive government measures for regions that once had coal production demonstrate how social democratic approaches can balance environmental sustainability with economic security, reducing the risk that displaced workers turn to populist alternatives. Another example is measures that combine renewable energy expansion with social measures, ensuring that energy transition policies do not exacerbate inequality or social unrest.

Global solidarity and multilateral cooperation

Environmental and economic challenges are inherently global. Social democracy must therefore embrace **multilateralism** and international cooperation, addressing climate change, trade, taxation and migration collectively. The Paris Agreement exemplifies a framework for coordinated climate action, while initiatives like the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting provide mechanisms for equitable global taxation. Social democrats advocate fair trade policies, corporate accountability and investment in sustainable development in the Global South, reinforcing ethical international engagement.

Conclusion: Democracy as a project of constant renewal

The 21st century presents democracies with unprecedented challenges, even if history does sometimes feel like it repeats itself. Populism, disillusionment, economic inequality, environmental crises and the rapid transformation of information ecosystems collectively test the resilience of liberal democratic institutions. Yet, as this analysis has demonstrated, these pressures are not insurmountable. They re-

veal a central truth: democracy is not a static achievement but a **continuous project of renewal**, requiring vigilance, innovation and active citizen engagement.

Populism thrives when democracy appears unresponsive, when inequality persists and when crises seem unending. However, **disillusionment is directed not against democracy as an ideal but against a perceived dysfunction of the system**. Citizens are more likely to embrace authoritarian alternatives when they believe that their voices are ignored, that institutions fail to deliver on basic needs or that political elites act without accountability. Social democracy is uniquely positioned to respond, with its historical emphasis on solidarity, fairness and reform.

The lessons from historical and contemporary populism underscore the importance of **addressing structural vulnerabilities before they become crises**. Economic inequality, labour precarity, housing shortages and generational insecurity create fertile ground for simplistic populist narratives. Social democrats must pursue economic renewal strategies, including the fight for better wages and working hours, progressive taxation, investment in public services, labour market reforms, and green job creation that ensure fairness while fostering citizens' confidence in institutions.

In an age dominated by simplistic populist narratives that, as mentioned, often deliberately reduce complex issues to black-and-white binary choices, the importance of nuance cannot be overstated. The fight for that moderate space is crucial because it fosters dialogue, compromise and thoughtful solutions, rather than polarising rhetoric that divides societies. Social democracy, with its emphasis on balancing individual freedoms with social justice and pragmatic governance, is uniquely equipped to defend this space of nuance. By promoting inclusive policies and rejecting ideological extremes, social democracy champions a more honest, balanced approach that embraces complexity, encouraging progress through consensus rather than division.

Democratic renewal is essential. Participatory mechanisms, citizen assemblies, open digital platforms and transparent governance institutions provide citizens with meaningful influence over decision-making. Evaluation and impact assessment of public policy – includ-

ing the public communication of results – is also important to show citizens the concrete effect of policies. By demonstrating responsiveness and accountability, governments can close the **democratic gap** between ideals and lived experience.

The polycrisis of the 21st century, encompassing economic shocks, pandemics, environmental disasters and geopolitical conflicts, has intensified these challenges. Citizens observe governments in constant reactive mode, often constrained by austerity, fiscal orthodoxy or global economic pressures. Social democracy can transform this perception by integrating crisis response with **long-term strategic planning**, demonstrating that democratic institutions can deliver stability, protection and opportunity, even under extraordinary circumstances.[9]

Finally, green and global renewal links domestic justice with international responsibility. Climate justice, the circular economy, sustainable infrastructure and multilateral cooperation embody a social democratic vision that addresses both local and global inequalities. By embedding environmental and economic policies within participatory frameworks, social democracy ensures that ecological transformation is both **democratic and equitable**, countering narratives that frame environmental action as elitist or economically harmful.[10]

In summary, social democracy offers a comprehensive framework for countering populism and renewing liberal democracy. This strategy must address the underlying causes of disillusionment, while simultaneously empowering citizens and strengthening institutional legitimacy. **Democracy is fragile, never guaranteed and always in need of active maintenance. People need clear – even if complex – answers, tangible solutions to their problems and effective action from the government.** The challenge and opportunity for social democrats is clear: to demonstrate that democracy can still deliver justice, prosperity and fairness in an era of rapid change and

---

9   Blyth, M. (2013) *Austerity: The History of a Dangerous Idea*; Rodrik, D. (2017) *Straight Talk on Trade: Ideas for a Sane World Economy* (Princeton, NJ: Princeton University Press).

10 "The European Green Deal: Striving for climate neutrality and social equity". European Commission, 2019; "Labour market policies for youth employment". International Labour Organization, 2021.

polycrisis. Failure to do so risks the continued erosion of legitimacy and the rise of authoritarian alternatives; success promises a revitalised democracy capable of meeting both contemporary challenges and the aspirations of future generations.

Bibliography

Albright, M. (2018) *Fascism: A Warning* (London: William Collins).

Allcott, H. and M. Gentzkow (2017) "Social media and fake news in the 2016 election". *Journal of Economic Perspectives*, 2(31): 211-236.

Blyth, M. (2013) *Austerity: The History of a Dangerous Idea* (Oxford: Oxford University Press).

Eatwell, R. and M. Goodwin (2018) *National Populism: The Revolt against Liberal Democracy* (London: Penguin).

Esping-Andersen, G. (1990) *The Three Worlds of Welfare Capitalism* (Princeton, NJ: Princeton University Press).

"The European Green Deal: Striving to be the first climate-neutral continent". European Commission, 2019.

"Standard Eurobarometer 101 – spring 2024". European Union.

Fung, A. (2004) *Empowered Participation: Reinventing Urban Democracy* (Princeton, NJ: Princeton University Press).

Hemerijck, A. (2017) *The Uses of Social Investment* (Oxford: Oxford University Press).

"Global Employment Trends for Youth 2022: Investing in transforming futures for young people". International Labour Organization, 2022.

"World economic outlook, 2023: Navigating a polycrisis". ODI Public Finance Conference, World Bank Group, 2023.

Levitsky, S. and D. Ziblatt (2018) *How Democracies Die: What History Reveals about Our Future* (New York: Crown).

Michels, R. (2001) *Para uma Sociologia dos Partidos Políticos na Democracia Moderna* (Lisbon: Antígona).

Moore, M. (2018) *The Digital Divide and Democracy: Navigating the Epistemic Crisis* (Oxford: Oxford University Press).

Moore, M. (2018) *Democracy Hacked: Political Turmoil and Information Warfare in the Digital Age* (London: Oneworld).

Norris, P. and R. Inglehart (2019) *Cultural Backlash: Trump, Brexit, and Authoritarian Populism* (Cambridge: Cambridge University Press).

"Innovative citizen participation and new democratic institutions: Catching the deliberative wave". OECD, 10 June 2020. DOI: 10.1787/339306da-en

"Revenue statistics 2022: The Impact of COVID-19 on OECD Tax Revenues ". OECD, 2022.

" Most Approve of National Response to COVID-19 in 14 Advanced Economies ". Pew Research Center, 2020.

Piketty, T. (2021) *Uma Breve História da Igualdade* (Lisbon: Presença).

Riemen, R. (2010) *O Eterno Retorno do Fascismo* (Amadora: Texto).

Rodrik, D. (2017) *Straight Talk on Trade: Ideas for a Sane World Economy* (Princeton, NJ: Princeton University Press).

Snyder, T., (2017) *On Tyranny: Twenty Lessons from the Twentieth Century* (New York: Ballantine Books).

Setälä, M. and G. Smith (2018) *Mini-Publics and Deliberative Democracy, The Oxford Handbook of Deliberative Democracy* (Oxford University Press).

Tufekci, Z. (2017) *Twitter and Tear Gas: The Power and Fragility of Networked Protest* (New Haven: Yale University Press).

"Youth Progress Report 2021" . European Youth Forum, 2021.

The place of the European city in the climate transition

PAUL MAGNETTE

The Green Deal was conceived and launched by the European Socialists and Democrats Group. It is the most ambitious European political project of the last 30 years. However, it is now suffering from a global "ecological backlash", as well as being targeted by conservative and far-right alliances – aimed at weakening its scope. Progressives in general, and social democrats in particular, should not be swayed by this current trend, nor should they be intimidated by the new balance of power. The climate transition remains an absolute necessity; its urgency is dramatically highlighted by the increasing frequency of heatwaves, forest fires and floods across Europe. It is also the best way to ensure that the energy and digital revolutions currently underway lead to progress; improving the living conditions of the working and middle classes; and creating numerous high-quality, non-relocatable jobs with good wages.

In this chapter, it is proposed that momentum for the Green Deal be revived by emphasising the role of the local level of governance, a key player that has so far been given too little attention. As bastions of "municipal socialism" in the early 20th century, they were a powerful laboratory of political innovation for the labour movement, enabling the development of public services that met populations' essential needs in housing, education, water and energy, sport and culture, and so forth. These experiences, which have retained their political strength to this day, can inspire us to take a new step forward in the long journey of the climate and social transition. As the European Union (EU) is primarily a normative power which lacks significant means of constraint and budgetary leverage, its climate ambitions can only be realised if they are fully relayed by other levels

of government and embraced by the population.[1] From this perspective, cities and municipalities have a fundamental role to play, for three principal reasons:

1) They bear the brunt of the natural transformations and changes in carbon-based economies and societies resulting from climate change and are therefore at the forefront of devising and implementing the adaptation policies needed to prevent or mitigate these phenomena.

2) Cities and municipalities are one of the primary levers, if not the primary lever, for the public investment that is essential for the achievement of carbon neutrality within a generation.

3) Despite all their weaknesses, the local level remains the form of democratic organisation most widely supported by citizens and those with the greatest potential for democratic innovation.

1. Cities at the forefront of the transition

In the summer of 2021, the region where I live and had the honour and privilege of serving as Minister-President, Wallonia, was hit by violent floods, which caused dozens of deaths and immense natural and material damage. With 40 deaths, hundreds of injuries and thousands of climate refugees forced to leave their homes and workplaces, the region paid a heavy price for this natural disaster. Immense human and financial resources were deployed by local and regional authorities to house and compensate thousands of families, clear thousands of tons of waste, rebuild riverbanks and devastated buildings, and so on. But despite the empathetic visits of the prime minister and the president of the Commission, no real support has come from either the federal government or the EU.[2] This inaction speaks volumes about Europe's lack of preparedness in the face of

---

1   See L. Tubiana (2021) „Le Green Deal est le nouveau contrat social". *Le Grand Continent*, 28 September.

2   The regional government of Wallonia invested over €2.8 billion in support for victims and redevelopment work. It benefitted from a simple loan from the federal government and a European subsidy of €88 million, less than 3% of the costs of this natural disaster.

the well-known challenges of climate change. If, as Intergovernmental Panel on Climate Change experts predict, heavy rainfall, droughts and tornadoes are set to increase in the coming years, the EU cannot remain absent.

Natural disasters, which are increasing year after year, will have major consequences, forcing local authorities to devote ever greater resources to protecting people and territories from the ravages of climate change. When heatwaves threaten the health and lives of the most vulnerable citizens, including schoolchildren, people in nursing homes and hospital patients; when drought affects crops; when floods and heavy rainfall render homes and public buildings uninhabitable…, local authorities and their staff are on the front line. And as the COVID-19 crisis has reminded us, when epidemics multiply and are exacerbated by deforestation and urbanisation, it is also local authorities that are called upon to organise vaccination centres, distribute masks, apply and enforce social distancing measures, check on isolated people, inform the population… and bury the dead.

This increase in local responsibilities is even more brutal given that, at the same time, many of these territories are having to cope with the effects of the transition to carbon-free economies and societies. Over the last few decades, tens of thousands of jobs linked to the carbon economy have been destroyed, particularly in Europe's "fossil crescent",[3] which stretches from the north of the UK to Silesia, via the Nord-Pas-de-Calais, Wallonia and the Ruhr. In the process, thousands of hectares of productive land have been transformed into industrial wasteland, the costs of which for clean-up and redevelopment have been left to public authorities, according to the capitalist rule of privatising profits and socialising costs.

These human and natural disasters give a taste of what awaits many other regions if the transition to a decarbonised economy and society is left to the discretion of the free market. It is hardly surprising that these regions are also those experiencing the most massive political decay.[4] In societies built around industry, the destruction

---

3   See P. Magnette (2022) „Le croissant fossile: Aux origines de l'Anthropocène». *Le Grand Continent*, 8 February.

4   See A. Póvoas, J. Lévy and J.-N. Fauchille (2018) *Théorie de la justice spatiale: Géographies du juste et de l'injuste* (Paris: Odile Jacob).

of the industrial fabric leads to the breakdown of the structures of society itself. The labour movement, in its trade union and political components, is the first victim of this breakdown, and far-right political entrepreneurs have understood how much they can gain in these desolate regions from rhetoric that combines the rejection of foreigners, globalisation and European integration.[5] They also play on fears about climate change to consolidate their hold. The fossil fuel crescent, cradle of our prosperity and political integration, could, if left to its sad fate, become the hotbed of a "fossil fascism"[6] that will further destroy the social and civic capital of these regions.

2. Cities as a lever for carbon neutrality

The only good news given this bleak diagnosis is that cities and municipalities are potentially the best antidote to these risks of decay if they have the means. Local authorities, in both urban and rural areas, were pioneers in the development of public services that structured new societies at the beginning of the Anthropocene. Construction of sewer systems and drinking water distribution networks, urban lighting, gas and electricity production and distribution, the construction of collective housing, and the development of public transport – in short, all the physical infrastructure essential to life in a modern society – was essentially the work of municipalities and associations of municipalities in Europe at the turn of the 19th and 20th centuries.

Similarly, the deployment of collective services that enabled the reproduction of social life and the development of human faculties was driven by local authorities long before they became objects of national public policy. These services went from social assistance, healthcare and schools to theatres, libraries and parks via nurseries and care homes.

---

5   See S. Bartolini (2005) *Restructuring Europe, Centre Formation, System Building, and Political Structuring between the Nation State and the European Union* (Oxford: Oxford University Press).

6   Zetkin Collective (2020) *Fascisme fossile, L'extrême droite, l'énergie, le climat* (Paris: La fabrique éditions).

Given this history, it is not surprising to see cities and municipalities reviving the pioneering spirit of the early Anthropocene and taking the lead in making the necessary investments for the transition to a carbon-neutral society:

- They manage numerous public buildings (schools, cultural and sports centres, administrative offices, fire stations and police stations, social services centres, hospitals and nursing homes, etc.), all of which must drastically reduce their consumption of energy and raw materials.
- Cities and municipalities have regulatory powers in terms of land-use planning and housing policy and are responsible for the design and maintenance of public spaces.
- They are responsible for parts of mobility and logistics – the last few kilometres, which are often the most decisive – and directly or indirectly manage public transport.
- Most cities and municipalities are responsible for waste collection and management, a crucial part of the circular economy, and many of them directly or indirectly manage wastewater treatment and business parks, where they can encourage the transition to a circular approach and the promotion of biodiversity.
- Their land assets include vast natural areas, woods, forests, fields, pastures, parks and urban wastelands. These areas are directly affected by climate change, but they also have an essential role to play in carbon capture, as a refuge for biodiversity and for human educational and recreational activities.
- These natural areas are also often places of food production, with urban centres as their main potential users. Local authorities can play a central role in relocating food production and processing by activating public procurement (schools, hospitals, nursing homes, administrations, etc.) and supporting the development of collective tools, such as relay halls, logistics platforms and processing tools (mills, vegetable processing plants, presses, etc.).

