



**GREEN  
EUROPEAN  
JOURNAL**

Volume 2 May 2012

# Surviving Austerity

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# Surviving austerity, preparing a new green project!



Benoît Lechat

In 2012, the urgency seems to have once again reduced the political possibilities for investment into a green conversion of the economy.

Therefore, if the Greens want to reinforce their social base for an “ecological re-industrialisation”, they must re-evaluate their definition of what is socially just and share this vision with as many people as possible, starting with social movements, both new and old. This could be their best way for surviving austerity.

Austerity is a political challenge for the green parties, forcing them to make difficult decisions as to whether they want to maintain overall European coherence, particularly if they belong to national or regional governments, or whether they want to voice their opinions on austerity plans or certain reforms such as the European Stability Mechanism or the fiscal compact and the “golden rule”.

Spring 2012 has seen austerity manifest itself in a number of different forms throughout Europe. How to confront these different forms, discuss them, and begin to gather elements for the development of a new social model through which we can exit the current “polycrisis”?<sup>1</sup> These are some questions to which this second edition of the Green European Journal hopes to respond.

Firstly, austerity is quite simply a daily problem which has particularly grave consequences for millions of Europeans who are losing their jobs or are facing cuts to their public services, whether this be the social security system or their education systems. Examples of such measures can notably be seen in Croatia, England or Spain which are discussed in this edition.

Austerity is also a policy imposed on those countries that are in the process of finding solutions to reduce the hike in interest rates that is putting them at risk of bankruptcy. This has a tsunami effect for national governments sweeping through one country after the other, as we have seen in France after Italy, Spain and many others.

Lastly, it is a political challenge for the green parties, forcing them to make difficult decisions as to whether they want to maintain overall European coherence, particularly if they belong to national or regional governments, or whether they want to voice their opinions on austerity plans or certain reforms such

as the European Stability Mechanism<sup>2</sup> or the fiscal compact and the “golden rule”.

Austerity and the crisis are two sides of the same coin. For some, it is merely a consequence of a problem that it should be counteracting. For others, it exacerbates the very problem that it is supposed to be solving. Austerity is also undoubtedly a trap for the European economy which European Institutions are finally beginning to take notice of.

The words associated with austerity are important. They give the impression of a natural and almost clinical necessity – assainir, bezuinigen, sanieren, structural reforms, haircuts ... – to “stabilise” something which is merely the result of decisions taken by human beings. Placing these within a political framework is an absolute “must” and in order to achieve this, we must call the causes of the crisis into question, otherwise it would clearly be impossible to agree on the solutions required to solve it.

And the causes are many: it is not solely down to the poor governance of certain countries and the faults that lie within the construction of Europe; the unsustainable nature of our economy is also to blame. Ecological unsustainability: in the absence of an absolute decoupling between economic growth and the increase of pollution, the growth course on which we are compelled by debt does not allow us to achieve global objectives for the reduction of greenhouse

1 This expression was coined by the French sociologist Edgar Morin and has notably been used in the recent appeal made by members of the Collegium International for global and solidarity-based governance (See <http://theglobaljournal.net/article/view/642/>).

2 This has been approved by the green MPs in parliaments.

gas emissions. Social unsustainability: our society is becoming increasingly unjust and unequal. More important than the fear of immigration, is the inability of European democracies to counter the rise of inequalities highlighted by the European Trade Union Institute which is strongly pushing voters towards the populist parties.

Budgetary unsustainability: we cannot leave future generations with a debt that would deprive them of any political room for manoeuvre and would permanently confine them to the iron cage of consumerism. But can we do it without triggering ecological and social debt? Too many Europeans have already had to pay the price...

At least one good thing has emerged from the crisis: it is now universally agreed that we have a monumental bridge to cross. But superlatives should not be lost. In reality, if the situation did not have as many serious consequences for such a large number of people, we would have no hesitation in saying that the period would also have somewhat of a promising aspect. It forces us to look at things from a different angle. To diverge from the beaten track and take risks.

The Greens are fairly well equipped to deal with such an undertaking. Whilst taking account of their daily responsibilities in governments, parliaments and local councils, they are more intellectually open to understand the crisis without prejudgement.

They know how to draw links between the different forms of unsustainability and understand that different forms of debt are interconnected.

Their demand for democracy and justice allows them to talk seriously about participation. It is not solely a question of a liquid democracy in which each person expresses themselves separately from the next. It is also a matter of creating a shared world in which different concepts of co-existence are confronted with open-mindedness.

Political ecology is undergoing a transition: since 2009, the Green New Deal has successfully shown that it can embody an economy that is compatible with future generations. In 2012, the urgency seems to have once again reduced the political possibilities for investment into a green conversion of the economy. Therefore, if the Greens want to reinforce their social base for an "ecological re-industrialisation", they must re-evaluate their definition of what is socially just and share this vision with as many people as possible, starting with social movements, both new and old. This could be their best way for surviving austerity ■

*Benoit Lechat is Editor-in-Chief of the Green European Journal.*



Jean Lambert



Romual Jagodziński

# Inequality as cause and consequence of the crisis

Inequalities lie at both ends of the equation of the crisis. Since 2005 they rose rather significantly across Member States, and are now being exasperated by EU-wide austerity policies. Inequality is unsustainable in many ways: it puts in danger the cohesion of our societies and it is a driving force of our unsustainable consumption model. In this interview with Jean Lambert MEP and Romual Jagodziński from the ETUI, which recently released a major report entitled “Benchmarking Working Europe” on inequality, the GEJ discusses how austerity is causing countries and people to lose faith in the EU, and how a new model is needed more urgently than ever.

People on the streets in Greece, Portugal and Spain are not only protesting against austerity, they are protesting against inequalities as well. They are infuriated with the fact that they are the ones paying the price, while those who triggered the crisis are better off and benefited from it.

Romual Jagodziński

**Green European Journal (GEJ):** Why does ETUI stress so much the importance of inequality?

**Romual Jagodziński (RJ):** The first benchmarking report of the ETUI was a reaction to the employers' organisation report on the Lisbon strategy issued in 2001. Since 2008 we decided each year to select a specific theme. This year we took up inequality as a multidimensional phenomenon rising all across Europe. Inequalities are not only important to trade unions, they are important to societies at large. If they grow, the solidarity spirit that is a pillar of the European Union is endangered. People on the streets in Greece, Portugal and Spain are not only protesting against austerity, they are protesting against inequalities as well. They are infuriated with the fact that they are the ones paying the price, while those who triggered the crisis are better off and benefited from it. This feeling of injustice is not only growing within the countries, it's growing between the countries with the result that the nationalist and protectionist sentiments are on the rise. "It's us versus the rest". "We have a cake that we no longer share, but that we just need to grab as much as possible for us"... This kind of reaction endangers the European project. Although Art 3 of the Treaty on the European Union mentions a number of aspects that have to do with inequality (social protection, justice and progress), the Eurobarometer<sup>1</sup> research and other polls clearly point out that these values are no longer perceived by the European population as the ones

being pursued in the European Union. Europe is more and more seen, sorry for the strong words, as the oppressor that imposes austerity, that fosters the liberalisation of markets, of labour laws, under the aegis of standardisation and that exposes people to greater risks, to greater inequalities and poverty.

### A shrinking convergence

**GEJ:** What are the key findings of the report that illustrate this perception?

**RJ:** The first important finding is that economic inequalities between the new and old Member States are no longer diminishing. This was a driver for many of the new Member States to join the EU with the prospect of improving their living standards, of catching up with the richer countries. That was the driver motivating many of them to join, a driver that is no longer there since the convergence is no longer there: the GDP growth in the old Member States is admittedly lower than in the new Member States, who are starting from a low base compared to the other Member States. But the low GDP growth levels generated in the NMS are nowhere near the target they would need to be in order to catch up with "old Europe". So in many countries you have questions being asked – why do we need to pay the price of joining the Eurozone, of accepting the opening of the markets, the liberalisation of services if there is no reward for us for this in the long term?