Taken together, these levers enable local authorities to design integrated projects for the transition to carbon-free territories.

Many of them have already started the movement and are sharing their best practices within networks of towns transitioning to carbon neutrality.[7]

However, this ambition faces major structural obstacles, which are largely the responsibility of the EU and should be removed as part of a Green Deal extended to local actors. Harnessing the skills and expertise of cities and municipalities is essential to amplify the transition and ensure that it is designed and implemented in ways that are adapted to local realities. All these efforts will, however, be in vain if municipalities continue to come up against counterforces inherent in the current European production and consumption model:

- Local mobility policies are hampered by the high cost of trains and trams compared to travelling by car or plane.
- Initiatives to relocate food production are stymied by the productivist agricultural model and unregulated free trade, which subjects producers to unfair competition.
- European budgetary discipline limits the investment capacity of local authorities.
- Projects to repair and recycle electrical and electronic equipment are drowned out in a market dominated by overconsumption and planned obsolescence.

In short, local initiatives, like the "small gestures" made by citizens who are actively involved in reducing their emissions, appear to be a courageous but infinitely unequal battle between the Davids of the transition and the Goliaths of the extractive, productivist model of market capitalism. The Green Deal will only be able to rise to this challenge and resolutely involve regional and local entities in the transition if all EU policies are aligned with the objectives of the Paris Agreement. However, we are still a long way from this: public policies as fundamental as the common agricultural policy, mobility and transport policy, alongside competition and trade policy remain marked by the old world's ideologies. As for the regulatory and legislative agendas on vehicles, capital goods, heating and ventilation systems, chemicals, planned obsolescence, and so forth, they fall far

---

7   See, for example: R. Hopkins (2011) *The Transition Companion, Making Your Community More Resilient in Uncertain Times* (London: Transition Books).

short of the ambitions put forward by the EU itself. A Green Deal extended to local authorities should begin by examining the structural obstacles they face and adjusting EU policies accordingly.

The EU must then recognise that the transition will not be smooth sailing. Such a profound energetic and technological revolution will inevitably lead to the decline of entire sectors of our economies, resulting in the de-skilling of assets and vast territories, as well as massive job losses. All this can be anticipated and corrected, and the EU lacks neither the experience nor the levers to design and deploy the necessary ecological and social planning. The European Coal and Steel Community, the Common Agricultural Policy, the European Regional Development Fund and the European Social Fund are examples of public mechanisms designed to anticipate and support change in key sectors of European economies and societies. It is therefore not a question of reinventing the wheel, but of critically reviewing these practices to reshape and expand them with a view to the transition. If the EU wants to rise to the challenge, it must strengthen the coherence of these programmes, drastically increase their budgets and develop the range of its interventions by creating a genuine European Employment Guarantee and designing transition plans, in consultation with its social partners, in all sectors of the carbon-based economy that will be directly affected by the transition – from fossil fuels to the automotive industry, including road, sea and air transport.

It is also essential to overhaul the tools designed to support the regions most affected by the transition. European funds dedicated to regional development, social cohesion and the promotion of biodiversity have developed a knowledge base of regions and public expertise; these are useful resources, but they need to be greatly expanded. All the statistical data needed to identify the places that will be the "losers" of the transition, because they will bear the brunt of its natural, economic and social consequences, is available. All municipalities should be informed of the foreseeable consequences of climate change, in the short, medium and long term, on their territory. As for existing tools, they must be coordinated and expanded within the framework of "local transition contracts" to provide these territories with the financial, logistical and technological support they urgently need. All this will cost money, of course, but the EU has a large

borrowing capacity, which has barely been touched by the Recovery and Resilience Facility. It can tax carbon at its borders, better tax the profits of multinational companies and draw on large estates.

3. Cities as laboratories for democratic innovation

While the hotspots of the Anthropocene have become centres of civic withdrawal and social decay, exploited by far-right political groups, they are also, in many cases, pioneering territories for social and democratic innovation. It is in the areas most directly affected by deindustrialisation that support, training and integration schemes for unemployed workers have been invented in recent decades. It is there that trade union practices have been most creative, going beyond the corporatist defence of workers in strong sectors to contribute to the definition of industrial and training policies. It is also there that the third sector of the social and solidarity economy has developed most, revitalising the democratic, social and environmental ideals of the cooperative movement. Furthermore, it is in those places that local democratic innovations aimed at involving citizens in the redefinition of their living spaces have been most intensively experimented with.

This social and civic capital, patiently built up to resist the ravages of deindustrialisation and urban decline, revives ambitions for strong democratic institutions that emerged in municipalities at the dawn of the Anthropocene, that is, before the nationalisation of political life. It provides fertile ground for inventing the deliberative and decision-making mechanisms for the transition. Ecological and social planning must obviously give the European level an essential role: it is at this level of power that the normative and regulatory agenda governing production must be established, from energy, social and health standards to rules combating planned obsolescence. It is also at the European level that social and environmental standards for trade, rules governing public procurement, tax standards and so forth must be set. However, these general principles can only be widely accepted if they are then adapted to local realities. As for public investment, whether it concerns the insulation of buildings and housing, mobility, land-use planning, the protection and restoration of

biodiversity, or food production, it is by definition at the local level that it will be implemented. There is therefore an urgent need to reinvent a European social contract through which the EU and its territories can forge partnerships that enable general guidelines to be adapted to local conditions.

European mechanisms for restoring biodiversity, social cohesion, training and industrial transition have already extensively tested these collaborative and contractual practices. However, at this stage, they remain largely confined to dialogue between officials at different levels of government – European, regional and local – sometimes involving a few stakeholders. Social dialogue and civic participation are largely absent from these mechanisms, even though the local level lends itself to their development. If we want to make the expanded Green Deal a lever for transition that is accepted and supported by a social majority, we need to set up "local transition contracts" involving local and European civil servants, citizens and elected representatives. Committees composed of municipal elected representatives, citizen volunteers, and representatives of social and community actors could begin by assessing the territories, their problems and their resources, following a broad participatory process – similar to the proposals put forward by Bruno Latour in his book Où *atterrir?"* (Where to land?), which are currently being trialled in several French municipalities.[8] This assessment would then lead to plans activating, in the local context, the resources of European policies on the industrial and agricultural transition, biodiversity, flood and heatwave prevention, training and employment, and so forth. These action plans, also designed through structured dialogue between local elected officials and representatives of civil society, would then be subject to an annual participatory evaluation examining the causes of failures and delays while devising ways to remedy them. At the same time, transnational assemblies, bringing together local actors and national and European elected representatives, would regularly analyse local practices to identify "best practices" and disseminate them as widely as possible.

---

8   Bruno Latour (2017) *Où atterrir? Comment s'orienter en politique* (Paris: La Découverte).

Such mechanisms are already beginning to emerge in many areas. They herald a reorganisation of deliberation and decision-making processes, bringing together different levels of power and different categories of actors from the local municipal level upwards. This reorganisation is an essential complement to a Green Deal that will fail to take root in the reality of everyday life if it remains the preserve of central governments, technocrats and organised interests.

The role of engaged universities: Agents for resilient democracies

EVA-MARIA HOLZLEITNER

Universities are more than places of learning; they are critical democratic institutions. In recent years, they have become battlegrounds in the global struggle between democratic societies and authoritarian resurgence. Throughout the year 2025, we have observed how the administration of US President Trump has targeted renowned academic institutions such as Harvard and Columbia University. These are not isolated incidents. They signal that higher education has once again become a battleground of democratic defence.

Throughout history, universities have been among the first targets of authoritarian regimes. The Nazi purges of German academia, the imprisonment of Chinese intellectuals during the Cultural Revolution, regular crackdowns on student protests for democracy and women's rights in Iran, and the persecution of Turkish scholars after the 2016 coup attempt demonstrate a consistent pattern: regimes that thrive on conformity suppress institutions that cultivate critical thought. Authoritarians fear universities precisely because they create spaces and discourses for questioning authority, imagining alternatives and demanding accountability. By contrast, resilient democracies depend on universities to sustain informed, engaged publics capable of critical thought.

Europe's response to the Orban government's expulsion of the Central European University (CEU) from Budapest marked a pivotal moment. By welcoming CEU to Vienna, Austria and the European Union (EU) positioned themselves as defenders of academic freedom and open discourse. Hungary was barred from Horizon Europe and Erasmus+ funding programmes because of the state's repression of academia and increasing control of higher education institutions. In 2025, the EU reinforced its stance for fostering our society's intellec-

tual substance and democratic resilience through higher education and research, criticising Trump's infringements on free research and science while presenting Europe as a free haven for scientists under the banner "Choose Europe for Science".[1]

In this chapter, I argue that these are important initiatives, but we have to move one step further. Based on empirical evidence on the intricate relationship between democracy and science, I propose a model of an engaged university as a driver for strengthening resilient, lively democracies. If universities are to remain beacons of democratic life, they must embrace their civic mission – to educate citizens, foster inclusion, and rebuild public trust in academic discovery and scientific facts. Under these conditions, universities can promote peaceful and prosperous development in a unique, meaningful way.

One note on terminology: throughout the chapter, I use the term "universities" in a broad sense. Some countries have horizontally stratified higher education landscapes, where different kinds of institutions fulfil different functions, while others have vertically stratified higher education systems, in which institutions are positioned on hierarchies of prestige and funding. References to universities include all types of higher education institutions.

The twin crises: Distrust in democracy and science

The health of democracy and the credibility of science are deeply intertwined. Both rely on evidence, deliberation, openness to diverging perspectives and a willingness to revise beliefs in light of new information. They depend on each other: when trust in one erodes, the other suffers.

The correlation between scientific scepticism and democratic distrust is empirically supported. Studies have shown that individuals who doubt the validity of scientifically developed knowledge have

---

1   „Choose Europe: Advance your research career in the EU". European Commission.

a more negative opinion of democratic institutions[2] and that those who believe in conspiracy theories are more open to autocratic regimes.[3] In countries that are characterised by a higher trust in political institutions, we observe more positive attitudes towards science.[4]

As right-wing and authoritarian tendencies have strengthened in recent years across the globe, we have simultaneously observed a declining public confidence in democracy.[5] The 2024 global state of democracy report[6] demonstrates that in recent decades, voter turnout has shown a consistent decline, whereas the frequency of protests and riots has increased. In numerous countries, losing parties are disputing election outcomes and public confidence in the legitimacy of the electoral process is eroding. Between 2020 and 2024, approximately one in five elections faced legal challenges, most frequently concerning voting procedures and the counting of ballots.

When it comes to trust in democracy, researchers distinguish between trust in representative democratic institutions, such as parliaments, governments and political parties, and in non-representative executive institutions of the state, such as public administration, the legal system or the police. In recent decades, trust in the latter has stabilised or even increased, while trust in the former has been declining globally. A comprehensive meta-analysis[7] of survey data from 143 countries, covering the past 60 years, has found that trust in democracy has declined since 1990 around the world. This includes large and geopolitically important democracies, such as the USA, Brazil, Argentina and France; the trend is clearest in Eastern and

2   Starkbaum, J. and E. Griessler (2024) „A critical reflection of skepticism towards science and democracy in Austria". Federal Ministry of Education, Science and Research, Republic of Austria.

3   Papaioannou, K., M. Pantazi and J.-W. van Prooijen (2023) „Is democracy under threat? Why belief in conspiracy theories predicts autocratic attitudes". *European Journal of Social Psychology*, 5(53): 846-856. DOI: 10.1002/ejsp.2939

4   Jiang, J. and K. Wan (2023) „Democracy and mass skepticism of science". *World Politics*, 4(75): 735-778. DOI: 10.1353/wp.2023.a908774

5   Wike, R., J. Fetterolf and J. Schulman (2025) „Dissatisfaction with democracy remains widespread in many nations". Pew Research Center, 30 June.

6   „The global state of democracy 2024: Strengthening the legitimacy of elections in a time of radical uncertainty". International IDEA, 2024.

7   Valgarðsson, V., W. Jennings, G. Stoker et al. (2025) „A crisis of political trust? Global trends in institutional trust from 1958 to 2019". *British Journal of Political Science*, 55: e15. DOI: 10.1017/S0007123424000498

Southern Europe; and while exceptions of countries with increasing trust exist, they are smaller in population size and in geopolitical influence.

Trust in science, by contrast, still remains relatively high globally and in Europe. According to the most recent Eurobarometer,[8] more than 80% of Europeans believe that science and technology have a positive impact on society, while over 70% report trust in scientists as reliable sources of information. Globally, trust levels are at a similar level, with studies across multiple countries showing consistent majorities expressing confidence in scientists and research institutions.

These overall patterns, however, conceal pockets of declining trust and growing scepticism, especially in certain countries and among specific social or political groups. In the USA, for example, data from the Pew Research Center[9] shows that the share of adults expressing confidence in scientists fell from 87% in 2020 to 73% in 2023, with the steepest decline among conservative or right-leaning individuals. Similar, though less dramatic, trends appear in parts of Europe. Overall, despite a general stability, trust in science is increasingly fragile and vulnerable to polarisation across political, social and ideological lines, especially in highly politicised areas like climate science, public health or gender studies.

A key driver of this shift is the normalisation of rhetoric that delegitimises science and scientists, especially by right-wing populist actors. These groups frequently challenge scientific evidence, framing scientists as politically motivated. Since 2016, the time of the US presidential election that led to Trump's first term in office, the terms "fake news" and "alternative facts" have become part of mainstream public discourse. They suggest that facts are subjective or interchangeable, and they are used as a political tool to deny or distort verified information, to delegitimise journalism, opposing viewpoints and scientific facts. This persistent politicisation of science erodes public trust, reinforces ideological divides, and poses a growing chal-

---

8   Directorate-General for Research and Innovation (2021) „European citizens' knowledge and attitudes towards science and technology". Special Eurobarometer 516. European Commission, April-May.

9   Kennedy, B. and A. Tyson (2023) „Americans' trust in scientists, positive views of science continue to decline". Pew Research Center, 14 November.

lenge to democratic decision-making that relies on shared facts and informed debate.

The COVID-19 pandemic magnified the twin crises of distrust in science and democracy dramatically. Political polarisation and deliberate misinformation by populist politicians and right-wing movements undermined public health responses, conspiracy theories flourished and scientists were vilified. Public health measures such as mask mandates and vaccination campaigns became deeply politicised, with conservative and right-wing politicians and media figures casting doubt on scientific expertise and institutions like national health councils or the World Health Organization. In the USA, President Trump downplayed the virus, promoted unproven treatments and accused scientists of exaggerating the threat for political gain, fuelling scepticism particularly among Republican voters. Conspiracy theories like *QAnon* or claims that the virus was a hoax spread widely on social media, undermining compliance with health measures. Similar dynamics unfolded in parts of Europe: in Germany and Austria, the *Querdenker* movement mobilised against lockdowns and vaccination, combining anti-government sentiment with misinformation, while in France and Italy, protests against vaccine passes framed scientific advice as authoritarian overreach. In these contexts, scientists and public health officials were not only ignored but often harassed, threatened or discredited.

The pandemic exposed and aggravated how vulnerable democratic societies are when trust in scientific institutions erodes and political actors exploit uncertainty for their own gain. By undermining the credibility of universities and research institutions, they weaken trust in both scientific discovery and democratic institutions.