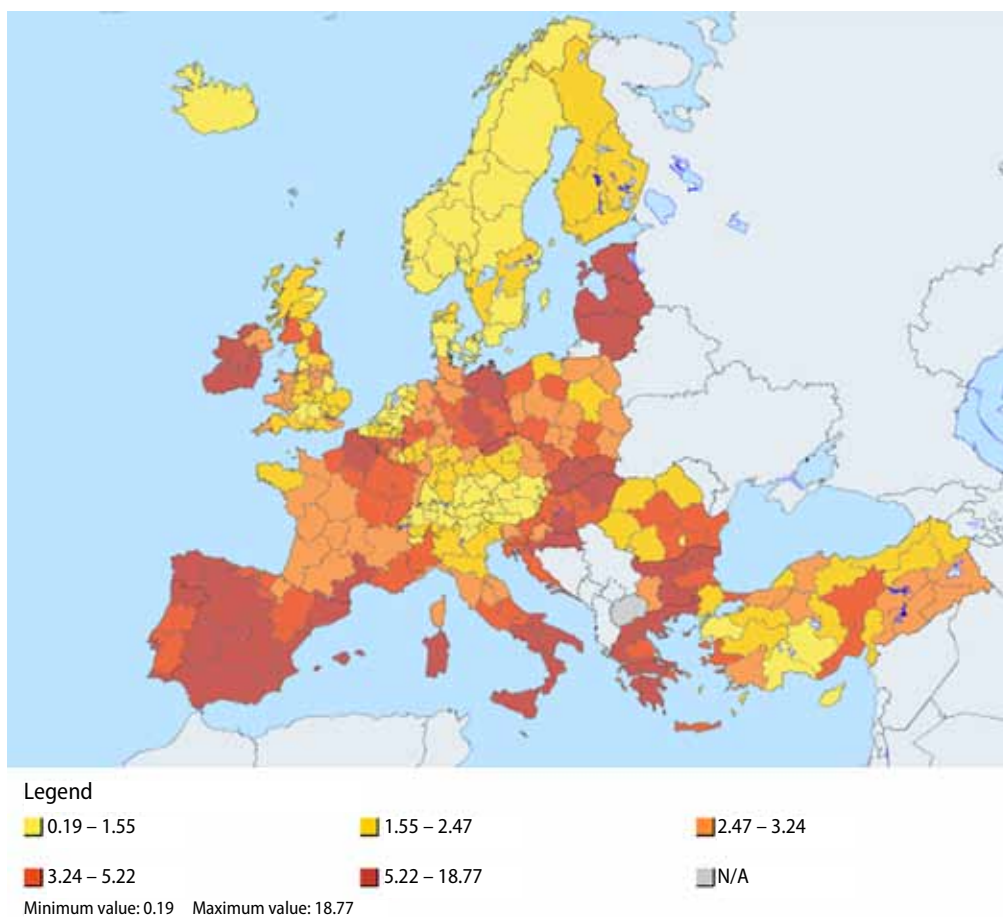
<sup>1</sup> Eurobarometer

1) Employment and Social Developments in Europe 2011

2) Special Eurobarometer 370 'Social Climate' (Summary: [http://ec.europa.eu/public\\_opinion/archives/ebs/ebs\\_370\\_sum\\_en.pdf](http://ec.europa.eu/public_opinion/archives/ebs/ebs_370_sum_en.pdf))



Share of long-term unemployment (12 months and more), by NUTS 2 regions, 2010



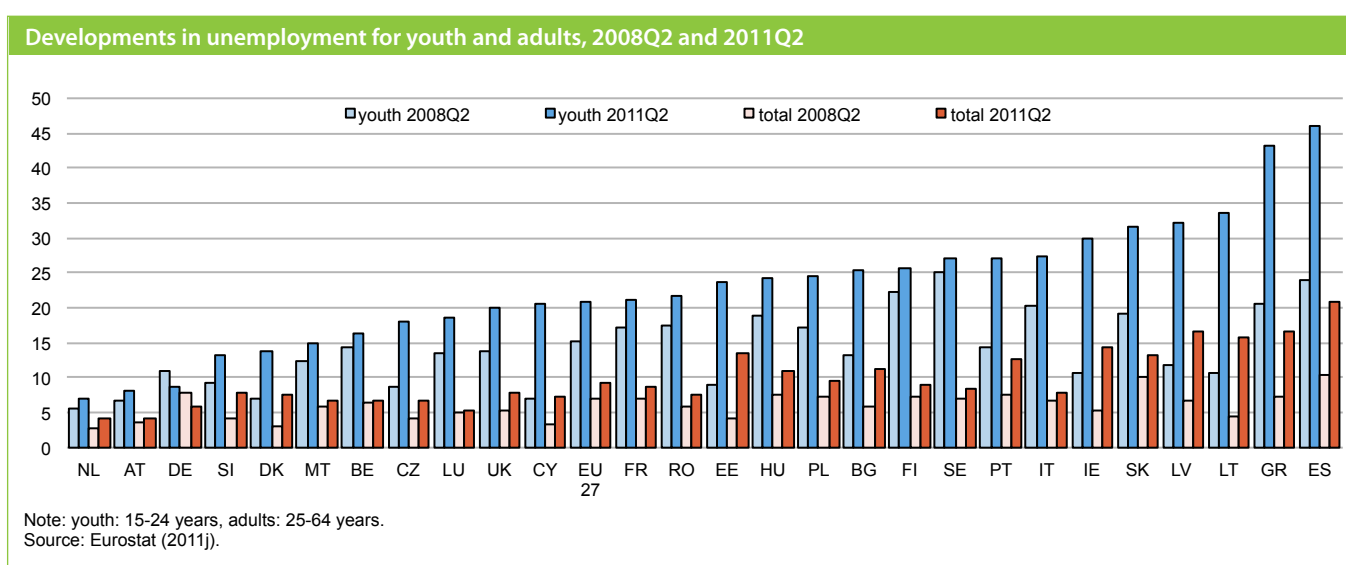
Source: Eurostat (2011q)

Furthermore, on the **labour market**, there are clearly defined groups that are much worse off than others. The situation of **women**, for instance in unemployment, has seemed to improve in relative terms. But this is not due to the improvement in their employment rate; it is mainly because the situation

among men has deteriorated slightly more during the crisis. Moreover women are more exposed to working on part-time basis than men do and, in general, the employment rate of women is still below the employment rate of men.



The situation of the youth is more and more worrying: we have levels of youth unemployment hitting 45% in Spain, about 40% in Greece, around 30% in the Baltic States.



The situation of the **youth** is more and more worrying: we have levels of youth unemployment hitting 45% in Spain, about 40% in Greece, around 30% in the Baltic States. These young people are really facing unequal challenges compared to other groups on the labour market. It clearly puts some doubt whether the education targets set in the Europe 2020 Strategy are really saving young graduates from unemployment by expecting them to acquire higher and higher educational attainments and competences without offering the rewarding prospect of decent employment. Admittedly, in the majority of countries the low-skilled graduates are much more exposed to unemployment and working poverty for instance. But there are countries where the unemployment level of the tertiary graduates reaches 25%.

Furthermore, **collective bargaining and trade union coverage**, two factors that we identify to be positively correlated with greater equality, due their strong redistributive effects, are both on the downturn across Europe.

The **regional discrepancies** are also turning into structural inequalities: the gap between the quickly developing, very vibrant urban and the rural regions is growing and exerts significant impact on people's lives. The opportunities in rural areas are significantly worse than those in urban areas equipped with good infrastructure, with good public services, with good educational infrastructure. Moreover, there is what we call the "digital divide" across European regions, and groups of people being their habitants: urban communities benefit from the digital technology while rural population suffer from deprivation of access to IT-infrastructure, which, in consequence, affect their professional and educational opportunities and prospects.

Chapter 8 addresses **the inequalities evident in the application of EU labour law**. We have European Directives on Labour law and worker representation that are pursued as one common goal for the EU-27, yet they are applied to a very differently across the MS. Of course there is the necessity to ensure some flexibility and to take into consideration the specific industrial relations traditions of individual Member States, however, sometimes these discrepancies amount to inequalities for workers and for other stakeholders as well. Some fundamental rights such as the right to information and consultation suffer from unequal application. Finally, with regard to working conditions, we are facing the rise of a greater **“presenteeism”**. More and more people occur at work even though they are sick because they fear for losing their job. This concerns particularly unskilled or lower skilled workers, as a result, to a certain degree, of liberalising the labour law, where sacking of workers is much easier, causing people to fear for their work, especially in the harsh circumstances of the crisis.

### **Social Europe not dead?**

**GEJ:** Jean Lambert, as a member of the Committee for Social affairs of the European Parliament, how do you react to this diagnosis and first of all to this assumption that rising inequality lies at both ends of the equation of the crisis?

**Jean Lambert (JL):** Part of what has happened with the crisis has been an exaggeration of existing trends for example in the labour market, with this growing division between the unskilled and temporary and the more highly qualified, often more secure jobs.

A lot of Member States have not looked at new industries to take the place of the old ones, or at what they were going to do with the skills level of people who were less well training for this “new economy”. On the other hand, there are new elements in the wider unemployment situation, even for those that are skilled, which raises a lot of questions about how the European Union and many Member States have defined “skill”. For a long time, they saw this in terms of a University degree and not in terms of needed skills. Certain Member States like the UK have filled a lot of skills gaps with migrant workers and, at the same time, have been quite bad at retaining their own skilled staff. In the migration debate, it’s always about people moving in and it is never about EU nationals moving out.

This feeling of betrayal towards Europe has been building since before the crisis. If you look for example at who is elected to the European Parliament in 2009 you already have a number of those parties who are not Eurosceptic but “eurohostile”. And that’s not just on the right. We tend to think of it as a populist right because those are the people that will often articulate the anti-migration side like the Geert Wilders’ party in the Netherlands. But we began also to see another evolution with for example these cases about the right to deliver services cross border and the tensions with the existing labour force that was being voiced by some of the trade unions that were not always very careful about how they expressed this. There are parts of the trade union movement which is actually quite racist itself and anti-foreign worker. We have heard that articulated quite strongly in the discussion

In this debate on freedom of services, a lot of groups, and particularly a lot of trade unions and working people began to see the EU turning from almost a protector of trade unions rights to a threat to organised labour.