Academic freedom: A cornerstone of democratic societies

Parallel to these developments, attacks against academic freedom have intensified, which has led to an unprecedented decline of academic freedom across the globe. Academic freedom is defined as scholars' freedom from political interference to research and teach, to exchange and communicate their findings, and to express their

political opinions, as well as institutional autonomy and campus integrity. A team of researchers at the Friedrich-Alexander-University Erlangen-Nürnberg use data from 180 countries since 1900 to compute the Academic Freedom Index (AFI).[10] They identified an episode of massive growth, globally, of academic freedom between the late 1970s and early 2000s, followed by decline since around 2010, a process that is still ongoing. This continuing decline has now reduced the worldwide population-averaged AFI back to its position in the late 1970s,[11] that is, before the last growth wave.

The data from the AFI also suggests a strong link between academic freedom and democracy. When countries move towards more democratic regimes, academic freedom increases; when they move towards more autocratic regimes, academic freedom decreases.[12] Similarly, the 2022 democracy report by the V-Dem Institute at the University of Gothenburg[13] demonstrates a clear correlation between academic freedom and democratic strength. Where academic freedom declines, so too do civil liberties and the rule of law. In Turkey, more than 6,000 academics were dismissed or imprisoned in the context of democratic backsliding after the failed coup of 2016. In Hungary, restrictions on gender studies and political science represent calculated attempts to stifle dissenting ideas. In each case, attacks on higher education and research have coincided with assaults on the judiciary, the media and civil society organisations.

Conversely, when scholars' freedom of research, teaching and expression, as well as institutional autonomy and integrity are protected, higher education and research institutions thrive as forums for diverse debate and innovation. The defence of academic freedom is thus inseparable from the defence of a democratic society.

---

10   „Academic Freedom Index". Friedrich-Alexander-Universität.

11   Lott, L. (2024) „Academic freedom growth and decline episodes". Higher Education, 88: 999-1017. DOI: 10.1007/s10734-023-01156-z

12   Ibid.

13   Boese, V. A., N. Alizada, M. Lundstedt et al. (2022) „Democracy report 2022: Autocratization changing nature?" V-Dem Institute.

The changing mission of universities

As this overview demonstrates, there is an intricate relationship between democracy and science – between trust in democratic institutions and trust in scientific knowledge, between the quality of democracies and academic freedom. By strengthening democracy, we strengthen science, and vice versa. From the perspective of science policy, higher education and research organisations, this begs the question of our role in this constellation and what our contribution can be.

The academic institutions where scientific knowledge is developed and transmitted evolve alongside the societies that they are a part of. Historically, we can identify different phases of the role of universities in society.[14] In medieval times, universities such as those in Bologna and Paris existed to train clergy and administrators, while in the 19th century, the Humboldtian model became the dominant ideal of what a university should be. This model promoted the unity of teaching and research, academic freedom and autonomy from political, clerical and economic control, as well as the pursuit of knowledge for its own sake.

In the second half of the 20th century, after the Second World War, universities became engines of social mobility and national reconstruction. Access to universities was expanded massively, with a dual purpose. Firstly, higher education was conceptualised as part of a holistic social policy. To distribute opportunities for education – and, consequently, upwards social mobility – more equally, all groups of society should be able to study, gain access to academic knowledge and earn a university degree. Secondly, an increasingly highly educated workforce was to further enhance professionalisation and economic growth. Some countries established new types of higher education institutions, such as polytechnics or *Fachhochschulen*.

Towards the end of the 20th century, as economic globalisation intensified and Western countries increasingly focused on their strength as knowledge-based economies, the purpose of higher edu-

---

14 Kreissl, K., A. Striedinger, B. Sauer et al. (2013) «Gleichstellung in der unternehmerischen Hochschule? Diskursive Verschiebungen in der hochschulpolitischen Landschaft Österreichs», in K. Binner, B. Kubicek, A. Rozwandowicz et al. (eds) *Die unternehmerische Hochschule aus der Perspektive der Geschlechterforschung: Zwischen Aufbruch und Beharrung* (Münster: Westfälisches Dampfboot), pp. 20-31.

cation was redefined as a driver of innovation and competitiveness. The Lisbon Strategy of the European Union[15] aimed to make the EU "the most competitive and dynamic knowledge-based economy in the world", defining higher education and research as core resources in the global economic competition to attract the best brains and produce research results that boost economic performance.

Today, as right-wing and anti-democratic movements gain strength and public approval across the globe, and as we face attacks against the very foundations of our democratic societies, universities need to fulfil a role that will be crucial for the future development of society. Today, universities need to be agents for strengthening lively, resilient democracies.

Universities as drivers of democratic resilience

The role of universities as drivers of democratic resilience concerns multiple dimensions, the most important of which are to cultivate students' critical capacities, approach underrepresented groups, engage in science communication and public discourse, and collaborate with non-academic actors. In this chapter, I highlight the importance of each of these dimensions for democratic resilience and elaborate on possible activities of higher education and research institutions.

Cultivate students' critical capacities

The Roman philosopher Seneca criticised that "*Non vitae sed scholae discimus*" – "We learn not for life, but for school". Through this statement, he expressed his disapproval of the Roman philosophy schools of his time focusing mainly on academic display, rather than on real-world issues. Today, Seneca's quote is often referenced to criticise how students are pushed towards learn-to-test attitudes and towards a primary focus on quickly attaining a higher education degree.

The questions underlying these discussions are, what is the purpose of studying? What do we talk about, when we talk about higher education? On one hand, higher education should equip students with the practical skills and knowledge needed to perform certain

---

15 „Presidency conclusions: Lisbon European Council". European Council, 23-24 March 2000.

professions. On the other hand, however, higher education must not be reduced to a mechanism for producing employable workers. Academic education is more than training; it also entails an understanding of how this knowledge is produced, and a critical discussion of its ethical and societal implications. Higher education carries the responsibility of fostering critical thinking and reflective, engaged citizenship that is needed to sustain and improve democratic life.

What does this mean, and how can it be put into practice? Critical thinking is trained when students are encouraged to question assumptions and engage with open-ended problems, rather than just learning correct procedures. It can be cultivated in interdisciplinary approaches and in discussions on philosophy and epistemology, which should also form part of the curriculum in technical and professionally oriented studies. Enabling such discussions requires the use of innovative teaching techniques and course design, with a particular focus on interactive elements. By participating in research projects, students gain a deeper insight into the processes of knowledge production; through internships in public administration, companies or civil society organisations, accompanied by reflective sessions with teachers and other students, they can acquire an understanding of the forms of application and the effects of this knowledge. Especially in times of emerging artificial intelligence, we have to rethink teaching, the role of the teacher, and the relationship between teachers and students, conceptualising them as forms of mentorship and mutual development, rather than one-way knowledge transmission.

Academic education that strengthens the democratic constitution of our society requires innovative methods and out of the box thinking; it takes time dedicated to deliberation and reflection, and it takes place not just in the classroom but in active engagement with the world that we live in.

As politicians and decisionmakers, public figures or managers, our responsibility for enabling this kind of education lies, on one hand, in allocating the necessary financial and infrastructural resources to higher education and research. On the other hand, we also need to shape the public discourse on higher education and research towards knowledge and discovery as a value in and by itself – as a characteristic of human civilisation.

Approach underrepresented groups

Although the massification of higher education during the 1970s marked a historical shift in which universities expanded from serving a small portion of the population to accommodating large numbers of students from broader social backgrounds, access to higher education is still strongly shaped by socio-economic background. Across the OECD, parental education powerfully predicts who completes university.[16] On average, only 26% of young adults whose parents do not have an upper secondary or tertiary degree complete university, compared with 70% of those with at least one tertiary-educated parent. This clearly shows that access to and exclusion from higher education are intergenerationally transmitted. In the EU,[17] tertiary education attainment among 25-34 year olds is now at about 44%, but country notes and microdata consistently show strong gradients by parents' education and household background, mirroring the OECD-wide pattern of inherited advantage.

This is not just problematic from the perspective of social justice, but it also undermines the legitimacy and functioning of a democratic system. Democracy is founded on the principle of political equality – "one person, one vote" – but this promise cannot be fulfilled if citizens lack equal access to the social and educational resources that allow them to participate meaningfully. Higher education plays a crucial role in enabling social mobility by opening opportunities for personal development, income security and civic engagement. Consequently, when access to higher education is unequally distributed and largely inherited along socio-economic backgrounds, democracy risks becoming a formal shell where all citizens are equal in theory but not in practice. Empirical evidence shows that groups with a more privileged socio-economic status exhibit higher voter turnout[18] and higher levels of trust in democratic institutions.[19] Research-

16   „Education at a glance 2025: OECD Indicators". OECD. DOI: 10.1787/1c0d9c79-en
17   „Educational attainment statistics". Eurostat, May 2025.
18   Huijsmans, T., A. J. Rijken and T. Gaidyte (2020) „The income gap in voting: Moderating effects of income inequality and clientelism". *Political Behavior*, 3(44): 1203-1223. DOI: 10.1007/s11109-020-09652-z
19   „OECD survey on drivers of trust in public institutions – 2024 results: Building trust in a complex policy environment". OECD, 10 July 2024. DOI: 10.1787/9a20554b-en

ers explain this correlation with feelings of political alienation, exclusion and powerlessness that keep members of socio-economically marginalised groups from participating in and trusting democratic processes.[20]

Consequently, a more socially just distribution of de facto educational opportunities can help close this participation gap, strengthen voter turnout across all social classes, and reduce the democratic divide between privileged and underprivileged citizens.

Equal access to higher education cannot be achieved by universities alone; education equality is a task for the entire education system. Nevertheless, there are measures within the higher education system that can be effective. These include targeted outreach programmes to underrepresented groups such as school partnerships in disadvantaged areas, mentoring schemes or "first-generation student" initiatives. Flexible admission pathways and preparatory or bridging courses for students from vocational tracks or socially underrepresented backgrounds can enable non-traditional education biographies. Scholarships, counselling services and peer networks can support students from underrepresented groups during their studies.

The term "mass university" is often used as a derogatory term, devaluing an assumed inflationary spread of higher education degrees. Instead, we should be proud of our mass universities, celebrating the shift from elite education to broad access as an achievement that supports not just the development of individuals and the whole economy, but also strengthens democracy.

Engage in science communication and public discourse

The knowledge developed in universities and research organisations must also be made available to people outside of these organisations, rather than being kept within the circles of academic insiders. This is important because, as the English philosopher Francis Bacon already stated towards the end of the 16th century: knowl-

---

20 Teichler, N. and S. Gundert (2025) „Political alienation among basic income support recipients in Germany: The role of social exclusion and experiences with welfare state institutions". *Journal of Social Policy*. DOI: 10.1017/S0047279425100913

edge is power. There are several dimensions to this in relation to the democratic constitution of a society.

Firstly, distributing knowledge also distributes power more evenly. Making scientific knowledge accessible and understandable for the general public reduces epistemic asymmetry.[21] Epistemic asymmetry describes a situation where a group of people has significantly more knowledge, understanding or access to information than another. This not only gives those in the know more power to make decisions, shape discourse or influence outcomes, but it also, especially when it is performed, or perceived, as intentionally exclusive, can incite hubris for the in-group and humiliation for the out-group, feeding populist narratives of academic elitism.

Secondly, having access to scientific knowledge strengthens citizens' ability to make use of their democratic power. It supports them in taking informed decisions, which is an important element of a functioning democracy. When scientific information is communicated clearly, accurately and accessibly, it enables people to understand evidence, evaluate political claims and participate meaningfully in public debate.

Thirdly, familiarity with scientific knowledge reduces the power of antidemocratic actors. When people understand basic scientific facts – about climate change, vaccines, public health or technology – they are less vulnerable to manipulation by political actors who rely on fear and disinformation to gain support. Ideally, this familiarity with scientific knowledge also includes an understanding of how this knowledge is developed. When people know that science is based on evidence, peer review, open debate, and the willingness to revise conclusions when new data emerges, they are more likely to trust its results – even when those results are complex or provisional. This awareness reduces the likelihood of science being misrepresented as just another opinion or ideology. It also helps people see the difference between genuine scientific disagreement and politically motivated denial. As a result, conspiracy theories and disinformation – which often portray science as secretive, manipulated or corrupt – lose credibility.

---

21 Leite, A. (2024) *How to Take Skepticism Seriously* (Oxford: Oxford University Press), pp. 156-188. DOI: 10.1093/oso/9780197691175.003.0007

Scientific literacy, consequently, is not only an educational goal but also a democratic safeguard. For science communication to fulfil its potential of strengthening democracy, it has to be set up as a two-way exchange, rather than a one-way instruction. When it is reduced to experts "teaching" or "informing" the public, it reinforces a hierarchy between those who know and those who do not. This can foster distance, mistrust and the perception that science is an elite activity detached from everyday life. In contrast, when scientists engage in two-way communication – listening as well as explaining – they acknowledge that citizens, practitioners and local communities have their own forms of knowledge, experiences and values that can meaningfully contribute to scientific inquiry. A collaborative approach helps break down the rigid boundary between "experts" and "laypeople", making science a shared, participatory endeavour rather than a top-down authority. In doing so, it not only enhances the quality of scientific work, but also strengthens trust in academia.

Against the background of increasing attacks on the legitimacy and credibility of scientists and scientific knowledge, scholars and public figures have intensified their efforts to communicate scientific findings and methods to the general public in recent years. We can create structures in the state governance of higher education and within universities that reward and professionalise these efforts. For example, universities can promote dialogue by organising public discussions, science cafés, citizen science projects and partnerships with schools, museums or community groups. Another important measure is to integrate science communication into education and training, that is, by offering courses and workshops where students and researchers learn how to explain complex ideas clearly, write for non-experts, engage with media or speak publicly.

Collaborate with non-academic actors

Universities are uniquely positioned to shape constructive solutions for today's global challenges. These include the need for rapid reductions of climate overheating, global imbalances and geopolitical unrest, as well as social inequality and polarisation; and this requires a productive handling of technological developments, migration and demographic change. Higher education and research institutions de-

velop knowledge necessary to face these challenges. They produce new findings and innovations, thereby contributing to prosperity, sustainability, digital sovereignty and strategic autonomy.

For the knowledge developed in universities to fulfil this potential, higher education and research institutions must act as active agents in their regions. When universities are embedded in innovative regional ecosystems, together with political institutions, public administration, civil society and the economy, they can inform public policy with scientific evidence and translate research findings into practical solutions.

Science is organised internationally; universities operate within international scientific communities and are connected through global research networks. This international orientation allows them to channel global knowledge and innovations into their local context. By bridging local stakeholders with international scientific developments, universities help ensure that regional strategies are informed by global expertise. Conversely, they also bring local challenges and experiences into international discussions, contributing to a broader scientific understanding that reflects diverse contexts. A strong example of this approach is the European Universities Initiative, launched by the EU, which supports transnational alliances of universities that work together on common strategies in research, teaching and societal engagement.

Mission-oriented research[22] is a productive approach for guiding knowledge development towards tackling today's major challenges. It aligns public leadership with scientific inquiry and industry application, oriented towards clear societal goals. Mission-oriented research defines specific, ambitious and measurable objectives that contribute to socio-ecological transformation and the common good. Missions of the current Horizon Europe Programme[23] include "Climate-neutral and smart cities: 100 climate-neutral European cities by 2030" or "Fight cancer: Improve the lives of more than 3 million people by 2030 through prevention and treatment".