Jean Lambert

about seasonal workers in the European Union. In this debate on freedom of services, a lot of groups, and particularly a lot of trade unions and working people began to see the EU turning from almost a protector of trade unions rights to a threat to organised labour. And this is something that we have not resolved.



*In the anger towards inequality, the EU is being perceived as a cause, and not a solution*

The question about posting of workers is back on the agenda this year. The Greens in the European Parliament will have to be very careful how they handle that in a way that shows that the ideals of a social Europe are not dead and that we have not lost out to a total liberalisation of the market. We have been treading quite a careful path in terms of the green group as a whole not being necessarily hostile to the notion of freedom to provide services and the single market, provided that such freedoms come with strong labour protection and strong social standards.

Some of us have been very critical in looking at what the effects of freedom of the single market can mean and some are much more pro-single market from the green perspective. But the link that you were mentioning between debt and the crisis has almost gotten lost. The discussion is now focused on national debt without much regard to that quality analysis like the issue of personal indebtedness. And yet when you look at what was happening in individual countries, it was much more a part of the crisis than we now talk about although we are still going to see the increasing fallout from it, even in a number of European countries, which have looked much more stable, and aren't necessarily. The pursuit of consumerism, materialism, growth at any price is certainly something that the Greens have been critical of the whole way through, because it has really fed on a feeling of inequality, of people wanting to keep up with others and not being able financially and as a result borrowing heavily. It was obvious that at some point that was going to be a problem. But one of the more positive things, however, is that the issue of inequality is back in the political discussion. The European year of anti-poverty in 2010 gave us an opportunity to discuss a lot of issues around inequality. It is still there but no so much in our Governments.

I also want to stress the importance of this feeling of broken promises that is still very much there outside the Eurozone. When we talk about the crisis we are not talking about Hungary, we're not talking about Latvia, which have horrendous economic problems. We might talk about Hungary's constitution, but not about its finances in the same way. And if you're

looking at a way of making people feel excluded, that's a major part of it. Right at the top level of the European Union, the discourse is not inclusive of the 27 countries. The future of the Eurozone is important, even the British Chancellor of the Exchequer thinks it is, but it's not the only economic debate.

**GEJ:** How does the ETUI consider the role of European Union in the application of social rights?

**RJ:** One of our concerns is that there are more and more differences in the application of rights across the Member States. For instance, there are shocking examples of countries that allow to create SEs without any workers and without any operations and that activate them once they are established, which basically allows employers to avoid any negotiation on worker participation, information consultation, participation on boards, etc. We also have identified problems with regard to the application of the EWC Directive. Some of these problems have been addressed by the recent EWC recast Directive 2009/38/EC, but there remain other issues that raise the question whether the fundamental rights, such as the right to information and consultation, are conditional upon the will of Member States to apply them in a certain way, or whether they should be universal as they are put in the EU Charter of Fundamental Rights.

We have also seen the crisis being used as an excuse to exert downward pressure on labour standards.

One of the co-authors of Benchmarking, Steffan Clauwert (ETUI) looked at the labour law reforms in the Member States over the past three years, and came to the conclusion that the crisis and austerity have been used as an excuse to further flexibilise labour markets at the cost of security and stability of employment by means of e.g. increasing part-time and temporary work and exposing workers to even greater risks of in-work poverty and of material deprivation.

**GEJ:** I also want to come back on the issue of inequality and on its link with personal indebtedness. What can the European Union achieve in order to tackle this problem and to promote another standard of wellbeing less dependent on consumerism?

**RJ:** I am not an expert on indebtedness, but there are clearly measures to address this problem, such as redistributive policies that have been mostly abandoned in Europe in the recent years. The efficiency of tax systems in addressing inequalities has rather consistently diminished over the last decade across the EU. In Chapter 5 of our report, we insist on differentiating between the top and the bottom inequality. It is not possible to address inequality in an efficient manner if one addresses only the lower end of inequality, that means the material deprivation or in-work poverty. This is only one part of the equation. We also need to address the top end with redistributionary policies.

There is a greater awareness that we need to tackle inequality, not just poverty. This is now evident in different bits of the European Commission and in some of the Parliament's thinking.

Jean Lambert

### Emergence of the "Green Divide"

Directly linked to that is the question about growth: it is important, but do we really need economic growth at any price? Or do we need growth that serves fairer societies? This question has been raised on many instances recently, for example in the excellent book "The Spirit Level" by Kate Picketty and Richard Wilkinson. It is also important to address the question: how do we measure growth? Is the only right indicator the GDP or do we need to seek beyond and refer to alternatives such as the Human Development Index for instance? Or other composite indexes that take into account the well-being of societies and include the non-financial elements as well, like the quality of public services, the access to the health and education systems, the prospect of social mobility, etc.

On top of the above mentioned inequalities, there is also an emergence of what we call the "green divide" across Europe resulting from varying levels of emissions and countries' discrepancies in resource efficiency. For instance, countries that have a high level of resource efficiency are not automatically the lower polluting ones. Some countries are very efficient in using resources, yet they still produce disproportionately high levels of emissions due to their style of life based on consumption of many goods and services requiring significant resources. At the same time applying uniform policies across the Union that are good for the old Member States is not necessarily fair because these old Member States were able to develop their economies in the "dirty way", that is without taking into account the environmental consequences and current limitation

they are now expecting the new Member States to play along the new rules that are definitely more challenging. This is a very serious problem that adds up to the new vs. old Member States divide.

**JL:** What you were saying on the sense of solidarity between the older and the newer Member States is linked to this debate on this issue of energy efficiency. They are going to feel the need for that investment.

**RJ:** It is also related to the problem of "resource poverty". There are significant numbers of people experiencing poverty manifesting itself in difficulty in keeping their homes adequately warm during winter because of rising energy prices as well as occurring in growing number of arrears in paying utility bills. It is a relatively new phenomenon that we shouldn't leave out of the picture.

**GEJ:** To end with a more positive point, can we say that inequality is again an issue of political debate at European level?

**JL:** I have just come from a meeting with Solidar, a European network of NGOs which is looking at issues of development of social security law. There is a greater awareness that we need to tackle inequality, not just poverty. This is now evident in different bits of the European Commission and in some of the Parliament's thinking. But it is not enough there at the Member State level. The crisis has led to a number of them to look at what is the fair share of the pain that ought to be taken by the wealthier



parts of either the economy. It is much easier to talk about bankers in general having their metaphorical haircuts. You are hearing it with what Hollande is saying in the French elections. But in the UK, the highest rate of tax, the 50% tax was considered too high, so it has now been cut to 45%, because “you don’t want to scare off the wealthiest people, because then you lose all the tax revenue, rather than just some of it”. Of course this is much more a Member State issue but I am interested in whether the European level is going to be able to start talking about doing something more convergent on corporation tax. But of course, at the other end of the scale, a lot of Member States see the social sector as the obvious place to cut. And, sorry to stating the bleeding obvious in the UK, if you cut the social security for those at the lowest end of society, you are going to see an increase in poverty, a decrease in personal spending, less money circulating in the economy which becomes totally counterproductive if you wish to keep the baseline of a resilient economy. We are now beginning to see people saying that austerity has gone too far. But many of us, particularly the Greens and from many of the other political groups are shocked that people are shocked at the outcome of this.

We tried, as a Parliament, to have issues of social conditionality put in in the case of Latvia, and some of the other Baltic States when they were facing very strong pressure. But it was a condition of their bailout that they cut their social security spending. And if the European Union is now people’s enemy in many respects it is partly because of these drastic cuts in some Member States social security spending.



*Public anger at inequalities and austerity continues to grow across Europe*

Some Member States have used this as an alibi to cut what they wanted to cut anyway, again I could quote the UK, but that is a problem, that is a huge problem, because it also keeps those inequalities gaps, because even if you are taxing the richer more, if the poorer are becoming poorer than you’re doing nothing to close that income gap

A lot of the research show that more stable economies, which had better education outcomes, like some of the Scandinavian countries, the Czech Republic, had lower levels of poverty because they were more equal overall.

If the European Union is now people's enemy in many respects it is partly because of these drastic cuts in some Member States social security spending.

Jean Lambert

### Green issues are essential for Unions

**RJ:** In those countries that are more equal, social mobility is greater than in the more unequal ones. The Nordic countries have not only happier population; they have also experienced higher GDP growth across the years. High levels of social spending and redistribution are not counterproductive to economic progress.

**JL:** They also have more flexible employment laws which in other countries send chills down people's spines because they know that if they are out of work they will be supported in finding other work. They are not just left to accept whatever work comes along as a condition of receiving social support.

As our Danish colleagues would say, it is a tripartite social contract between state, citizens and strong trade unions. You also feel that it is not just you, as an individual, unsupported in your relationship with the potentially oppressive state, it is also you supported in your working life. These countries have very high levels of trade union membership, in contrast for example with France where the paid up trade union membership is close to 6%. We need trade unions and other organisations to rebalance the relationship of the citizens with the State. In 2008, I was author of a report on the active inclusion of those most excluded from the labour market. The three key things that Council agreed on were adequate income, strong public services and an active labour market. You need all three! And in some Member States there is a diminution of adequate income, a real cutback in public services while the active labour market tends to be more punitive. Even a number of jobs that are on offer by the public service do not meet basic labour standards.