---

22 „Mission-oriented research & innovation in the European Union: A problem-solving approach to fuel innovation-led growth". Publications Office of the European Union, 2018.
23 „EU missions in Horizon Europe». European Commission.

Finding effective solutions for today's challenges is not just a matter of enabling human survival and a good life for all. It is also important because democracy's legitimacy depends on democratic systems' ability to protect the wellbeing of the people and the planet, and to respond effectively to collective problems. When democracies succeed at addressing the pressing issues of our time, they demonstrate that democratic systems are capable of acting, solving problems and improving lives. This strengthens public trust, civic participation and the belief that democratic institutions are worth defending. Therefore, solving today's complex issues is not only a practical necessity but also essential for safeguarding the credibility, stability and future of democracy itself.

Conclusion: Openness and active outreach

We live at a time where democracy is in retreat and authoritarian powers are rising. Because of the intricate relationship between democracy and science, we have observed the effects of this development on researchers and higher education institutions, infringing on academic freedom and reducing trust in scientific findings. However, we are not willing to sit back and watch as these processes unfold. Instead, our aim is to muster the immense impact on society that universities and research organisations can have and direct it towards building resilient, lively democracies.

In this article, I have outlined four dimensions of such a new role of higher education. Firstly, universities can foster critical thinking and reflective, engaged citizenship that is needed to sustain and improve democratic life, by applying innovative teaching methods that include active engagement with the world in which we live. Secondly, they can reduce the democratic divide between privileged and underprivileged citizens by approaching and supporting underrepresented groups through targeted outreach programmes, flexible admission pathways and bridging courses. Thirdly, they can strengthen citizens' ability to make use of their democratic power and reduce the influence of antidemocratic actors by engaging in science communication and public discourse, building partnerships with schools or community groups, and training their students and researchers in

science communication. And fourthly, they can support the ability of democracies to find constructive solutions for today's global challenges by collaborating with non-academic actors, such as political institutions, public administration, civil society and the economy, in innovative regional ecosystems.

A common element that characterises all these dimensions is the active outreach of higher education and research institutions to the world around them: reaching out to attract underrepresented groups; reaching out to translate and debate scientific knowledge with broader society; and reaching out to collaborate with non-academic actors.

Higher education and research governance should enable and encourage universities to invest in such outreach activities. Efforts and achievements in these areas need to become more prominent and relevant in the assessment of scientific merit; that is, recognised in the hiring and promotion of individual scholars, as well as in the allocation of resources between and within higher education institutions.

In addition, we need to shape the public discourse on higher education, highlighting the mutual responsibility of democracy and science, and promoting the model of an engaged university. We need to defend knowledge and discovery as values in and by themselves and as characteristics of human civilisation. We need to celebrate our mass universities as a democratic achievement. We need to stand behind science and protect scientists from delegitimisation and discreditation. And we need to create awareness about the potential of universities to develop innovative and resilient regional ecosystems.

The challenge is to imagine and implement a new kind of university, an engaged university, that extends its sphere of agency far beyond academia. In this university, public engagement and outreach is not a supplement to research and teaching – it is science's democratic expression.

Rebuilding
the progressive coalition

COLIN CROUCH

Abstract

Social democrats' historical core working-class constituency has received a considerable battering in recent years (the impact of globalisation and automation on employment, the financial crisis, COVID-19 and so on.). The working-class is in no state to perform the role of progressive vanguard that social democracy has long assigned it but is instead fearful and defensive. That role is being sustained by the other core constituency: well-educated, relatively high-income people, mainly working in public services and the cultural sector; collectively and internationally oriented; culturally confident. Social democracy has always been part of a coalition between middle-class believers in collective values and manual workers seeking protection for their difficult lives. The two have always come together in their shared commitments to public action, but the coalition is being strained now, as the expectations and political attitudes of the two constituencies move in opposite directions. The key to relaunching social democracy lies in finding collectivist visions that can regain working-class support for optimism: rediscovering the search for equality; building real futures for towns suffering from deindustrialisation; pursuing a green agenda that clearly benefits ordinary people; and appreciating the need for international cooperation, especially for the green agenda.

To be "progressive" has always implied openness to the future, to scientific knowledge and above all to greater inclusivity and equality in society. This position dates back to 18th century struggles, originally on behalf of a growing capitalist and professional bourgeoisie

against traditionalist rule by aristocracy and the church. Gradually during the 19th and early 20th centuries, the struggles of the growing industrial, mining and sometimes agricultural working classes were added to the progressive cause. This growing working-class could be seen as the future of humanity. Though often immersed in poverty, it was growing; its representatives in trade unions and political parties were expanding, while policies for improving working-class lives were growing in importance.

The more that progressivism came to mean reducing the inequalities suffered by that class and strengthening the role of the state in mitigating the damage being done by unregulated capitalism, the more a gap opened up between bourgeois and working-class progressivism, until the latter were progressivism's main protagonists. Success did not come easily. The progression was interrupted by state and employer violence and, often, fascism. Yet by the late 1940s, the march of the working-class could be seen to have resumed, even if its political representatives often remained in opposition and had to watch diluted versions of its programmes being introduced by bourgeois and Christian parties. However, by and large, these remained progressive in that inequality was being reduced, the social state was expanding, and very slowly inclusivity was extended to women and ethnic minorities. Working-class political representatives could remain confident that their work in creating a more open and inclusive society represented an optimistic future. Something of this feeling must have been shared by the citizens who continued to vote for them. They could feel attached to a political identity that originated in their own lives, and which was receiving at least some attention in the world of national politics, as well as their own towns and cities. Within the parties of the left, trade unions and other working-class groups worked together with middle-class professionals who shared their criticism of individualistic capitalist society and sought reduced inequality, social protection, concern for collective action, and revitalisation of the public realm.

This situation no longer describes our political life across European countries. For several decades, the industrial and mining classes have been in steep numerical decline, as are trade unions almost everywhere. The period in the late 1960s and early 1970s that saw an

extraordinary resurgence of workers' power coincided with the peak of industrial employment in most western countries. It did not usher in a new dawn, but a swan song. The working classes of the services economy, which was gradually replacing industry as the dominant form of employment, usually (though not always) lacked the history to which industrial workers could look as their heritage.

Partly precisely because of that temporary resurgence of late 1960s militancy, most governments (including those of labour's friends) turned against the Keynesian policies that had sustained full employment, and therefore, workers' confidence in their future and strength, and adopted elements of neoliberal economic strategies. Starting in the UK and USA, but by the 1990s adopted more generally, neoliberalism made unemployment a growing risk for many workers, encouraging the globalisation of economic activity, which, though it brought many universal benefits, was implemented in a way that threatened the living standards of western workers. It became increasingly difficult for working people to still feel political self-confidence.

Globalisation led, in turn, to irresponsible financial behaviour, which produced the financial crisis of 2008. The banks that had caused the crisis were deemed "too big to fail", so the burden of resolving the crisis fell almost entirely upon working people through policies of declining wages and atrophying welfare states. The parties that had historically represented workers' interests presented few alternatives, and by and large, went along with the dominant strategy of shoring up the current system. Already losing identity because of economic and social change, working people had ever fewer reasons to find political homes with any real meaning for them.

All these factors were connected to each other. They were then reinforced by two almost entirely exogenous factors: the COVID-19 crisis and the actions of Islamic terrorism (few in number, but affecting many different countries). I say "almost" exogenous, because both can be partially seen as side effects of globalisation: the role of extended supply chains as rapid carriers of the virus; and the inability of actions in one part of the world to be separate from others, notably in the case of terrorism. Declining living standards after the virus and a fear that governments could not provide their

citizens with security, further undermined citizens' shrivelling political confidence.

Support for progressive causes requires a confidence that the future will be better than the present; and as a result, that one can embrace innovation, openness and inclusivity because one sees in them increasing opportunities, rather than increasing competition in a shrinking world; and that there are political leaders who are "on our side", ideally responding to our sense of identity and interests, who can be trusted to guide that future.

There are very few places where ordinary working people can feel that confidence today. Many of them are fearful, pessimistic and untrusting, preferring to seek a world that is closing down and restricting competition for what they see as a declining bundle of positive possibilities. It is not at all surprising that parties representing precisely those moods and attitudes are growing among people whose political identities were fading: xenophobic, often misogynistic parties promising a better yesterday ñ a return to an industrial economy with little need to trade with other nations, where white men dominated most institutions, and few people with unfamiliar appearances, languages, food and religions could be seen. For post-imperial countries, like the UK, France and the Netherlands, there can also be a nostalgia for having once ruled over large parts of the world. People and classes susceptible to these influences are in no position to see themselves as part of progressive movements.

The trajectory in central and eastern Europe has been very different, but it is curiously ending at a similar place. With the temporary exception of Poland, working-class organisations played only small roles in undermining state socialism; bourgeois liberals took the lead in developing a progressive agenda, which then led them in the same neoliberal direction as the western world. Leaders like Vàclav Havel and Lech Wałęsa, who pursued more recognisably social democratic agendas, were unable to score many victories. For most working people, the fall of the state socialist system meant a loss of security and state services. The industrial jobs provided by the old system were often inefficient, but bankruptcy and business failure were almost unknown until the fall of communism. In several countries, this shift towards insecurity led to a temporary resurgence of support for

successors to old communist parties, some of which managed to become successful democratic parties. However, in more recent years, these have been superseded by xenophobic parties, offering that same false promise of protection from competition and avoidance of a difficult future that is attracting increasing numbers in western Europe ñ not to mention the more extreme case of the USA.

Consequences for politics and parties

Unsurprisingly, the western political parties who have traditionally sought to represent working people, and the central and eastern ones who hoped to follow in their wake, are themselves now increasingly losing confidence and identity, fearful of a future that they see dominated by global capital, neoliberal policies and increasingly powerful xenophobic parties. They too, like their former voters, fear to be progressive, and hide or even discard what remains of the identities they once held.

For some time ñ because the decline in identities has been in progress in many countries since the 1980s ñ we witnessed a gradual shift from an electoral politics based on representatives of rival social identities to a technocratic one. Citizens were invited to vote for a party on a list of policies, resembling a retail list of items one might buy. The fact that parties increasingly delegated their communications to people who spent most of their time persuading people to buy commercial goods and services strengthened this development. Citizens were also invited to judge the performance of governments and oppositions' challenges to them according to various statistical indicators: inflation; cost of living; economic growth; and so forth. It is open to argument that this made for a more intelligent and genuinely democratic electoral politics than one based on the almost ritualistic signalling of an old identity whatever was happening in the real world. (See, for example, the arguments of Russell Dalton.[1]) However, it also meant that voting became an individualistic process based on various, possibly unconnected, indicators of competence or ëvalenceí,

---

1   Dalton, R. (1984) "Cognitive mobilization and partisan dealignment in advanced industrial democracies". *Journal of Politics*, 1(46): 264-284.

with no room for collective action or the expression of shared values and principles. This was not "progressive" in the sense of being part of an ensemble of future-oriented and confidently open-minded values, but it could be seen as apolitically "progressive" in its technocracy and roots in statistics. Yet these positions were always vulnerable to the eventual emergence of new (or indeed recrudescent) identities that would be more powerful influences on voters than some technical data. This is exactly what happened with the rise of xenophobic nostalgia as an identity and a set of organised groups. Nationalism was always waiting in the wings: nation has a powerful emotional attraction, and it is inherently political. It was kept at bay for years, as the main parties had identities of class or religion to which they could appeal, and while memories of the horrors of Nazism and fascism were still potent. But with time all these declined.

Now that this has happened, the old parties are torn between sticking to the technocratic path, moving as close as they can to the xenophobes, or finding new ways of asserting a progressive agenda. The last is the most difficult, as it requires major policy innovation, but it is the only course that can save progressive politics. The problem is not in developing policy ideas ñ a rich stock of these continues to be produced ñ but in two other respects. Firstly, how can an increasingly global wealthy elite be required to contribute to the collective resources that today's world needs? Secondly, which groups and classes are in a position to bear the cost of the progressive project following the decline of the old working class? The first of these is serious, but beyond our present scope; where we must concentrate is on the second task.

The groups that are most obviously today's progressives are the younger, well-educated populations of successful post-industrial cities. These are the places where green, small socialist and some social democratic parties are currently flourishing ñ or at least facing least decline. Furthermore, xenophobic parties find few supporters there. The latter have their bases where the others are weakest: in ex-industrial cities, as well as towns that have never been touched by industrialism. I distinguish here between two types of formerly industrial towns and cities. Firstly, there are ex-industrial locations that were once flourishing industrial bases, have lost their industry, but re-

placed it with little more than warehouses, call centres and the back offices of large corporations and government departments. Second are post-industrial cities, which have become the places where advanced services, very modern industries, universities and other employers of educated labour flourish.

It is very difficult for the inhabitants of ex-industrial cities to find hope and look forward to the future. Their brightest young people often move away to successful places. Many inhabitants of non-industrial towns (places that never experienced much industry, and today remain outside major points of growth) are today experiencing a similar pessimism. It is easy to understand why ex-industrial and non-industrial places are welcoming the nostalgia and exclusionary politics of xenophobic and perhaps misogynist parties, while post-industrial cities are providing bases for those that believe it is worth fighting for a better future. Greens and socialists can, of course, be very pessimistic about the direction the world is taking, but they do believe that a better world is possible, and it is a world that welcomes openness and inclusion. It is a well-known paradox that the highest concentrations of ethnic minority and immigrant groups are to be found in those cities where the xenophobic parties find little support, while their main bases often have few ethnic minorities. If we understand this difference in approaches to openness as being encouraged by different economic environments, we can easily make sense of the paradox.

This new political geography has a clarity that was lacking in the period when we had just the declining bases of the old parties combined with technocratic retail politics. One finds it in many places. In Italy, the region of Lombardy is a major support base for xenophobic parties, except for its thriving, post-modern capital, Milan. The same can be said for Vienna in Austria, Paris in France, London in the UK and several others. There are, however, two major obstacles in seeing post-industrial cities as the new bases for progressive politics. Firstly, there are not so many of them; fewer people live in them than in ex- and non-industrial locations. Secondly, supporters of progressive causes are by no means their only inhabitants. This requires a strategy of both expanding the number of such places, and reforging the coalition with working people in the ex-industrial places that

remain. These citizens need collective action to improve the quality of their own lives as much as of the environment.

Increasing the number of thriving cities

Even in larger countries, post-industrialism flourishes mainly in capital cities, and perhaps two or three other ësecond tierí cities. It must be a major aim of progressive politics to expand their number. There is, of course, an additional reason for this: only these cities will be providing a good life for future generations. But there are two obstacles to this aim. Firstly, progressive parties must be in a position to provide the investment needed, and for this, they may need to be in office at the national level; something they are finding increasingly difficult to achieve. However, much relevant action can also be taken at regional and city levels, where regional governments and mayors of progressive parties are more likely to be in power. It is notable that post-industrial cities are usually attractive places in which to live: capital cities with excellent cultural resources and transport networks; and others with beautiful natural and man-made environments. Of course, sometimes good environments follow economic success, but they are also preconditions. Workers in post-modern sectors have skills that are in demand, and they can choose to live where a good life is to be found. To the extent that fine environments are man-made, they require public action and investment. Progressive parties find it far easier than conservative, neoliberal and xenophobic ones to engage in public investment and environmental improvement.

The second problem is more difficult. If we seek a more relaxed, inclusionary citizenry, we need a higher proportion of people living in these cities. At present, the main means for achieving this is to grow the existing cases further. But eventually these become too large to provide comfortable lives, and they leave the places from which their swelling populations come in an even more dire state. We need more post-industrial cities.

This is not at all an easy task. The central problem is that expanding an existing post-industrial city is a straightforward matter and one that seems obvious. Firms are already accustomed to locat-

ing there, and they find the facilities, colleagues, competitor partners and other resources that they need. Before they can be persuaded to relocate to a different place, that place needs considerable investment in public infrastructure and the establishment of necessary facilities, and firms must have a high expectation that they will be among a number of others in the same sector moving to the area. All this has to be achieved at a level adequate to prise firms away from the magnet drawing them towards established areas. In principle, the market itself should do this. Eventually, land costs, labour costs, traffic congestion and other disincentives should accumulate in an existing city, leading firms to relocate. But this is a very slow process. The market cannot work by itself to establish new advanced cities and needs state support in initial infrastructure provision.

Governments must confront serious dilemmas. For example, imagine an existing successful post-industrial city that is becoming so crowded that its urban transport network is breaking down. It calls on central government to build a new tramway system. At the same time, a city in a neglected area declares that it cannot attract dynamic new businesses because its public transport system is poor and antiquated. It calls on central government to build a new tramway system. Central government can only afford to build one of these. Only if it sometimes accepts the pleas of a city in a neglected area will it stand a chance of removing that place from the clutches of exclusionary politics ñ but the pre-existing post-industrial city might start to decline.

The dilemma is usually resolved with the argument that resources invested in areas of existing and reliable success will generate tax income that can then be used to help declining towns. Yet this ignores a vital point: the young and the enterprising will continue to flock to existing post-industrial cities, leaving the remaining population receiving some state subsidies but still facing the local pessimism that is driving so many into the hands of exclusionary extremists.

It is necessary that risks are taken in setting up new centres away from the well-beaten paths. We need a larger number of smaller successful cities, not the concentration of a very small number of extremely large ones. Otherwise, not only will exclusionary ideologies continue to flourish and seem to be the only voices speaking to the

people left behind, but inequalities between places will become even more extreme. There are already examples of success. Cities can learn from one another; they are rarely in direct competition, and have more to gain from working together than in hostility. Central here is the Eurocities network, comprising over 200 cities that pool their knowledge and together lobby the European Commission for policies favourable to urban development.

This strategy for city improvement will not attract the attention of exclusionist parties and movements. They have an interest in lamenting the case of the "left behind", "places that do not matter", to attract them to their cause. But they have no interest in helping them become part of the contemporary economic world, as that would get rid of those parties' *raison d'être*. They need grievances to remain unremedied, as running sores that lead more people into seeking "us not them" solutions.

Reforging the coalition

Two obstacles stand in the way of building a coalition between the inhabitants of new cities and those remaining in the old ones ñ a reforging of the old progressive coalition between the industrial working class and its middle-class allies. Firstly, the inhabitants of post-industrial cities tend to be well educated, and therefore, earning relatively high salaries. This does not normally lead people to support reducing inequality, a strong social state and redistributive taxation. Why should they now do so? Secondly, many ex-industrial workers are finding comfort in the ideas of xenophobes that all will be well provided they keep immigrants, ethnic minorities and probably women out of competition with them.

But neither group is as stereotyped as this implies. In their recent study of contemporary political change, *Cleavage Formation in the 21st Century*, Simon Bornschier and his colleagues identify a new cleavage between universalists and particularists.[2] It follows very similar lines to the divisions implicit in the above discussion. Uni-

---

2 Bornschier, S., L. Haffert, S. Häusermann et al. (2024) *Cleavage Formation in the 21st Century* (Cambridge: Cambridge University Press).

versalists tend to be more highly educated, to occupy professional occupations and to live in larger cities. They are the people of the knowledge economy. They tend to be less likely to identify with local people and to be cosmopolitan in their lifestyles. Particularists are their opposites, living in smaller towns, less well educated, tending to have narrower perspectives and not seeing far beyond their local environments.

Other observers have identified a similar division, but interpret it less benignly on behalf of the universalists. David Goodhart distinguished between people of "somewhere" and those of "nowhere".[3] The "nowhere" people, educated and urban, are seen as having no loyalties to their local society and as intrinsically selfish. Wolfgang Streeck has similarly spoken critically of cosmopolitan people as though they had no ties to society.[4] For these writers and several others, the educated inhabitants of post-industrial cities are neither universalist nor inclusionist: they are sovereign individuals, an extreme form of exclusionist. And yet, we have evidence in work by Bornschier et al. that many of these people do in fact subscribe to universalist values and are environmentally conscious, which means that they are not all selfishly wrapped up in themselves. The fact that they are capable of being multicultural does not mean that they exclude their own less-well-educated neighbours from consideration. Elsewhere, I have also shown that the supporters of green and left-socialist parties are mainly to be found in that same population, and that those parties mainly support inclusionist and collectivist values across a range of issues.[5]

These ostensibly contradictory positions can be reconciled by pointing to the diversity and cross-pressured nature of contemporary populations. We can do this by distinguishing between the two different sets of issues that seem to constitute current political divisions: material versus cultural; and inclusive versus exclusive. Material is-

3   Goodhart, D. (2017) *The Road to Somewhere: The Populist Revolt and the Future of Politics* (London: Hurst and Co).
4   Streeck, W. (2021) *Zwischen Globalismus und Demokratie. Politische Ökonomie im ausgehenden Neoliberalismus* (Berlin: Suhrkamp).
5   Crouch, C. (2025) *Rethinking Political Identity: Citizens and Parties in Europe* (Cheltenham: Edward Elgar).

sues constituted most of the conflicts of the end of the 20th century, mainly between the welfare state and reduced material inequality on one side and low taxation and higher inequality on the other. More recently, cultural issues have started to replace material ones in prominence ñ the so-called culture wars. The second division, between inclusiveness and exclusiveness, has featured throughout this chapter.

Let us imagine a simple society divided into highly and poorly educated populations. The former are likely to have higher earnings than the latter and to live in successful, future-oriented cities. They are the "metropolitans". The latter mainly live in declining ex-industrial towns or smaller ones that have never been industrial. They are the "non-metropolitans". According to Goodhart, Streeck and some other observers, metropolitan people would occupy only the exclusionist positions on both material and cultural axes in the diagram, since, as sovereign individuals, they reach out to nobody. However, according to both research on *some* metropolitans and the attacks made on them from xenophobic politicians, who call them "woke", a proportion of metropolitans welcome cultural diversity. Their education and economic optimism enable them to be culturally inclusive and to perceive the need for activist public policy, but being high earners, they may not be concerned with material inequalities and prefer not to be taxed highly to support a welfare state. This would put them in the culturally inclusive but materially exclusive quarter of our imagined diagram. However, other research again points to some metropolitans, and the green and leftist parties particular to them, as being helped by their education to be concerned with the wider world around them, in particular the climate crisis, but also provision of collective goods in general. The inclusive attitudes to which their optimism gravitates can also lead them to care about economic inequality, pushing them into the fully inclusive quarter.

Ironically, supporters of progressive causes are also likely to stereotype their opponents ñ those inclined to support the new xenophobic parties ñ as selfish sovereign individuals, seeking to protect what elements of the good life remain against competition from immigrants, women and other "newcomers", both culturally and materially exclusionary. Yet, research also suggests that many of

them care about their local communities ("people of somewhere"); they are "particularist" rather than isolationist ñ probably nationalist too. If they live in ex-industrial, traditional working-class towns, as in Streeck's image of them, they retain and sustain a concern for material inequalities and the welfare state for "their" people and nation. Their low education might render them culturally exclusive, but their low incomes incline them to material inclusiveness (provided this does not extend to ethnic minorities). Many of them are therefore likely to occupy the materially inclusive, culturally exclusive quarter of the imaginary diagram. However, again, some will be vulnerable to the same "trope creep" that affects a proportion of metropolitans. Their concern for their local community can lead them to adopt welcoming attitudes. These would therefore be fully inclusive. They are more likely to begin to see the world in this open-hearted way if they can perceive projects for bringing their neglected ex-industrial cities into economic dynamism.

Metropolitans and non-metropolitans are mirror images of each other, but this includes clear possibilities of overlap. It is on these possibilities that progressives need to work, encouraging those inclined to cultural inclusiveness to extend their concern to sympathy with material inclusiveness, and conversely for those inclined to material inclusiveness.

Although the current situation leaves much to sheer personal preference for where people choose to locate themselves on the matrix, we can still find social factors that will predispose some individuals to develop identities favourable to inclusive positions more than others, even though we must expect such identities to be weaker than those generated by the powerful forces that shaped the democratic past. Public service employees are likely to support inclusion, as they encounter the importance of the public realm daily in their lives. This will be true of such workers at many levels, but public services also contain a strong proportion of the highly educated, especially in health and education. Women, especially younger ones, have little reason to support a politics that often includes elements of misogyny; more women than men also work in public services. Members of various cultural minorities (if they are citizens) also have an interest in the acceptance of diversity, though some might seek

integration into mainstream society by stressing their loyalty to local nationalist values.

This list constitutes a potential majority able to sympathise with the progressive agenda across both material and cultural issues, provided the policies needed for that position are explained and celebrated. It leaves, as much social research suggests, less-educated white males living in ex-industrial towns as the population ñ apart from wealthy sovereign individuals ñ most resistant to progressiveness. In retrospect, it is easy to see how this class, once the backbone of the labour movement, has come to be the major recruiting ground for xenophobic parties. As trade unions and other working-class movements of industrial society declined, social democratic and labour parties lost touch with working people. Women and ethnic minorities, whose identities were more clearly relevant in post-industrial society, organised more effectively within and around those parties, filling the space and leaving white working-class males in a vacuum of political identity. At the same time, third-way social democrats found a kind of consensus with neoliberals over the equality issue. If inequality concerned disadvantages caused by non-economic factors ñ like gender, race and disability ñ neoliberals were happy to join in opposing them, as they were not the result of market forces. This was embraced by third-way social democrats eager to escape their ties to a declining class, while wanting to retain their historical association with progressive causes. Inequality was redefined to mean anything except economic inequality; again, leaving white working-class males excluded.

The new coalition needs to unite the liberal-minded population of post-industrial cities with those elsewhere who are willing to be committed to improving the quality of life and employment chances for their neighbours in their own cities. The reduction of material inequalities and the conditions of working life need to be at its core. While the nation seems to be the cause that is attracting many working people to the far right, the best starting place for building a progressive alternative will first be at the level of towns and cities. "Letís build a city to be proud of!" must be the first progressive slogan, capable of binding together metropolitans or universalists concerned for their wider environment with particularists concerned for their local

community. And the values that constitute the basis of that pride are a concern for those around us and our common life. From there, we seek a country we can be proud of, a Europe we can be proud of, and ultimately a world we can be proud of ñ all based on widening circles of that same concern.

That being said, we do need to recognise the reality of the feelings of many people supporting exclusionary politics that *they* are the ones who are being excluded. In a shrinking world ñ which is what the post-2008, post-COVID-19 world is ñ any groups arriving to compete for jobs, access to public services or just cultural space seem to be pushing out those accustomed to not having had such competition at some point in the past, even though they are now simply being expected to compete on equal terms. There must be an understanding of these positions, which will inform alternative policies, but no substantive compromise with them. Leaders of extremist movements and propagators of their lies must be attacked and shown up relentlessly, but those who are mere followers must be treated with respect and understanding.

The general stance of a proclaimed openness to an inclusive future, combined with the recognition of anxieties, can be briefly traced out in some key policy areas.

Immigration

A certain level of immigration is essential for any dynamic local or national economy, but it has been unfortunate that the governing economic ideology during the period of mass migration has been neoliberalism. While neoliberals welcome immigration, they do not recognise a need to do anything about social costs and short-term shocks. If large-scale immigration had been taking place under a true social democratic policy framework, recognising the reality of collective social costs and a need for regulation if markets were to be compatible with a stable social life, matters could have been very different. It is now too late to correct the past. The damage has been done, and the genie of ethnic hatred has been released from the bottle. However, the issue is an ongoing one, and the future can learn from that mistaken past. Further immigration can only proceed if it is accompanied by major public investments to improve the environment

and citizens' lives, strongly enforced minimum wage rates to ensure that immigrants are not used to bring down local wages, regulation to ensure that immigrants are not being used to bring down working conditions and avoid the need to train local workers, and adequate social and housing policy to ease the strain on local resources. Immigrants, in particular refugees, are also often psychologically damaged because of the experiences that made them into refugees. They are usually in marginal positions, and therefore, vulnerable to involvement in crime. Police resources in areas with large numbers of refugees need to be equipped to deal with these situations. This needs to be done firmly but quietly, with police trained to avoid stereotyping whole populations because of the actions of a few, while there can be absolutely no compromise with upholding the law for fear of offending migrant communities.

International institutions

Inclusionary politics welcomes the various agencies of co-operation that have been established over the years to improve human solidarity. Many of these were the result of that extraordinarily visionary moment of advanced inclusion at the time of the UN's founding, and amount to an almost perfect expression of what international solidarity could be. Since then, under-funding and an unwillingness of nation states to co-operate adequately have weakened the capacity of its agencies ñ though these continue to work on their tasks. There is currently pressure, under the influence of xenophobes and led by Donald Trump in the USA, to destroy this work, although, unless it continues, the world will remain so unequal, and conditions in parts of it so dire, that migrant numbers will remain at levels that people in wealthy countries find unacceptable.

Internationalism in the form of international co-operation is also needed to address so many issues that are troubling the world, from climate change, inadequately regulated global trade and financial flows to wars. Co-operation always requires the acceptance of limitations on national sovereignty to create the shared sovereignty of collaborative organisations and networks, which can achieve so much more than any individual country's national sovereignty. Sharing sovereignty is a rich positive-sum game, and it is easy to explain and

demonstrate that this is so. All that is difficult is trying to do this in a hysterically nationalistic atmosphere that condemns all attempts at co-operating with other nations as treason. This has to be confronted openly and without compromise. Nothing is to be gained by governments either refusing co-operation or achieving co-operation by stealth. The virtues of international co-operation must be proclaimed and its achievements demonstrated and boasted of. The institutions of the EU, major examples of co-operation, have a parallel responsibility to think more seriously than they have in the past about the social impact of their actions and about their relationships with European citizens. If they concentrate uncompromisingly on financial rectitude, as they did after 2010, or backslide on commitments to the social and green agendas, they will find themselves overwhelmed by xenophobic parties bent on destroying them from within. But they have much to boast about if they resume without compromise the vision of a green, social Europe.

Gender relations

The hostile reaction of many men to women's steadily increasing engagement in what were once male preserves is currently slipping towards sexual violence. There can be no compromise at all here. There must, however, be understanding for those who feel they are being excluded by the growth of women's inclusion and consideration of what that understanding might imply.

Many of those preserves have been disappearing, not because of female advances, but as manufacturing, mining and other traditionally male occupational fields have declined. This leads many young men to feel that they are being culturally emasculated, as well as subject to material competition for jobs that used to be seen as beyond women's reach. Some voices are arguing for an enhanced re-evaluation of traditional male values and cultures ñ a kind of reassertion of macho values. This stress on physical strength both encourages sexual violence and leads men to cling to images of occupational roles that are ceasing to exist. Boys' education needs to value them as rounded people, developing the social skills that seem to come easier to many girls and which are needed for so many tasks in the modern economy ñ releasing them from confinement in stereotypi-

cally male preserves and attributes, just as girls have been released from confinement in stereotypically female ones.