**RJ:** We are seeing an increasing number of people who are forced to work on temporary contracts or part time, because they have no other choice and opportunities of stable, full-time employment are scarcer and scarcer.

**JL:** And that often compromises people's access to social services and welfare benefits. Because the social security systems are not flexible for people who may want to do part-time, casual work ... Many social security systems in Member States cannot cope with that. You lose a lot in terms of your social security status if you take part time or casual work.

**GEJ:** For my last question I want to come back on both the evolutions of the Greens and of the Unions; of the Greens regarding social issues and of the Unions regarding green issues. In the last years it seems to me that big steps have been made in both directions. Am I completely wrong?

**JL:** There is this much greater understanding that the sort of work that is more in tune with the environment is not a threat to employment. We've gotten past that. And the Green New Deal helped us a lot in this. However difficult it may be to find money to invest, there are ways we can do it which deals with issues like fuel poverty, which creates jobs and which is good for the environment. I think also that there is this growing feeling of "you don't come out of a crisis by creating a new crisis", that throwing more and more people into poverty is not a solution. There is also a growing recognition in some places on that and a lot of the discussions on "unfairness"; "it's not



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Romual Jagodziński

fair” can be in some ways a very selfish concept in the sense of “I haven’t got what you got and that’s really unfair”. But at least that debate about fairness begins to shake up some of the wider ideas. I think also that we are going to see a lot more developments in local resilience and in the social economy. “We don’t want to make massive profits, because look what bankers did to us with all those profits. But how do we meet people’s needs in a way that is more socially just?” Those are some of those seeds within it. And I would hope also that we wouldn’t forget our commitments on anti-discrimination, because it is difficult to get a job if you are young and if you are young and with a disability it is almost impossible. We should not forget that there are inequalities even within the inequalities.

If we are to keep any of the EU 2020 strategy, I would like to keep the parts about social inclusion, the bits about a low-carbon economy and the bit about closing the geographical divide, because that is also a generational as well as a geographical issue. And a social class divide.

**RJ:** Green issues are not only important for trade unions, they are essential. It is not a question of finding a new niche. There is a more rational reason behind this: to seek alliances with all the social organisations who fight for a fairer society. It is not only the fact that the Green approach is no longer perceived as a threat to employment. It goes much further: it is seen as a chance to speak about green jobs and the opportunities offered by the entire green sector. As Jean said, exit one crisis by creating a new one is not an option. We are in a historical moment where we need to find a new sustainable model or reinvent the social economy model that would allow us to exclude or significantly diminish the possibility of yet another crisis ■

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*Romual Jagodziński is a researcher from the European Trade Union Institute, working largely on worker participation at EU level.*

# The social consequences of imposed austerity: the case of education



Mislav Zitko

Austerity is being promoted as a means of restoring competitiveness and growth. However, its implementation has disproportionately impacted the education sector, and is being used as a cloak to implement an ideological drive to privatise. What are the long-term implications of such a strategy?

For a short period of time at the beginning of the global economic crisis it appeared that economic policies inspired by Keynesianism were back on the agenda as the governments of the advanced capitalist countries pushed for massive fiscal stimulus packages in an effort to rescue the financial sector and keep the economy afloat. However, just as the financial stability was attained via taxpayer-funded bailouts the economic and social consequences of government interventions became apparent. Since 2010 onward public finances came under severe pressure as the joint effect of declining revenues and growing costs of the bank bailouts set in. As the public finances across Europe started to deteriorate the stimulus packages were gradually replaced by austerity measures and an “old” rhetoric aimed at highlighting the beneficiary effects of fiscal consolidation was revived. In the debates that have followed the emergence of turmoil within the eurozone the supporters of the austerity politics sought to demonstrate that fiscal austerity can have expansionary effects. On the theoretical level, the notion of an expansionary fiscal consolidation was countered by commentators on the Left who argued that austerity has, since its imposition, brought compression of aggregate demand through the cuts in public expenditure and downward pressure on wages. One could argue that the social and economic conditions which are today predominantly present in the European periphery (both inside and outside the eurozone) negate the possibility of an expansionary fiscal consolidation. If one takes into account the structural divergence between European core and periphery that translates into high debt-

to-GDP ratios, imbalances in the current account, race-to-the-bottom in terms of tax and social policy and, finally, fiscal crisis of the state, expansionary fiscal consolidation does not seem to be a viable outcome notwithstanding “the rationality and responsibility” of a political administration. If one is to judge the imposition of the austerity measures in historical terms it would be very difficult to show that the austerity (a weapon of choice for the financial and political elites) has been anything more than a failed social experiment.

In the context of the fiscal crisis of the state which has a tendency to undermine the democratic processes it is interesting to notice that the post-socialist countries missed the opportunity to introduce any kind of radical social program (Keynesian or other) altogether. The reason for this can be found in the nominal reliance on the paradigm of export-led growth which in the pre-crisis period inevitably turned into credit-fuelled consumption-led growth. Consequently, the distinct features of the post-socialist economies, i.e. the current account imbalances and the rising external debt were often used in the public debates to indicate the inability of the government to reinforce the Maastricht rules and uphold a prudent fiscal policy. Accordingly, in the period of illusive prosperity (2000-2008) the emphasis on the EU convergence requirements with the notion of fiscal responsibility as a pillar of economic development has been a focal point of the political process, only to be sustained by even more conservative policy following the global economic slump after 2008. The divergence between the

Although one could argue that the underfunded position of the educational system is the outcome of a political decision in the face of budget constraints, it is hard to miss the ideological push of education towards the market-based self-sustainability.

narrow economic requirements advanced within the neoliberal framework and the need to preserve key social systems can be seen most conspicuously in the case of education and scientific research.

### **An ideological push**

The global economic crisis and the rise of austerity politics have had an adverse impact on systems of education in most post-socialist countries. The process of commodification of education has taken roots in the pre-crisis period, therefore the same basic tendencies in the educational policy can be easily observed throughout the last decade. What is at issue here is the fact that the system of education is an ambivalent realm that can bring empowerment and emancipation, but can also perpetuate class divisions and social inequality. Because of the continuous pressure to comply with the Maastricht rules in most post-socialist countries education system has been underfunded. Hence, there has been a growing tendency to shift the costs of education onto the students and their families. Introduction of tuition fees together with the growing indirect costs (housing, transportation etc.) have contributed to "the hidden injuries of class" (Sennett). Although one could argue that the underfunded position of the educational system is the outcome of a political decision in the face of budget constraints, it is hard to miss the ideological push of education towards the market-based self-sustainability. In that sense, the austerity measures should be viewed as a continuation and reinforcement of the pre-crisis educational policies.



*Major investment in education is under threat from Europe's austerity drive. Above, the new National and University Library in Zagreb, Croatia*

### **Severe cuts in funding of public universities**

If we exclude fire sale of the state-owned assets, austerity measures usually revolve around budget cuts and tax hikes. An analysis of the austerity packages across Europe by the European Trade Union Institute reveals that the "distribution of measures between budget cuts and tax hikes is skewed in favour of former" and that "the largest adjustment will be undertaken by the countries who have sought external assistance" (Watt & Theodoropoulou, 2011). Because the primary and secondary education, as well as the higher public education necessarily depend upon public finances the implication of these measures are grave. Several post-socialist countries have requested financial assistance from

the IMF (Latvia, Hungary, Serbia), while most of them resolved to make major adjustments in financing public institutions and social program. Report on the impact of the global economic crisis on European universities states several damaging aspects of austerity measures in post-socialist countries. First of all, funding of the public universities has been cut substantially: in Latvia the higher education budget was initially cut by 48% and then again by 18% in 2009 and 2010, respectively. Similarly, high budget cuts above 10% were recorded in Estonia, Romania and Lithuania. In the Central and South Eastern Europe budget cuts were also substantial, ranging between 5 -10% in Serbia, Croatia, Macedonia and the Czech Republic. The EUA report also points out that in some countries, like Hungary, the government simply decided to disregard already established plans to increase public investment in higher education. Of course, post-socialist countries were not the only ones who experienced the destructive impact of the economic crisis. The peripheral countries of the eurozone (Greece, Spain, Ireland, Portugal) were hit hard as well, and their system of higher education deteriorated in a similar manner as the attack on the public sector spread across European periphery.

### **Education sector – victim of a post-socialist ideology**

Budget cuts are just one form of damaging development that the public sector in general, and the educational systems in particular, face in time when “the capitalism hits the fan”. Other, equally disturbing processes are related to the pressures to restructure universities by virtue of affirmation the commercial principles. For example, in 2011 protests and faculty occupations were organised at the University of Belgrade against tuition fees. The organisations of the Serbian student movement pointed out that tuition fees are regularly used as money pool out of which wages and benefits of faculty and technical staff is secured as the state refuses to release additional funds following the imperative of balanced budget. In the same year the academic staff of the University of Zagreb together with Higher education union “Academic Solidarity” organised strike against the market-based reform proposed by the Ministry of science and education. The aim of the new legislation was to bring the university and the economy closer together by keeping the current model of tuition fees and, at the same time, giving incentives to faculties and research institutes to become more self-sustaining via market operations and private-public partnerships. The Croatian case is a clear example of the notion that scientific research should be used as a means of economic development and that the optimal level of the instrumentalisation of science can be achieved by exposing the research process to market mechanism i.e. by putting the product of science on

Humanities and social sciences are at the forefront of the neoliberal offensive against the public sector because the knowledge production in those domains cannot offer more than a few “products” to the private sector.

the market. This trend is present across Europe and has several important implications. Humanities and social sciences are at the forefront of the neoliberal offensive against the public sector because the knowledge production in those domains cannot offer more than a few “products” to the private sector. Furthermore, fundamental research in natural and life sciences will face more constraints inasmuch as the private sector is reluctant to invest in long term and therefore risky research projects. With the austerity measures in place the universities and research facilities in the post-socialist part of Europe face extreme difficulties in keeping up with their counterparts in the advanced capitalist economies. As can be seen by analysing the recent development, the imposition of austerity goes hand-in-hand with the introduction of competitive principles in the realm of higher education and scientific research. For many universities in the Central and South-eastern Europe this amounts to difficult task of doing more with less. As the EUA report notes: “Competitive funding schemes can achieve positive effects such as increasing quality and stimulating efficiency when introduced carefully and considering the nature of the complete funding system. On the other hand, when coupled with reduced university funding, they can endanger the universities’ financial sustainability, especially when grants do not cover the full cost of the activity for which the funding is awarded.” (EUA, 2011)

### **Europe 2020 out of reach**

Since the beginning of the crisis there has been little evidence that the implementation of austerity packages can bring economic recovery and sustainable growth. In fact, one could argue that fiscal austerity prolonged the economic stagnation and reduced social welfare in a class biased manner, forcing the most vulnerable part of the population to take disproportional part of the overall social costs of the crisis. Likewise, the connection between science, education, economic growth and social prosperity appears to be more complex than the narratives of the entrepreneurial university and technology transfer would allow us to assume. Under the present conditions of fiscal austerity, jobless recovery and growing social inequality, the goal of an increasing access to higher education as envisioned by the Europe 2020 strategy of the European Commission is effectively out of reach. The recent economic and social history of Europe is anything but smart, sustainable and inclusive. The domination of the neoliberal discourse in various spheres of social life has proven to be particularly adverse for the post-socialist countries.

A shift away from the notion of education as a private investment and science as a leverage for economic growth is imperative.

To counter these negative tendencies post-socialist countries must exit the destructive trajectory initially informed by the so-called Washington consensus and then fortified by the austerity measures in the period of global economic downturn. At the same time, a shift away from the notion of education as a private investment and science as a leverage for economic growth is imperative. The fiscal adjustments imposed on scientific research and education are not the result of the unavoidable economic necessities nor long term concern for social welfare as the macroeconomic data and the sociological analyses clearly demonstrate. Rather, it is an outcome of the political process that imposes its own values and short-term goals on the budget. The prospects of science and education in the European periphery depend upon the imposition of democratic accountability and policy action beyond deceitful promises of welfare via austerity ■

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# Ireland and the EU – a relationship transformed by austerity



Dan Boyle

Ireland will vote on the European Union's 'Stability Treaty' on May 31st, the only EU Member State to have a public vote on the treaty. The campaign will reignite a debate in Ireland about its relationship with the EU. For most of its time as a member of the EU, Ireland has perceived 'Brussels' as a positive player in Irish economic and social development. However, the economic implosion has raised awkward questions, and led to a re-evaluation of this relationship.

Membership of the Eurozone had introduced low interest rate levels which encouraged Irish financial institutions to increase lending substantially without the necessary safeguards. Such low interest lending created an impetus to the Irish economy that could never be sustained.

Within a number of weeks of the Green Party entering the Irish government, the Taoiseach (Prime Minister) and leader of the largest party in government, spoke to the press making a statement where he took on critics of his economics policy. In it he expressed amazement that such critiques didn't "kill themselves" due to their negative opinion of the economy.

In it he told his critics, those who were "*talking down*" the economy, that they should go and commit suicide.

Outside of being extremely insensitive and far from politically correct, his charge revealed a more deep seated anxiety that all was not what it should be with the Irish economy.

The general election that had taken place a few short weeks before had seen a near unanimity amongst Irish political parties that the Irish economy was secure and would continue to be so into the future. Only the Green Party, given our ability to be difficult, raised questions about the economy not being as secure as was being portrayed, that it was being inflated by several factors, and that GDP/GNP growth would diminish in strength in the immediate years.

The Irish electorate believed what most of the political parties had told them that the good times were here and were going to stay. A number of years previously the then Minister for Finance, Charlie McCreevy, later a European Commissioner, had told the Irish people that they should "*party*".

The Irish media was proving equally uncritical. An editorial in the national paper of record *The Irish Times* claimed that Ireland could teach Germany a thing or two about running an economy.

### **Ireland's Fiscal Problems and how they have come about**

The public's attitude was being shaped by government largesse that was given out at each election year. The December 2006 budget, introduced by then Minister for Finance and later Taoiseach Brian Cowen, increased public expenditure by 14% under similar circumstances.

The coffers were overflowing. The State through the government had a vested interest in ensuring that property prices rose to unsustainable levels as new house prices included a substantial pay back to the State in the form of value added tax and stamp duties. An unsustainable tax system helped to underpin this illusion but the context under which it existed had less to do with the Irish government than was being admitted.

Membership of the Eurozone had introduced low interest rate levels which encouraged Irish financial institutions to increase lending substantially without the necessary safeguards. Such low interest lending created an impetus to the Irish economy that could never be sustained. Without the means to control interest rates the Irish economy was expected to mirror the needs and requirements of the larger economies within the monetary system, most particularly that of Germany.

On the eve of the financial crisis in 2008, Ireland was well within the criteria set out in the Maastricht Treaty. There was no budget deficit, State borrowing was less than half of the 60% of GDP allowed and decreasing. Inflation was in around the preferred upper limit but it wasn't anywhere close to reaching double digit levels.



Some useful actions were taken by the government to use these reserves to plan for the future, but the actions were far too few and not strong enough to stave off the eventual reckoning.

A National Pension Reserve Fund was established to create a means to pay future pensions, particularly public sector pensions. At its height over €20 billion would exist in this fund.

Having put in place some correct even virtuous things, the government spent far too much of its unplanned for windfall in many inappropriate ways. From 2000 onwards the government informed by different wings of its membership, embarked on a contradictory programme of annual increases in public expenditure over and above the rate of inflation, matched by marked decreases in total tax take.

### A Juggernaut travelling in two wrong directions

The ideological approach to tax was pushed by then junior partner in government, the Progressive Democrats, and they successfully reduced tax take from all taxes to 26% of GDP far below the European Union average. This was yet another factor that made the Irish economy so unprepared for when the economic storm clouds eventually broke.

The main party in government, Fianna Fáil, also saw it as their *raison d'être* to spend public money. Keeping workers in the public sector happy was politically very important to it. Traditionally public sector workers, while having greater job security, had fallen behind comparable wages in the private sector. To counteract this the Irish government set up a process known as benchmarking. This entirely secretive process put in place new rates of pay for public sector workers without ever stating what private sector pay it was being measured against. In doing this it also established escalators which over a short period of time saw public sector pay pass out and begin to greatly exceed comparable private sector pay.

For many lower paid public sector workers in Ireland there was an additional incentive to increase income. Increases in the standard of living brought about through economic growth, however superficial, also the magnified the cost of living. Ireland became the most expensive country in Europe in which to live. Inflated property values fed inflated wage rates which brought about an inflation in spending that greatly reduced individual disposable income.

### **Richer in wealth – Poorer in spirit**

Add to this the mess that is the Irish banking system and we have a very potent mix. Although the extent to which light touch regulation of the banks has contributed to Ireland's debt crisis, would be to ignore the extent to which banking is an ancillary problem and not the dominant problem when it comes to Irish debt.

### **Punishment or help?**

The package entered into by the Irish government with the European Central Bank, the European Commission and the International Monetary Fund, was an €85 billion package. €17.5 billion of this would be from the Irish State's own resources, the residue of the National Pension Reserve Fund. The €85 billion was to be divided €35 billion to restructure bank debt, sadly largely dead money brought about through private speculation, and €50 billion to allow Ireland to exit the international bond market and secure a funding at a lower rate from this facility.

There is still no realisation among the Irish public that public expenditure is a bigger problem for the country than the banking crisis.

However that banking crisis has not solely been of Ireland's making. The phenomenally low interest rates brought about through membership of the Euro saw Irish banks and financial institutions lend far in excess of their reserves. To meet the difference these banks and institutions began large scale borrowing from their European counterparts. These European institutions have also been guilty of recklessness in their lending practices by providing money that

helped further fuel an economic fire that was already out of control.

Much of the anger that exists in Ireland is aimed at these European financial institutions where responsibility continues not to be acknowledged and sharing of the burden shows no sign of being put in place. Subsequent actions to control Ireland's public expenditure have in part been about protecting the Euro currency and by implication the viability of many European financial institutions.

In government as the package with the ECB/IMF/ European Commission was being negotiated, it was a source of great frustration to us that the approach being taken by the thought of Great Satan of the IMF seemed far more sympathetic to Ireland than that of the ECB/European Commission. The European institutions seemed more intent on a more punitive than collaborative approach.