It will remain true that, had women stayed in their traditional roles, today some men would be occupying positions that women are holding instead. However, and as with immigration, in the long run, the more people (men or women) who are engaged in public activities and earning incomes, the more opportunities of all kinds are generated. Societies, towns and locations in general, in which the number of people engaged in public life expands, will always offer richer lives for more people than those that restrict numbers of participants. The project of developing societies in which all genders are busily contributing to life has already started and made good progress in many countries. It will not be universally successful. There will continue to be men who regard women as inferior sex objects. But with thoughtful educational and cultural practices, their numbers can be considerably reduced to the extent that it would not be worth any movement's while trying to mobilise them.

Combating climate change

Finally, the most important issue facing us today ñ the threat to the natural world ñ is an ideal example of where the commitment of both new post-industrial and old ex-industrial citizens find a common theme: the need for collective action. Recognition of that need for environmental purposes is the trope that should lead the former to accept arguments about the need for collective action to reduce inequality; recognition of it for the latter purpose should lead working people to see the need for collective action to save the plane starting with improving the environment of their own districts and cities, which is often damaging their health in ways that they can understand if it is explained to them.

However, as with the other questions discussed here, things have started badly. Many working people see environmental action as something that imposes costs on them with no clear advantage. Xenophobes are eagerly pouncing on this mood to gain support for their own disastrous rejection of climate policy. Action can be taken at two levels. Firstly, climate disaster can be made real to people and not left as something abstract and far away. For example, vehicle

fumes damage children's lungs, especially children living in poor environments. Points like these need to be stressed until people see them as affecting their lives more seriously than the arrival of a few immigrants. This is surely not hard to do.

Secondly, green policies that unreasonably hurt the pockets of people on moderate incomes must be avoided, or there must be generous state subsidies to enable them to adopt a green lifestyle. Jens Beckert has important examples of how this can be done in his recent book, *How We Sold Our Future*.[6]

Conclusion

This is how we must move forward in every relevant policy area. Firstly, we need programmes of urban rebuilding that engage citizens in projects to improve their communities and towns. This must, in turn, include the revitalisation of those institutions ñ trade union, co-operatives and so forth ñ that used to provide a link between working people and progressive causes. Secondly, that needs to be done in a way that enables the different concerns of post-industrial and ex-industrial citizens to find a shared theme of collective action, so that action against inequality and environmental damage can be seen as components of the same mission. Thirdly, policymakers must show sensitivity to the fears of those with lives at risk of decline, but show them that resolution of those fears is possible through forward-looking policies, rather than negative exclusion from society.

---

6   Beckert, J. (2025) *How We Sold Our Future. The Failure to Fight Climate Change* (Cambridge: Polity Press).

Economic policy
in a changing world

MIKAEL DAMBERG

The world has changed dramatically in recent years. The geo-political situation is unstable, and the rules-based international order is being shaken. The past decades' emphasis on free trade and increased international cooperation has given way to rising tariffs and the threat of trade wars. The world is becoming more regionalised as companies move value chains closer to home and countries begin to look after their own interests. At the same time, a full-scale war of invasion is being waged on European soil. Around the globe, authoritarian regimes are gaining ground, while right-wing populist and conservative forces are growing ever stronger.

There is little to suggest that the world of yesterday will return; rather the Europe we grew up in is likely to be gone for the foreseeable future. We are, quite simply, living in a new paradigm. One with new rules of the game. This puts demands on progressive parties around the world to learn how to navigate this new landscape.

When faced with a new political reality, we must start from what we know works. Progressive parties must build on what has historically made us a successful movement, what has made us movements that ordinary people feel represented by, and what has made us governing parties capable of shaping societies that have stood out globally.

When I reflect on the emerging world order, it is clear that many of the principles that guided social democracy through much of the 20th century remain valid, but the tools must be renewed. In this chapter, I outline my view of globalisation, industrialisation, growth, wealth and the economy of ordinary people. I will discuss why progressive economic policy is essential to address many of the political

challenges we face today, and how closely the development of the economy is tied to the health of our democracies.

At its core, a political movement must offer hope for the future. When I look at the European project – and at the European Union (EU) in particular – I see a project born out of faith in the future. In the ruins of two world wars, we said "**never again**". Across Europe, progressive parties offered an alternative: a vision where ordinary people's lives would improve as Europe prospered. We offered a growing economy, an expanding welfare state and a deepening democracy. For our movement to remain relevant in the years ahead, we must once again stand up for the idea that Europe's economy should grow and that growth must benefit everyone.

I come from Sweden, and I was raised in a Nordic social democratic context. I grew up in a country where the Social Democratic Party has, for a very long time, been the governing force, and where our economic policies have shaped society and people's daily lives.

Sweden and our Nordic neighbours are often described as radical, not least from across the Atlantic. I would summarise our radicalism like this: **the radical lies in everyday life**. Throughout the 20th century, our politics have revolved around making everyday life better for ordinary people. People should have a job and a decent wage; they should be able to afford a car; they should have time off in the summer; their children should be able to learn to swim in a public pool; leisure and culture, once reserved for the upper classes, should be made accessible to all; and last, but not least, everyone has the right to free education and healthcare.

I believe this is one of the main reasons why the Nordic social democrats have been so dominant throughout the 20th century: because our political struggle was rooted in ordinary people's struggle for a better life.

For progressive parties to lead once again, we must once more stand on the side of ordinary people. We must show that we take people's real problems seriously and that we do not drift off into debates irrelevant to their everyday concerns. We must always be the movement that fights to make life better for working people: that ensures wages rise; that there is a job waiting once you finish school; and there are homes to move into.

Growth is a progressive force

A growing economy is a precondition for pursuing policies that make people better off. Let me use Sweden as an example. We have comparatively high wages, a well-developed welfare state and a high standard of living. Of course, many things can still be improved; this is always the case. But by international comparison, Sweden is a model in many respects. It was not always so. For a long time, Sweden was a poor country on the periphery of Europe, and many of the things we now take for granted were unthinkable 100, 50 or even 20 years ago. This is why I believe it is important to reflect on how we succeeded as a nation.

The Sweden we know today is, to a large extent, the result of the social democratic conviction that a productive business sector and an ambitious welfare policy go hand in hand. In recent years, there has even been a shift among economists, with more and more researchers and major institutions coming to the same conclusion. A growing economy makes investments in our common welfare possible, and a strong welfare state, in turn, provides the foundation for businesses and economies to grow. They reinforce one another and together have built the foundations of modern Sweden.

The concept of growth can easily sound technical and distant from people's everyday lives. It is also a term that is sometimes associated with liberal or right-wing politics. I believe this view is both mistaken and, to some extent, dangerous. On the contrary, I am convinced that the only real antidote to discontent and right-wing populism is when people feel that the economy is growing and opportunities are expanding. If the progressive movement finds itself in a position where we no longer want the economy to grow, but where we only focus on dividing up a shrinking pie, then we lose our legitimacy. Then we can no longer be the movement that stands up for making ordinary people's lives better. We would lose touch with those we represent – the many who have borne the costs of deindustrialisation and the shift to a service economy, and who today are left with a sense of disillusionment and mistrust toward the political system. And when that happens, the door opens for other political forces to take our place: right-wing populists and new conservatives, to name

a few. The crisis of democracy and the state of the economy are deeply intertwined.

This is why a growing economy and a society in which everyone who can work actually does is a cornerstone of social democratic policy. This is how we can afford to improve everyday life for ordinary people and strengthen our common welfare systems. So, what do I mean when I say that we need more growth? I would like to give two examples to make the concept more concrete.

Firstly, growth makes it possible to raise living standards and put more money in the pockets of ordinary people.

A growing economy and increased productivity are basic conditions for higher real wages and for overall prosperity. It is when our production becomes more efficient that wages can rise and people can have more money left at the end of the month.

Higher growth sets a faster pace for the economy. More jobs are created, and unemployment falls. You can see it when a café hires one more waiter, when a high school student gets their first summer job or when a new factory opens in town.

When more people are employed, wage pressure rises and workers' position in the labour market strengthens. Having your own income brings freedom and the ability to shape your own life. This is why, since its founding, the social democratic and labour movement has made full employment one of its main economic goals.

Growth means that society as a whole becomes richer and, in turn, everyday life can improve. The clearest examples are how things we take for granted today would have been unimaginable just a few decades ago. As one example, most Europeans now carry a phone on them that has the power of a former generation's supercomputer. The fact that we even have computers and the internet is another. But it also shows in more down-to-earth ways. My grandmother never travelled abroad in her lifetime; today, many young people take it for granted that they can visit other parts of Europe and the world. It is growth that has made this rise in living standards possible.

For a movement whose purpose has always been to strengthen working people and improve their material conditions, growth is therefore absolutely essential.

Secondly, growth makes a strong welfare state possible. When a country becomes wealthier, tax revenues increase and investments can be made on a larger scale. This gives society the means to finance our shared commitments. Sweden's ability to build the welfare system we have today was made possible by sustained economic growth. With each decade of growth, policymakers could take new steps and implement reforms that would have seemed utopian to previous generations. What would Swedes from the 1990s have said about the remarkable advances in healthcare over recent decades, such as the halving of mortality from heart attacks in just 20 years? What would Swedes from the 1950s have thought about preschool and parental leave? What would Swedes from the 1920s have said about pensions and five weeks of annual leave? Most likely, it would have seemed a dream.

Growth also enables innovation within the welfare system. Naturally, there are challenges when new systems are introduced, and errors occur, but research and technological development continue to push the boundaries of what is possible. Today, children diagnosed with cancer can have their genetic profiles mapped so that treatment can be personalised. New immunotherapies and mRNA vaccines are other examples of medical advancements that save and extend lives. Swedes living in rural areas, or who otherwise find it difficult to reach a healthcare centre, can now receive medical advice and order prescriptions online. In schools, new technological tools allow teaching to be individualised in ways that were previously unthinkable.

We cannot predict exactly what welfare will look like for our grandchildren but that is part of the point. It is difficult to foresee future innovations, but history shows that the fact that we have become richer as a nation has been absolutely central to building the welfare society we know today. It will be just as crucial as we aim to expand the welfare of the future, especially given an aging population.

When Sweden became prosperous, it benefited all parts of society. Economic growth made ordinary people wealthier, both those in traditional working-class jobs and broad segments of the middle class; the welfare state expanded across the country; and businesses grew and became more competitive. This broad development has given Swedish social democracy a strong political position, allow-

ing us to build coalitions between the working class and the middle class, rural and urban areas, and trade unions and industry. It has made us Sweden's natural governing alternative and enabled us to create the society we have envisioned.

The Swedish model

One of the cornerstones of Sweden's economic development has been the so-called "Swedish model" in the labour market, where strong trade unions and centralised employer organisations have agreed on wages and conditions that benefit both sides over the long term. It is a system where a well-organised labour movement collaborates with responsible businesses.

At the heart of this labour market model lies the **Rehn-Meidner model** and the **principle of solidaristic wage policy**. During the 20th century, Swedish trade unions decided to pursue a policy in which wages were coordinated within and across industries. This had two clear effects. Firstly, it ensured fair wage growth, with solid real wage increases for everyone who worked. Secondly, it contributed to structural transformation. To put it bluntly: workers received higher wages, while non-productive companies went out of business. It is important to emphasise that this high rate of innovation is something the Swedish labour movement has supported throughout the 20th century and continues to support today.

Nobel laureate Paul Krugman once said, "Productivity isn't everything, but in the long run it is almost everything". I believe he is right. Over time, greater structural transformation leads to more competitive companies, more well-paid jobs, increased investment, stronger wage pressure and better real economic outcomes for ordinary people. This year's Nobel Prize winners in economics have studied creative destruction and innovation, and I believe this process must continue. For progressive parties, knowledge and research into the mechanisms that drive productivity and innovation are crucial to our mission of continually improving the material conditions of ordinary people and to empower them to help drive the desired progress, while also generating the resources to build a stronger welfare state.

For this reason, Swedish trade unions and social democracy have always advocated technological development and free, fair trade that promotes high-productivity jobs and growth. Swedish companies have been able to stay at the forefront of technological adoption, supported by a well-educated workforce and a society that invests in what businesses need, notably infrastructure; energy; and skills. To ensure that the pace of transformation does not unfairly impact those who lose their jobs, the state must guarantee opportunities for retraining and reskilling. As old jobs disappear, new jobs are created and those who worked in obsolete industries are given new opportunities. Strong social safety nets are essential for creating public acceptance of a policy that embraces structural transformation.

One of the great strengths of the Swedish model is how it has aligned the interests of workers and businesses. This is evident, in particular, in the broad consensus between trade unions and employer organisations in the industrial sector on many industrial policy issues. Our system has ensured that workers could rely on rising real wages, improved living standards and a share in the successes of businesses. At the same time, businesses have seen the international competitiveness of export companies set the benchmark for wage development, guaranteeing continued ability to compete on global markets. In addition, negotiated collective agreements have created industrial peace, minimising the costs of lost production through very few days of labour disputes.

The idea that a well-functioning business sector benefits everyone has also been apparent in social democratic policy. One clear example is our capital markets, where we have designed systems that allow ordinary families to benefit from an increase in capital gains. As early as the 1980s, the Social Democrats introduced favourable stock savings for individuals, known as "**people's funds**" (*Allemansfonder*). In parallel, we established a pension system in which collectively agreed pensions were invested on the stock market through public pension funds.

The result has been a success story for both Swedish households and businesses. The original people's funds have since evolved into new savings instruments, making stock ownership a national pastime activity. Moreover, virtually all adults are now indirect share-

holders through pension funds, ensuring that Swedish capital gains return to Swedish families.

Another important outcome of this culture of share ownership is that Sweden and the other Nordic countries have developed world-class capital markets. Today, Sweden boasts a leading capital market and punches far above its weight. Between 1966 and 2023, the Stockholm Stock Exchange led the world in average annual real returns. So far in 2025, it has been the most attractive market in Europe for initial public offerings (IPOs), and when the EU discusses deeper capital integration, Sweden is looked to as a model. This has facilitated growth and development for Swedish companies and has been crucial to the Swedish technology miracle and to Swedish innovation.

As Sweden became wealthier, our welfare and social security systems strengthened. This has been important for fairness, but it has also made Sweden more productive.

We introduced a compensatory school system to provide equal opportunities, regardless of background. At the same time, higher education was made tuition-free. This created a right to education and has been a prerequisite for Swedish businesses to compete with a highly educated workforce.

Healthcare, eldercare and preschool services were expanded. These well-developed social safety nets have provided security for those in need while also increasing productivity and enabling greater participation in the workforce. With systems for childcare and eldercare in place, more Swedes – especially women – have been able to pursue careers and follow their ambitions. Family taxation was abolished. Parental leave, which replaced maternity leave in the 1970s, became a cornerstone of the dual-earner model, where both parents are expected to work and share responsibility for their children. When university students are not burdened with massive tuition fees, they have the freedom to experiment with starting a business after graduation. In a secure society, entrepreneurs are more willing to leave their jobs to pursue new ideas, giving birth to successful companies.

I believe that Sweden's development in the 20th century, in a way that benefited everyone, has been crucial for our country and for the Social Democrats as the leading force in Swedish politics. I am

convinced that fair economic development is absolutely essential for a country's long-term economic success – especially for a small country like Sweden.

A new world order requires new solutions

As I mentioned at the outset, the world has changed dramatically in recent years. The geopolitical situation is unstable, with significant external risks affecting businesses and societies. Right-wing populism is reshaping the political conversation, and more and more countries are turning inward.

It is important to understand that much of this new political reality is the result of a deliberate right-wing nationalist agenda. It stems from a movement that opposes international cooperation, promotes disinformation and division, favours a rules-free world order, and embraces the law of the strong.

This new world order places new demands on Europe and calls for unity. As the world becomes increasingly regionalised, we must have the strength to safeguard our region. We need to fully leverage the power of the internal market. As technological development accelerates and competition for the value chains of the future intensifies, Europe must assert itself. We will need to broaden our international collaborations and negotiate more trade agreements, which also presents a diplomatic opportunity to rally countries committed to a rules-based global order.

We must muster the political will to implement the structural growth reforms Europe needs. Some of these are outlined in the reports by Draghi and Letta, focusing on competitiveness, the development of a capital markets union and continuing the green transition. But it will also require us to make hard choices, prioritising certain areas and scaling back or deprioritising sectors that are not sufficiently productive or driving growth.

Europe faces major shared challenges. But to address them, the progressive movement must also remain a credible alternative at home. If we do not stand with ordinary people and demonstrate that we take national challenges seriously, we will not have the mandate to implement the policies we envision at the European level. There

are many areas for investment, and they will require mobilisation of both public and private capital. We need to invest in what strengthens our countries: infrastructure; housing; research; and people and their skills. The pace of the green transition must accelerate, not only to avoid climate catastrophe but also to capture the new jobs that might otherwise go elsewhere.

The new reality must also reshape traditional industrial policy. In a world of geopolitical competition, Europe's security must carry greater weight. Natural resources, technological leadership and innovative companies, which are crucial for economic development, can, in these times, also become political weapons or vulnerabilities. Progressive parties across Europe will need to think differently and use new tools. At its core, however, our politics must continue to be guided by what has made us successful: a focus on growth, jobs and ensuring that economic policy benefits ordinary people.

A concrete example is the need to rethink how collaboration between the state and the business sector can be improved and made more efficient to meet growing economic and technological challenges. To continue growing in a new global environment, a renewed focus is required. This calls for an ambitious industrial policy to create more jobs and stronger companies. Given the exceptional investments in research and innovation happening around the world, I am convinced that we need to rally around shared priorities, adopt new tools and have the courage to identify technologies that are particularly important for our countries' competitiveness.

This is especially true in connection with the green transition and reindustrialisation. All European countries have a moral responsibility to reduce emissions for the sake of our children and grandchildren. But the green transition is about more than that. By placing greater emphasis on green energy, we strengthen our strategic independence and self-determination. We do not want to be dependent on Russian oil while Russia wages a war of aggression on European soil, or on undemocratic Gulf states that can collectively influence the price of oil and gas.

Ultimately, the green transition is also about opportunities for technological and economic development. We all know that the future will be fossil-free – whether that happens in 10, 20 or 50 years.

A modern growth policy must therefore also be sustainable. If Europe fails to seize this chance to transition our industries, and instead allows China to win the technology race in the green sector, our future will look bleak. In light of this new reality, the Swedish Social Democrats have undertaken extensive work during our time in opposition, re-evaluating our positions and established truths. We have concluded that a steadfast focus on international competitiveness and free trade must be combined with closer collaboration between the state and the business sector. We need to join forces and have the courage to focus on future technologies, not by picking winners among individual companies, but by discussing which areas we want Sweden and Europe to lead in.

Sometimes I hear people say, "It's easy for you in the Nordics to say that". And it's true that we are relatively privileged in Sweden. We already have an energy system that is largely fossil-free, globally competitive companies that are eager to lead the green transition, and we are innovation leaders both in Europe and globally.

But the need to drive productivity and growth in the economic sectors that matter most for each country – and for our continent as a whole – is common for all European countries. The starting points and the path forward may differ, depending on local conditions, but the journey must be undertaken regardless. In many industries, it will be challenging, but it is a leap that must be taken. Take the automotive industry as an example. We all know that, in the not-too-distant future, the global automotive sector will need to be fully electrified. The exact timing may vary by a few years, but it will happen. This means that if Swedish and European car industries fail to adapt, they will be outcompeted. It is therefore in our own interest to drive this transition, and as a progressive movement, we must stand up for it.

We must also remember that the technological transition goes beyond traditional heavy industry. It includes tech, artificial intelligence and new service offerings. Many of Europe's traditional manufacturing companies now see themselves primarily as service companies. It is therefore crucial that we, as a progressive movement, do not get stuck thinking that green technology is only about steel and vehicles, but also recognise the value of new technological solutions. Europe

cannot afford to become solely dependent on American systems; we must have the ability to create our own value here in Europe.

I believe a fundamental factor in strengthening Europe's industrial policy is choosing which areas we aim to lead in. For me, one answer is clear: we must continue to lead in new green technologies. Here, as a progressive movement, we must stand our ground. While we know this is Europe's future, right-wing populists and new conservatives are waging a cultural war against green industry. They have decided that, after immigration, the green transition is the next greatest threat. And perhaps it is not surprising: conservative parties, by definition, resist innovation and new ideas. They have always opposed progress, even though technological development is what has made Europe prosperous.

Successfully managing this transition, therefore, requires a strong progressive voice advocating growth-oriented policies. We need fossil-free electricity at competitive prices. European politicians must have the courage to uphold the EU's climate goals so that our companies have a clear regulatory framework. There must be a clear political direction forward.

European countries must also ensure that national investments increase so that all countries can meet the challenges they face. The market alone will not deliver these investments. The public sector must set the direction and channel incentives and resources toward industries with high innovation potential and growing international demand. We need to implement structural growth reforms that increase productivity, secure long-term rules and conditions that give businesses the confidence to invest, and ensure a reliable energy supply and functional infrastructure.

Prosperity must be felt in everyday life

Reindustrialisation must also come with the promise of tangible improvements in the lives of ordinary people. For far too long, the green transition has been associated with shaming everyday habits: where we go on vacation; how much meat we put on the grill; or whether we need a car to make daily life work. As progressive parties, we must offer a different answer, one where the green transition makes

everyday life easier, leads to faster transport and a social contract that actually works.

Policy must ensure that the transition is fair. And to be honest, many people are not particularly open to change at the moment. They have endured a cost-of-living crisis, are focused on their own security and are looking after their own households. It is therefore up to progressive parties to show that the transition will improve life for ordinary people – and here we have some homework to do. When new industries are established, they must create more well-paid jobs. When technological advances occur, they must translate into better welfare. Simply put: when Europe grows, it must be felt in the wallets of ordinary people.

Our best days lie ahead of us

I believe Europe's best days lie ahead, but only if we, as a progressive movement, take responsibility. Sometimes, when I meet young people, I encounter a sense of resignation and disempowerment. For much of the 20th century, the future seemed limitless. People could trust that they would be better off than their parents had been a generation earlier.

Today, they face climate change moving in the wrong direction, a demographic curve where fewer young people will need to support an ageing population and growing geopolitical instability.

Many young people I speak with also feel something else: they are worse off economically. The promise that you, as a young person, will have it better than your parents seem broken. Insecure jobs with low wages, difficulty finding and affording housing, expensive food, and challenges in securing work. They all take a toll.

And there is a reason for these feelings and anxieties. When many in the older generation have gained large profits from rapidly rising housing prices, those same high prices have become a barrier for young people trying to get a home. An increasingly important gig economy weakens young people's place in the labour market. Everyday life simply doesn't add up when prices rise faster than wages.

This is a worrying development. When an economy becomes too unequal, society and its democratic structures face new challenges.

If people do not feel they have a part in economic progress, the progressive promise is broken. Then other movements take our place: right-wing populism; nationalism; and a belief that the strong survive on their own.

This is not a development that we progressive parties can accept. We know that the only way to once again achieve the kind of economic progress Sweden experienced in the early 20th century is for everyone to be included. We want today's generation of young people to be better off than us, and their children even better off than them.

For this, a credible economic policy is essential. We need jobs for everyone who can work. We need more money in the pockets of ordinary people. We need increased investment and a stronger welfare system.

All of these ambitions are ultimately financed by a growing economy. This is why all progressive economic policy must be guided by one idea: you should live a better life in a richer country.

Afterword

For years we have been conducting our debates in the weighed atmosphere of an evolving crisis. In fact, if one looks back at the two and a half decades of this century, there is a pervasive sense of decline, which is no longer seen as a temporary crunch driven by direct circumstances. Paradoxically, the last time we may have seen some genuine optimism and self-reassurance was in the times of the global financial crisis. At which point there was, somewhat more wishful than plausible, an expectation that it would expose the brutal and corrosive nature of neoliberalism; that it would be an opportunity to revive progressivism, while gaining the momentum to be empowered to help recover and build back better – institutions, budgets, reforms, societies. While it was quickly proved to be an unfounded diagnosis that in such times anything would happen by default, and herewith there would also be a return of voters to the social democratic parties, the next years have been, with some exceptions, rather rough on the sister parties. And what in 2008 looked like a crossroads turned out to be a turning point in a completely different sense than the anticipated one, having given impetus to many processes that would see the centre left not rising but dwindling.

The following years saw the movement facing a new reality of more fragmented, polarised societies, within which inequalities and a sense of insecurity, and with that disappointment and anger, dictated the tone of public discourse. From election to election, this would result in a change in the composition of the party political landscape within the respective countries, which would inseparably redefine the position of social democrats and the scope of their power in influencing political trajectories. Not only would the sister parties note some historical lows in several member states and some symbolic defeats, namely, in the cities, where they had held power for about a century, but also they would see a rise of the hardcore, radical right, which in some cases was able to surpass them at election times, coming

close to or even entering governments. The more pressure there has been, the more defensive the narrative has become – on one hand, joining the chorus that would lament on the political disfranchising of the youth and continue telling these cohorts that they are doomed to having it worse than the previous generations, and on the other, putting themselves in the position of those who are the *only* force to stand up and *defend.* And while it is of course noble to *defend* historical achievements, it may still not be sufficient as an agenda that would reassure people not only that there is someone to fight for minimum standards, but also that there is someone who can envisage and lead towards a better, more peaceful and simply easier future for all.

The mission to shield, even if it was not meant to be the one to retreat, brought out some of the old conflicts and exposed a number of new dilemmas, ranging from the scope of possible electoral coalitions to the question of whether, in the name of the sense of responsibility, one needs to enter unfavourable governmental coalitions. And once in them, if one indeed should have to justify all they do, even if, as a junior partner, one commands less influence within them and does not get to set the priorities uniquely according to one's own arbitration. But while the phenomenon of how coalition governments have been hard for social democrats has been vastly studied and discussed in many volumes already, the perhaps somewhat newer puzzle comes from the realisation that, even when in government alone, progressives find it hard to govern convincingly. Part of the answer may be connected to the preoccupation with the complex context; the rest may be that the thinking remains anchored in the narrative around the polycrisis – while, in fact, this is a newer chapter that is marked more by perpetual disruptions, confrontations and political solstices. Realising this calls for a new approach – one could even say a new progressive doctrine – and this book represents a great and successful attempt to break out from the paradoxical comfort of the well-known doomsday scenario debate. It paves the path to think bolder, bigger and finally also brighter about the strategies that progressives can dare to propose.

This is what makes this volume so exceptional, being a collection of very visionary and yet concrete ideas for how to conceptualise the

modern version of globalisation with all its disruptions, without perturbing the conversation instantly with the notion of the ruins of the post-war global order or imploding alliances. Indeed, it is a new world – where despicable and horrifying wars erupt; where countries test each other ruthlessly with trade-tariff-related intimidations and a race for rare resources; and where the commitment to joint solidaristic actions that could save the planet against climate change and could save people from starvation, poverty and diseases fades somewhat away. But especially because of these, there is a need to think about how to see the path that can lead across and beyond this unravelling. That sets a clear mission for governance on the global, EU, national, regional and local levels. That ensures new ways to re-empower the state and make it reflect what citizens would like to see the contemporary social contract embody. And importantly, that is not composed of meanders that are designed to own some issues politically and avoid others, which for our political family have often been labelled euphemistically as *atypical* ones. As a social democrat, as a European and as an Austrian, I am fully aware that we cannot condone discomfort around the questions of security – on the contrary, as it is argued here, we must address it and make the term much broader than the narrow militaristic brackets that it is now so stubbornly put in by other political forces. And we need to do so by insisting that security stands for peace, as well as for cohesive, consolidated and egalitarian societies, which ensure equal opportunities and a better, fairer future for all.

So, writing these few reflections here as the afterword, I remain most captivated by this volume – by the most impressive lineup of contributors and their extraordinary, profoundly intriguing and inspiring chapters. As a collection, they made an incredible impression, as it is possibly the most comprehensive, empowering and engaging volume written about the new progressive paradigm in many years. But while jointly they make a phenomenal assemblage, one should also underline that each of the pieces is of monumental relevance, and I can only hope that all will be considered, quoted and further deliberated upon by many audiences internationally, in the EU and the UK, as well as across the diverse member states.

With that, I would like to wholeheartedly congratulate all the contributors again, as well as the editors, Patrick Diamond and Ania

Skrzypek. This is already the third truly thought-provoking, well-planned and definitely remarkable book that they have completed within just 12 months. It was my real pleasure to write for the first, which marked the tenth Jubilee of the Oxford Symposium; it was a delight to endorse the second, which under the striking title *Facing the Future* captured the main findings of the Next Left Research Programme within which we work together; and it is with excitement that I am also recommending this new book, *The Great Unravelling*, to the attention of all progressives, as well as the broader readership. I am certain it will spark further debates, as the book will lead to more hope, more courage and more trust in the fact that the new progressive doctrine is not only needed, but also within reach.

Andreas Schieder
Chair of the Next Left Research Programme
Chair of the SPÖ Delegation
Member of the European Parliament

About the authors

Editors

Patrick DIAMOND is Professor of Public Policy at Queen Mary, University of London, a visiting fellow at Kellogg College, Oxford, and an associate member of Nuffield College. He was previously a local councillor in the London Borough of Southwark, and chair of the think tank, Policy Network. He is the former head of policy planning at 10 Downing Street, and is a member of the FEPS Scientific Council. His recent books include *After the Third Way, Governing Britain: Power, Politics and the Prime Minister,* and *The British Labour Party in Opposition and Power: 1979-2019.*

Ania SKRZYPEK (Skrzypek-Claassens), PhD, is a Director for Research and Training at FEPS (Foundation for European Progressive Studies), which she joined almost at the start in 2009. Before she served twice consecutively as the Secretary General of the Young European Socialists (ECOSY, now YES), being the first woman and first person from the CEE region in this position, as well as defended cum laude her doctorate at the Warsaw University – which dissertation was devoted to *Mechanisms of cooperation of socialists and social democratic parties in uniting Europe 1957-2009.* She is an author and (co) editor of over 200 publications devoted to the questions pertaining to progressive movement, European integration and evolution of the party political systems, as well as a regular radio commentator on European Affairs and an academic reviwer of the European Review of her Alma Mater. In 2024, she was decorated with the State Medal of the National Commission for Education (KEN, representing the highest honour for teachers) for her pedagogical achievements at the Polish primary supplementary school in Leuven.