### **Back to the future ... again**

Ireland as a country had been here before. In the late 1980s Irish national debt exceeded 130% of GNP, a ratio far higher than likely to be reached during this crisis. The then government embarked on an austerity programme affecting health and education spending in particular. Between 1987 and 1992 the country's finances slowly began to return to a more healthy state. Of course other economic tools were still available to the then Irish government. Linkage to the European Exchange Rate Mechanism limited what could be done in terms of devaluation, but control over interest rates and money supply gave

However superficial the economic indicators that underpinned the Celtic Tiger, for the first time Irish people were prepared to believe we could cast off our post-colonial economic baggage and compete in the global economy.

the government some additional leeway in dealing with the then crisis.

One major difference between the Irish debt crisis of the late 1980s and that which is being dealt with now, was the ratio that existed between public and private debt. In the late 1980s private debt, that owed by individuals, was a only a small proportion of the national debt. From the beginning of the 21st century this began to reverse so that now private debt is a multiple of the Irish national debt.

The culture of private debt in Ireland has changed significantly during that period informed partly by the property boom, and the need of many to acquire more property, especially property for speculative purposes. Add to this greater use of credit cards and accessing personal for cars and holidays, and we now have individuals and families in Ireland dealing with levels of personal debt that have never been seen or lived with before.

So far I have tried to explain how Ireland has come to where it has in this crisis. For the rest of this article I will try to explain how quick fix austerity policies cannot work in Ireland, and most probably cannot work in the rest of Europe either.

In the first instance the rapid increase in public sector wages and social welfare payments has created an expectation that cannot be easily taken away, much less understood. Large scale reductions would also affect spending by a significant number of consumers within the economy, spending already undermined by a cost of living that has reached for many

unbearable heights. To bring these payments into line with European wages and rates would require a freeze in rates or increases over several years that are less than the rate of inflation.

Secondly encouraging across the board cuts can be counter-productive. Identifying waste and rolling back areas of over-expenditure is obvious. Stopping expenditure in areas that were meant bring about future positive activity creates unnecessary financial black holes. While in government the Irish Green Party put up a strong defence to protect education spending believing that education was economically as well as socially important.

Greens in Ireland would have concerns that money invested in renewable technologies, which had seem a marked increase during the period the Green Party had been in government, would now become less. This investment was beginning to offset the dangerous dependence that the country has had on fossil fuel imports, which have been 90% of energy requirements being imported.

My third point would be that building confidence is more important than subventions of money to an economy. One of the better effects of the Celtic Tiger economy was creation of a sense of confidence in the Irish economy for the first time since the foundation of the State. However superficial the economic indicators that underpinned the Celtic Tiger, for the first time Irish people were prepared to believe we could cast off our post-colonial economic baggage and compete in the global economy.

An indication of how far Ireland had come in this regard could be seen by progress achieved since the country had entered the then European Economic Community in 1973. At the time of the country's accession Irish GDP per capita was 70% of the EEC average. By 2005 this had improved to the extent that Irish per capita GDP was well above the EU average and second only to Luxembourg.

This confidence has also been an important factor in attracting foreign direct investment into Ireland. It would be wrong to think that this has been largely caused by Ireland's low corporation tax rate. There are other, probably greater reasons, why US based multi-nationals have chosen Ireland as their European base.

Undoubtedly having a base and being able to trade in the European Union is the best reason many of these companies have chosen to locate in Ireland. As an English speaking country with a well-educated workforce, there are other strong factors that have led to Ireland's success in attracting this investment.

The unified 12.5% corporation rate was introduced in Ireland in 2007. The reason for a unified rate was because of an agreement reached by the European Council of Ministers that each EU member country should only have a unified corporation tax rate. Prior to this Ireland had had a 10% corporation tax for exporting companies (which mainly benefitted multi-nationals) and a 25% rate for all other companies.

Amongst the companies that had their corporation tax rates dramatically reduced by this decision, were banks and financial institutions. It was a European Union decision that brought about this decision.

My fourth point would be that the road to recovery for the Irish economy has to be export led. This depends on maintaining and attracting new foreign direct investment, through which most Irish exports are produced. Of course global investment is mobile but in the short term it is vitally important that Ireland maintains incentives in this area.

There is a longer term policy at play here. Multi-national investment creates much secondary economic activity in the Irish economy, they also create an opening for parallel development for indigenous companies to grow in these areas. For these reasons successive Irish governments have been very protective of the country's corporation tax rate policy.

In government the Green Party's contribution to a policy to deliver on this potential was to strongly influence the *Delivering the Smart Economy* document. This argued that targeted economic growth would follow strategic investment in key areas such as renewable technologies, information technology, food production and tourism.

This leads to my fifth point following austerity for austerity's sake become a self-fulfilling prophecy. Citizens need to believe that change has positive consequences. The collective Irish psyche up until

With difficulties with Greece continuing, Ireland has been portrayed as the country that has observed its penance best, as the country that has coped better with austerity measures that can bring about an early and strong recovery. Like many elements of the Celtic Tiger economy this does not tell a true picture.

the Celtic Tiger period has been predisposed to negative thinking. We are sadly seeing signs of this attitude beginning to re-emerge especially with the unwelcome return of emigration that is seeing many thousands of young Irish people leave the country – a veritable brain drain.

Inward thinking has led to feeling of isolation which leads me to my sixth point. Some of Ireland's debt particularly its banking debt is also Europe's responsibility. There has been increasing frustration in Ireland, that while the Greece crisis has been given a European dimension, Ireland has been commended for doing the right things, but there have been few signs that a collegiate response is being taken by the ECB and the European Commission in relation to Ireland.

Acceptance by the Irish government of the ECB/IMF/ European Commission package in November 2010 was also accompanied by an unspoken feeling, at least on the Irish part, that repayment could not be met over the course of the facility without a restructuring of the debt.

The basis of this thinking is that while debt that had been acquired through the mismanagement of Irish public spending would and must remain an Irish responsibility; the banking debt has resulted from European banks who lent recklessly to their Irish counterparts. In repaying this debt the Irish State is ultimately protecting those European Banks and as a result helping to secure the future of the Euro as a currency. The Irish banking debt must be

restructured to reflect this. To do otherwise is to expect the Irish economy to continue to swim in still choppy waters with a ball and chain attached to the ankle.

My final point is that these are problems that can be all solved through time. It took ten years for Ireland to overcome the debt crisis of the 1980s. This was followed by fifteen years of the greatest period of prosperity that the country has experienced. It is unfair to expect a similar level of recovery over half that period of time.

With difficulties with Greece continuing, Ireland has been portrayed as the country that has observed its penance best, as the country that has coped better with austerity measures that can bring about an early and strong recovery. Like many elements of the Celtic Tiger economy this does not tell a true picture.

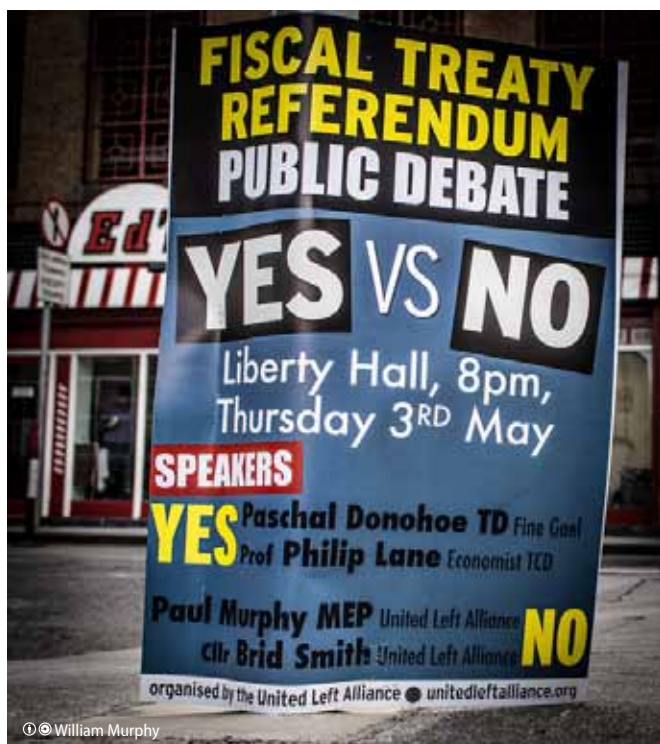
### **Green Lessons in Government?**

The scale of the problems that remain are such that they cannot be dealt with by Ireland on its own. The Irish public is feeling isolated in having to cope with these policies. Far from feeling part of a European solution to these difficulties there is a growing, dangerous, drift from a common European identity – a feeling that Europe through the European Union is leaving the country to deal solely with these problems.

The upcoming referenda on whether Ireland should participate in the Fiscal Compact will encapsulate this debate. The degree of public consultation that is constitutionally necessary in Ireland may make



others in Europe uncomfortable but what is probably truer is that the lack of such consultation in other EU countries has helped to increase the distance between the European Union and its citizens.



*Campaigning is well underway for the referendum on the fiscal treaty*

The result of the Irish referendum will be close, and it cannot and should not be taken for granted. What the vote will reveal is that the relationship of the EU with the Irish public has been considerably damaged and will take a lot of effort to repair.