Authors

Dominic AFSCHARIAN holds degrees in political science and economics from Heidelberg University as well as the University of Tübingen and has worked with think tanks, consultancies, and academic institutions. Specialising in public policy analysis, he primarily focuses on social policy in Europe and its relations to other policy fields. He has published many articles and several books and holds a PhD for which he analysed discourses around a social Europe.

László ANDOR is FEPS Secretary General and former EU Commissioner for Employment, Social Affairs and Inclusion (2010-2014). He was head of the department of economic policy at Corvinus University (Budapest) and has lectured at Hertie School of Governance (Berlin), ULB (Brussels), European University Viadrina (Frankfurt Oder) and Sciences Po (Paris). He has also been a member of various think tanks (EPC, RAND Europe, Friends of Europe) in an advisory capacity. From 2005 to 2010, he was a member of the Board of Directors of the EBRD (London), representing the Czech Republic, Croatia, Hungary and Slovakia. He holds a degree in economic sciences from Karl Marx (now Corvinus) University, an MA in development economics from the University of Manchester and a PhD from the Hungarian Academy of Sciences (1995). He was awarded Doctor Honoris Causa by Sofia University of National and World Economy.

François BALATE is the policy analyst in charge of social policy and academic coordination at FEPS. Previously, he was political advisor to President of the European Committee of the Regions Vasco Alves Cordeiro (2022-2025). Other prior positions include head of the office of the FEPS president (2020-2022) and director for policy and advocacy at the European Youth Forum (2018-2020). He was a visiting lecturer on European affairs at

Science Po Lille in 2017. He has more than ten years of experience in European policy making and politics. His expertise covers a wide range of fields, including social policy, democracy, as well as budgetary and constitutional affairs. He holds master's degrees in European political and administrative studies from the College of Europe in Bruges and in European studies from the Université Libre de Bruxelles (Institute for European Studies).

Giacomo BENEDETTO holds a Jean Monnet Chair in European Politics at Royal Holloway, University of London. His teaching focuses on the EU's politics and policies. He is the author of a History of the EU Budget published by the European Parliament in 2024. His research is published in American Political Science Review, Journal of European Public Policy, Review of International Organisations, West European Politics, Comparative Political Studies, and Journal of Common Market Studies.

Tobias CREMER Dr., is a Member of the European Parliament for the Social Democratic Party of Germany (SPD), serving on the Committee on Foreign Affairs and the Committee on Security and Defence. Before his election Dr. Cremer served as a diplomat in the German Federal Foreign Office, where he was responsible for the bilateral relations between Germany and the Baltic states. He holds a PhD in Politics and International Relations from the University of Cambridge, a Master in Public Policy (MPP) from the Harvard Kennedy School, an MPhil in Politics and International Studies from Cambridge University, and a BA in Politics, Philosophy, and Economics from Sciences Po Paris.

Colin CROUCH is an external scientific member of the Max Planck Institute for the Study of Societies at Cologne and professor emeritus of the University of Warwick. He is a Fellow of the British Academy. His most recent books include *The Globalization Backlash* (2019); *Will the Gig Economy Prevail?* (2019);

Manifesto for Social Europe (2020); *Post-Democracy after the Crises* (2020); *Rethinking Political Identity: Citizens and Parties in Europe* will be published during 2025; Exclusion and the *New Politics of Hatred* (2026).

Mikael DAMBERG is the Economic spokesperson for the Swedish Social Democratic Party and vice chairman on the Committee on Finance, Swedish Parliament. He is the former minister for Finance, minister for Home Affairs and minister for Enterprise and Innovation. Member of Parliament and former group leader, Social Democratic parliamentary party group.

Maria Joao DORNELAS works as an advisor to S&D Vice-President MEP Ana Catarina Mendes, dealing with the Rule of Law and migration. Previously, Maria João served in the Portuguese Government in the field of migration and equality. She has translated Council of Europe's Human Rights Education manuals, as well as children's books. She worked in the Portuguese Erasmus+ National Agency, dealing with innovation transfer projects. Maria João holds a degree in Journalism and post graduate studies in Portuguese Language and Culture as well as in Conference Interpreting.

Krzysztof GAWKOWSKI is Deputy Prime Minister of Poland. Born in 1980, Gawkowski is a politician and social activist. Doctor of humanities and graduate of postgraduate studies in labor law at the University of Warsaw. In the years 2002–2010, he was a councilor of the City Council in Wołomin. In the years 2010–2014, he was a councilor of the Provincial Assembly. Since 2019, Member of the Sejm of the Republic of Poland from the Bydgoszcz constituency. Member of the parliamentary committee on digitization, innovation and modern technologies. In the years 2019-2023, Chairman of the Left Parliamentary Club. From 2021, vice-chairman of the New Left party. Academic lecturer and expert in the field of national cyberse-

curity. In the years 2015-2020, member of the technical committee of the Polish Committee for Standardization.Author of many scientific articles and monographic works in the field of new technologies, digitalization, artificial intelligence and cybersecurity, including the book awarded with distinction from the Polish Information Technology Society entitled „Cybercolonialism". Husband and father of three children. Crime fiction writer, sports fan and avid photographer.

Michelle HAAS is PhD researcher at the Ghent Institute of International and European Studies of Ghent University. She is also an associate fellow at the Egmont Royal Institute for International Relations and a board member of the Royal Higher Institute of Defence. Previously, she worked as a policy officer in the Commission Defence and Commission Foreign Affairs at the Belgian House of Representatives. Her current research focuses on the impact of the war in Ukraine on European defence policy.

Tim HAESENBROUCK is Assistant Professor at the Ghent Institute of International and European Studies of Ghent University. Previously, he was a senior post-doctoral researcher at the Research Foundation Flanders and PhD researcher at Ghent University. His research focusses on European defence policy, military burden sharing and military interventions.

Eva-Maria HOLZLEITNER has been Federal Minister for Women, Science and Research of the Republic of Austria since spring 2025. Prior to that, she was a member of the Austrian parliament and deputy chair of the Social Democratic parliamentary group; in SPÖ, she serves as deputy chairperson of the party and leader of the women's wing. During her studies of Social Economics at Johannes Kepler University Linz, she worked as a research assistant at the Institute for Social Policy; later she worked as research group assistant at the University of Applied Sciences in Upper Austria.

Pascal LAMY (pascallamy.eu) is the coordinator of the Jacques Delors Institutes (Paris, Berlin, Brussels). He is Vice-Chairman of the Paris Peace Forum and Chairman of the European branch of the Brunswick Group. From 2005 to 2013, Pascal Lamy served two consecutive terms as Director-General of the World Trade Organisation (WTO). He was previously Trade Commissioner (1999-2004), Director General of Crédit Lyonnais (1994-1999), Chief of staff of the President of the European Commission, Jacques Delors, as well as his Sherpa at the G7 (1985-1994), Deputy Chief of staff of the Prime Minister (1983-1985) and of the Minister for the Economy and Finance (1981-1983).

Adam LANGLEBEN is a Labour strategist & former London Borough councillor who held the regeneration portfolio. He served as Head of Communications at the Jewish Leadership Council and as National Secretary of the Jewish Labour Movement, co-leading the legal case that found Labour had breached equalities law, and was deeply involved in Labour's renewal after 2019. He is now Director of Progressive Britain and a member of Labour's National Constitution Committee.

Paul MAGNETTE, who grew up in Charleroi and holds a doctorate in political science from the Université Libre de Bruxelles, has been President of the Socialist Party since 2019. A prominent figure in Belgian politics, he has served as Walloon Minister of Health, Federal Minister for Climate and Energy, and Minister-President of Wallonia, notably opposing the CETA trade agreement. After returning to his role as mayor of Charleroi in 2017 and being re-elected in 2018, he now leads the Socialist Party and serves as a federal Member of Parliament.

João MARTINS PEREIRA has been the president of the Young European Socialists, since July 2025. Before that, he served as Vice President of YES in charge of the economy, finance, industry and energy, and the Green New Deal (2023-2025) and International Officer of Les Jeunes Socialistes (France) between 2022 and 2025. He is a national delegate of the French Parti Socialiste in charge of innovation and ecological, economical and industrial transitions. He is also a member of the Portuguese Partido Socialista and Juventude Socialista. He is a municipal councillor in Charenton-le-Pont (France) as well as coordinator of the Youth Committee in the Portuguese Communities Council, the Portuguese government's advisory body on policies relating to emigration and Portuguese communities abroad, elected for the Paris consular area. He works in the financial sector, specialising in investing in infrastructures and renewable energy. He graduated in 2018 from HEC Paris with a master's in international finance, with a certification in finance and energy.

Ana Catarina MENDES holds a degree in Law from the Faculty of Law of the University of Lisbon. She is Member of the European Parliament since July 2024, S&D Vice-President for "the Rule of Law and Strong Democracy" and Full Member of the Committees on Justice, Liberties and Home Affairs; Security and Defence and the European Democracy Shield. She began her political career as a Member of the Portuguese Parliament. During her term, she served as President of the Socialist Party Parliamentary Group in the Assembly of the Republic. From March 2022 to April 2024, Ana Catarina Mendes held the position of Minister for Parliamentary Affairs in the Portuguese government led by former PM Antonio Costa.

Victor NEGRESCU is Vice-President of the European Parliament, overseeing relations with social partners, transparency, and anti-corruption. He is a member of the Delegation for relations with the United States and chairs the Intergroup on Education and Skills. He has authored several key proposals at EU level,

including the allocation of 10% of the RRF to education, the possibility for countries to amend their recovery plans, and the European Digital Education Strategy. Negrescu is Vice-President of the Party of European Socialists (PES), First Vice-President of the Social Democratic Party of Romania (PSD) and President-national coordinator of PES activists Romania. He is also former Minister for EU Affairs. Negrescu holds a PhD in International Relations and in the past served as Vice Rector of the National University of Political Studies and Public Administration

Sascha OBRECHT has been Director of the Karl-Renner-Institut since October 2025. A Vienna-born expert in labor and social law, he brings extensive academic experience and long-standing involvement in the Social Democratic Party. He previously served in his home district in Vienna as a councilor and party manager, later becoming a member of the Federal Council of Austria. He is currently a member of the Vienna City Council and chairs its committee for European and international affairs.

Tomáš PETŘÍČEK is a researcher at the Centre of Global Political Economy (IIR Prague) and a lecturer in foreign policy and geopolitics at Charles University. He is also an associate researcher at Sciences Po Paris. His work focuses on climate–geopolitics, green transition geoeconomics, and contemporary global political economy. He advises the President of the Czech Republic. He served as Minister of Foreign Affairs. (2018–2021). He holds a Ph.D. from Charles University.

Nicoletta PIROZZI is Head of EU programme and Institutional Relations Manager at the Istituto Affari Internazionali (IAI). She works mainly on EU governance, political and institutional developments in European foreign, security and defence policy, civilian crisis management, EU relations with the

United Kingdom and the United Nations. She is Associate at the European Governance and Politics Programme of the European University Institute (EUI) in Fiesole. She is author and editor of a number of publications, and an active member of various research associations and institutions. Her latest book *L'Europa matura* has been published by Linkiesta Books in May 2024.

André RIBERIO de COSTA works as parliamentary advisor in the European Parliament since 2017. He currently supports MEP Ana Catarina Mendes in her role as S&D Vice-President, and previously advised Pedro Silva Pereira, former MEP and Vice-President of European Parliament. His work has focused on constitutional affairs, institutional reforms, EU–UK relations, and European citizenship and democratic participation. He holds a degree in International Relations, a post-graduate diploma in Public Administration, and a Master's in Strategic Management and Marketing.

Andreas SCHIEDER born in Vienna in 1969, is a Member of the European Parliament and the head of the Austrian S&D-Delegation since 2019. Trained in economics at the University of Vienna, he previously served in national political roles, including State Secretary in the Ministry of Finance and chair of his party's parliamentary group. In the European Parliament he is the S&D-coordinator in the special HOUS-committee and works on the TRAN and AFET committees. His engagement for a progressive way forward brought him to being Co-Chair of the Progressive Forum and Chair of the FEPS Next Left Program.

Anita SOWIŃSKA is Deputy Minister of Climate and Environment, responsible for waste management and the activities of the Chief Inspectorate for Environmental Protection in Poland. She is a graduate of the Executive MBA programme at Kozminski University in Warsaw and the Lodz University of Technology. A manager with many years of experience in business, including

project management in the field of IT and logistics. Politician, Member of Parliament of the 9th term, member of the New Left party. In her political career, she focuses on issues related to climate and environmental protection. Currently, she coordinates, among other things, the implementation of a deposit-refund system and extended producer responsibility in Poland.

Dimitris TSAROUHAS specializes in International Public Policy, Comparative Politics, and Political Economy, with over two decades of academic and policy experience. He currently serves as Affiliate Faculty in the Department of Political Science at Virginia Tech and was, until January 2025, a Global Fellow with the Global Europe Program at the Wilson Center in Washington DC. Dr. Tsarouhas has held senior academic appointments at institutions including Bilkent University, Middle East Technical University, George Washington University, and Georgetown University. In addition to his academic roles, Dr. Tsarouhas has provided expert consultancy to the European Commission, the World Bank, and the International Institute for Democracy and Electoral Assistance (IDEA) and has advised PricewaterhouseCoopers and EU policymakers. He is a member of the Scientific Council of FEPS and has contributed to numerous international conferences, workshops, and media outlets as an invited expert.

Kata TÜTTŐ (born 1980, Budapest) is a Hungarian economist and politician. A member of the Hungarian Socialist Party (MSZP) since 1997, she served on Budapest's General Assembly from 2002 to 2014, and later as Deputy Mayor of Budapest (2019–2024), responsible for climate policy, public transport, and utility services including energy, waste, water, grey and green infrastructure. In February 2025, she became the first Hungarian elected President of the European Committee of the Regions—the EU's assembly of local and regional authorities, giving sub-national governments a direct voice in EU policymaking.

Project Coordination

Céline GUEDES is Project and Partnership Coordinator at FEPS, which she joined in 2016. Guedes graduated in Political Sciences at the Université Libre de Bruxelles (Belgium). She also holds a Master in the European Studies – Transnational and Global Perspective from Katoliek Universiteit in Leuven (2016) and a certification on Project Management from the ICHEC Brussels Management School (2023).

The Great Unravelling

"The Great Unravelling" examines the challenges that the new era of globalization poses for progressive parties and movements in Europe and across the world. It brings together leading politicians, thinkers and experts to debate the structural causes and political consequences of the new phase of globalization that is reshaping Western economies and liberal democracy.

Major changes are occurring both in economics and politics as the form of globalisation that became dominant in Western countries in the 1990s and 2000s is evolving, and in some instances, apparently in retreat. To be clear, globalisation has not come to an end. It has entered a distinctive phase that is generating considerable turbulence and instability. The 'unravelling' of globalisation undoubtedly leads to greater volatility as the structural changes taking place in the global economy are feeding directly into domestic politics.

In recent decades, the impact of growing economic interdependence, free trade and technological change has fuelled increasing dissatisfaction with established political systems, leading to new forms of political polarisation that exploit the resentments fuelled by the rise of globalization. This shift in politics has been evident in the rise of populist parties on the radical Left and Right throughout much of Europe. While globalization's detractors insist that the Left's purpose is to resist globalization to prevent the commodification and dehumanisation of labour, it is more tenable for the centre-left to focus on brokering a viable compromise between globalization and social progress, between competitive markets and social justice. The chapters in this volume address that theme from a range of compelling perspectives.

(RI) Renner Institut

PROGRESSIVE BRITAIN