There is a denial still in accepting responsibility in Ireland. The political system has not and is still not being honest with the Irish people. However within the European Union there seems to be a parallel denial that the economic difficulties of Ireland cannot compromise other economies but more worryingly dealing proactively with the Irish debt crisis, runs secondary to the political calendars of those countries that have identified themselves as more important to the European Union project.

The on-going problems of the Irish economy are more than a little local difficulty of a small country on the periphery of Europe. How this crisis is dealt with will have huge ramifications for the future of the Euro currency, and even for the future of the European Union itself. The approach currently being followed will make that doomsday situation more likely. There is still time and opportunity to take a different approach. The future of Europe may depend on that ■

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# Austerity in Spain – a failed ideology

This article aims to analyse the consequences of the structural reforms and expenditure cuts in Spain. It starts from a theoretical debate of why are these measures taken, continues with the details on the reforms and discussing whether Spain is going to achieve the EU deficit objectives, and finishes proposing a change in the approach at Spanish and EU level.



María Delfina Rossi



Marc Gimenez

The current deep recession period increases in turn the possibilities of default, which in the case of Spain or Italy would be devastating for Europe. Thus, right decisions must be taken, incorporating feedback on the lessons learnt in the recent years about the management of the Euro crisis.

### **Too big to fail**

Over the last months, a lot of political and media attention on the future of the Euro has been put on Spain, the 12th largest global economy, and 5th within the EU. Likewise Italy – the 7th largest global economy and also subject to financial turbulences – the magnitude of the Spanish economy is of systemic importance for the European Monetary Union.

Both Italian and Spanish economies are too big to allow their failure, as such an event would cause an even greater problem than those of Ireland, Greece or Portugal, despite the two last being on the verge of requiring a second rescue package. These rescue packages are conditional on deep structural reforms and budgetary adjustments in the public sector, based on a short-term drastic deficit reduction aim. But as for Italy or Spain, the European fire-wall mechanism is simply not big enough to allow an eventual rescue on such a scale.

The stated aim for these measures is to regain “market confidence” to allow for debt refinancing. The concern seems sensible: higher deficit means higher financing need, and thus an increment in debt levels, with higher expenditure in interest rate payment (especially if the economy is not doing well), generating an even higher deficit. This risks undermining the performance of the public service in the long-term. Nevertheless, the model of social devaluation is not working in these countries and there is no sign of an imminent recovery.

On the contrary, the current austerity regime is creating a contraction of aggregate demand, provoking a contraction of the economy, resulting in depressed government revenues. The current deep recession period increases in turn the possibilities of default, which in the case of Spain or Italy would be devastating for Europe. Thus, right decisions must be taken, incorporating feedback on the lessons learnt in the recent years about the management of the Euro crisis. The question now is how to avoid an economic collapse, and what remains under debate here is how to balance sustainable public finances with the need for economic policies that create growth and recovery, namely Keynesian anti-cyclical policies.

### **Spain in the Eurozone growth model**

As explained by the economist E. Stockhammer, the Eurozone has institutionalised a monetarist model, with passive States seeking price stability exclusively relying on market mechanisms. This is due to the inflation-capping mandate of the ECB, combined with a very limited Member States’ fiscal policy margins due to the Stability and Growth Pact. This entails labour market flexibility and balanced public accounts, whereas a wage policy at the Eurozone level is not recognised. This has logically led to a steady loss of wage-weight in GDP (for the first time ever capital profits are a bigger part of the GDP).<sup>1</sup>

In this framework, before 2008 the growth model was based on a two-pronged strategy: on the one

<sup>1</sup> [http://economia.elpais.com/economia/2012/02/16/actualidad/1329424061\\_546148.html](http://economia.elpais.com/economia/2012/02/16/actualidad/1329424061_546148.html)

hand there was a group of export-led countries (centre and northern Europe), namely net exporters to euro and non-euro countries, which gained further competitiveness through a reduction in real labour costs. On the other hand, a group of debt-led countries (the periphery) that grew by expanding internal demand, through public or private debt helped by the deregulation of the financial system. However, after the financial crisis and the changes in global economy, the export-led countries faced a contraction of global demand and lost one of its main consumers: the US. Moreover, the debt-led countries faced huge financial turbulences, followed by socialisation of private losses of their financial institutions.

The current crisis is therefore a consequence of a clearly unsustainable economic growth model and an extremely deregulated financial sector. And furthermore, the Eurozone has caused high unemployment rates and heavy adjustment policies in the periphery, with high pressure on wages to get a real devaluation, without any other counter-cyclical instruments. Spain is in the periphery group, with a clear debt-led model based on private debt, a property bubble and a weak banking sector. In recent years, public debt has been rising due to the collapse of the private economy. It is worth pointing out that the level of public debt in relation to GDP before the start of the financial crisis was almost optimal and there was even a budget surplus.<sup>2</sup> Thus, the current budgetary imbalances should rather be taken as a consequence of the recession and

not its cause or a structural problem of the Spanish economy, as Nobel Prize winning, Paul Krugman points out.<sup>3</sup>

### **What about the economic growth nowadays?**

Unfortunately, recent advances in European economic governance have not changed the model. The economic package (6-pack), the new agreement for a fiscal pact and proposed 2-pack seek to prevent and punish deviations from the deficit and public debt rules, as if those were the main and only cause of the recession. Indeed, the structure of the Eurozone and certain ideological orthodoxy, combined with financial anxiety, lead to such a conservative approach. This is namely trying to secure the payment of the credit obligations through public expenditure cuts, before fostering economic growth. We call it the Euro Dogma, and it is supported by monetarist economics, which implies a lack of self-confidence on the strength of the real economy by the EU leaders. This perception caused further speculative financial movements against Euro, leading to a vicious cycle.

It might also be noted that the EU regulates the deficit and debt as a ratio to GDP and not in absolute values. This means that a certain total debt figure (in euro) could be meeting the EU targets under certain values of the GDP (namely in case of economic recovery that would boost the GDP), whereas the exact absolute deficit would not be accomplishing it in case of further recession (GDP decreasing).

<sup>2</sup> In 2007 government debt was 36.1% GDP and public surplus was 1.9% GDP (Eurostat).

<sup>3</sup> <http://www.nytimes.com/2012/04/16/opinion/krugman-europes-economic-suicide.html>

The future of the euro is at risk to keep playing the Euro Dogma. The only possibility to break this negative cycle would be firm and devoted action from the Government's side and the EU institutions to return growth to a priority.

But still when focusing on GDP-relative ratios, two main possible strategies appear to reduce the debt weight: the deficit can be reduced through budget cuts or alternatively focus can be put on public investment in economic growth. The second entails an increase in GDP, thus directly lowering the debt ratio. Moreover, the multiplying effect of a recovery also generates more revenue for the State, contributing further to narrowing the absolute deficit. In any case the choice of the term "austerity" itself denotes already a clearly one-sided approach (reducing public deficit through cuts) in front a polyhedral challenge. This is based on the ideological assumption that the market "will adjust" and will provide automatically (and even more efficiently) all what the public sector fails to warrant.



*Spanish premier Mariano Rajoy with European Council President Herman van Rompuy. Spain has been given little relief by the EU, which has insisted that it continue its failing austerity programme.*

In our opinion, the core focus of the EU and Member States economic policies should be growth, which the EU has for many years preached as its core priority, namely with the Europe 2020 Strategy (and the former Lisbon Strategy). Nevertheless the obsession with austerity is, it seems, conflicting with this strategy. We are facing a horizon of contraction across the whole European economy. The future of the euro is at risk to keep playing the Euro Dogma. The only possibility to break this negative cycle would be firm and devoted action from the Government's side and the EU institutions to return growth to a priority.

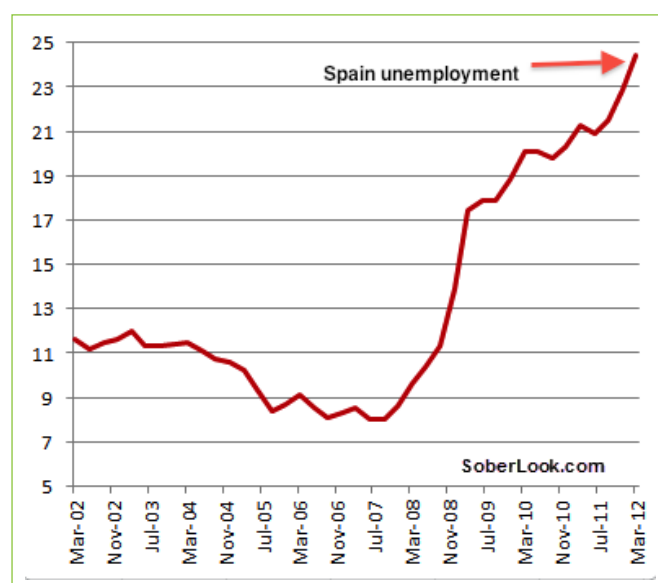
However, Spain is confronted with the only way out allowed by the current Euro Dogma: fiscal discipline, universally understood as expenditure cuts. But the previous austerity measures have deepened the economic crisis where the economic growth was based on the internal market. As the average income is getting lower and lower and unemployment rates are skyrocketing, the average purchasing power of citizens is reduced. Hence, the aggregated demand perspectives are expected to drop heavily, thus strangling internal demand. This is logically having a side effect also in the recovery of export-led economies, such as Germany.

### **The labour reforms as the proof of mistaken measures**

The conservative Popular Party (PP), back in power after the seven year rule of social democrat (PSOE) Prime Minister, Zapatero, has enforced even more severe austerity policies than those already done

by the previous Government. But despite the PP winning an absolute majority, these severe measures are making the new Premier Mariano Rajoy lose popularity – PP recently lost two crucial regional elections, worsened by an absolutely chaotic and opaque communicative strategy. Indeed, the lack of public appearances by Rajoy, neither in front of the media nor the Spanish Congress, is not helping to calm the markets: the risk premium (benchmarking their confidence) has not decreased after the reforms, but rather worsened. The PP has always claimed to focus on increasing Spanish competitiveness, whose poor performance is usually blamed for the country's high labour costs and market rigidity. Consequently, the “necessary” solution was to lower wages and to make firing easy so as to attract national and foreign capital. Again, the Euro Dogma hides the real problem of the lack of credit access for SMEs and the debt-led model.

Already the previous Government introduced in 2010 reforms of the labour market with the aim to simplify the contracting conditions, mainly by favouring flexibility. They introduced temporality mechanisms, especially among youth, with the aim of encouraging the hiring of new employees. However unemployment continued to rise.



The harshest reforms were introduced by the PP, without regard to social dialogue. It extends the programme of deregulation, minimising the compensations for dismissal, giving almost fully discretionary power to employers to decide based on alleged economic difficulties. The arbitration of the public authorities is reduced and the bargaining power of unions is heavily undermined: with the new legislation enterprise-based collective agreements overrule the previously prevailing sectoral agreements between employers and trade unions. Of course this in a context of over five million unemployed people which results in fierce competition for jobs. Fundamentally, it provides a strong incentive for employers to undermine working conditions. With a shortage of job offers, and with many unemployed people in desperate family



However, Spain has enough human capital to undergo a major productive transformation: there are highly educated researchers with almost fully funded public education. Yet the lack of expectations is motivating a phenomenon of brain-drain with a growing emigration of technically qualified youth abroad.

positions, the labour market dynamics are likely to generate a downward pressure on wages. This new reform provoked a new General Strike and massive demonstrations on the previous 29th of March, with larger turnout than the demonstrations against the 2010 reforms. Spain cannot (and should not) compete on the basis of cheap labour costs because this social devaluation only generates an increase in inequality<sup>4</sup> and it closes the way for a consolidated growth strategy in the mid-term.

### **The true challenges of Spanish competitiveness problems**

The structural reforms never aimed to change the economic growth model, though the stagnation is mainly due to the lack of reinvestment in technological sectors and in research and development. There are still fiscal incentives to invest in the real estate sector and in banking, which remains deregulated and there are no incentives to improve the technological capability of the economy. Despite the property sector being the origin of the speculative bubble which increased the level of private debt and ultimately caused the banking crisis, the Government intends to modify planning laws that will foster construction in protected areas.

However, Spain has enough human capital to undergo a major productive transformation: there are highly educated researchers with almost fully funded public education. Yet the lack of expectations is motivating a phenomenon of brain-drain with

a growing emigration of technically qualified youth abroad. This is a major loss for the Spanish economy and a big mortgage towards future development. The only economic answer of the PP Government to this situation has been increasing the tuition fees for higher education by 50%.

Finally, energy is a key element for Spain's future economy. In a vast country like Spain, with lots of sun and wind, there exists a high potential for renewable energy, and a Greenpeace study states that 100% renewable source energy would be possible by 2050 if the proper investments are carried out. In a context where the oil-related energy is the main source in economic inflation (3,2% in Spain in 2011, due to a 15,7% price increase by the energy sector itself), missing this opportunity is rather uneconomical, leaving ecological consideration aside. Conversely, the PP decided to suppress the financial support to renewable energy, excluding from grants many small and medium producers of photo-voltaic and wind generation electricity. The huge lobby of the electricity giants, like Endesa or Iberdrola, produced a favourable outcome for their corporate interests. Moreover, the fees in the energy bill have been notably increased (7% in electricity and 5% for gas).

### **Budget cuts in a recession context**

The EU Economic Governance framework forced Spain into the Excessive Deficit Procedure, meaning that the Commission and the Council are conducting a strong control and follow-up on Spain's economic

<sup>4</sup> The weight of labour incomes over GDP has dropped by around 15%, progressively during the last thirty years and in the end of 2011 the capital gain were already than the aggregated labour gain. The unitary labour cost has dropped by 1,9%. [http://economia.elpais.com/economia/2012/02/16/actualidad/1329424061\\_546148.html](http://economia.elpais.com/economia/2012/02/16/actualidad/1329424061_546148.html)

performance. Spain has been also identified by the Alert Mechanism in 2012 as posing a high risk to the stability of the Eurozone, particularly due to the high unemployment rates. But overall, the main pressure exerted by Commissioner Rehn and Council Members led by Chancellor Merkel is on the public deficit figures. After negotiations, Spain has committed to achieve a 5,3% of GDP deficit for 2012 and 3% for 2013.

But these figures have already been questioned by the IMF 2012 *World Economic Outlook report* and the Roubini Economic Institute, which estimate that Spain is more likely than Italy to default on its debt. Despite the recession and these pessimistic forecasts, the EU and the Spain are maintaining the line that Spain will achieve a 3% deficit by 2013 by sticking to this Euro Dogma. The market does not have faith in these targets anymore, and it seems to accept that these cuts are pushing the deficit targets beyond reach.

Analysing concrete figures, education and health bear the biggest brunt of these cuts, despite being the two main pillars for social cohesion and welfare state. Concretely, the 2012 budget entail a contraction of more than €10 billion, plus the burden directly transferred to citizens, as with the mentioned tuition fees (averaging €600 per student and per year). These measures will create many future economic drawbacks throughout the society (increased social exclusion and risk of poverty, increased sickness, etc.) and they clearly affect those sections of society with lower income, who cannot afford private support.

Conversely, the military budget faces one of the smallest cuts, with only an 8% of reduction, in comparison to an average cut of 17% in all other ministries or the 50% cut in the department of Cooperation and Development, which shows a clear ideological priority in terms of foreign affairs. It is has to be noted that the new Defence Minister used to be one of the key executives in the Spanish weapons industry.

Furthermore, the Science Ministry has disappeared in this new executive and €600 million in scientific research has been cut; the total cut in the R&D amounts to 25,5% compared to 2011 and over 41% if compared to 2009 levels. On the contrary, the economic grant to the Catholic Church (amounting up to €11 billion in the 2012 budget, including some transfers for semi-public religious education) remains untouched. This a clear strategic mistake, especially if the Government wishes to increase Spain's competitiveness.

### **What about raising the public revenues?**

Fiscal consolidation can be achieved through State expenditure and revenue. Unsurprisingly, the decision is to focus only on cuts, with a particular emphasis on the public services. But balanced accounts could be equally achieved by increasing taxes. Of particular importance from a social justice perspective would be the contribution of the wealthiest sections of society. It is important to recall that Spain is at the bottom side on fiscal pressure within Euro Area.<sup>5</sup> It is also one of the countries with

<sup>5</sup> Eurostat figures show that in 2010 Spanish tax revenue over GDP was 32,9% while Euroarea was 40.2%.

The exclusion of trade unions from the dialogue around labour reform suggests a unilateral rupture from the idea of developing a consensus for a joint way out of the crisis. This is actually happening at the whole European level, where the tacit social pact in post-war Europe between capital and labour for social peace in exchange for increased quality of life, guaranteed by a strong welfare state model, is cracking.

the highest tax evasion (with over 60 billion euro of lost revenue, an amount far above the deficit reduction targets). Big corporations and wealthy fortunes have fiscal engineering methods to escape the expected heavy taxation, namely through secondary companies, and based on the core fact that the capital profits attract a lower rate of taxation than income (around 21%, compared to over 40% for high income levels).<sup>6</sup> Thus, the total hidden economy volume is estimated to be over 20% of GDP.<sup>7</sup>

In other words, there would be a margin to increase the revenues raised if decisive action was taken, but this would involve assaulting the privileges of the top financial and corporate sector. Actually, despite having increased the corporate tax revenue by 5 billion euro (basically by lowering existing deductions for companies), the Government introduced a “tax amnesty” that excused the non-payment of 22.5 billion euro in return for the Government receiving 2.5 billion euro.

### **Using the crisis context for political objectives**

The Government is clearly not acting with the same passion in all fields, and the consequences of this are born by the most vulnerable citizens. And actually, the Euro Dogma is also affecting the power correlation between the Central Government and the Regional authorities: the reduction of the deficit is a problem transferred also to the regions, which hold the competences on basic services provision, particularly health and education.

Yet the reforms explained before have also a political background. The PP is starting to introduce medicine co-payment into the public health system and already PP regional Governments have introduced large increases in public transport fares, namely 11% on average and between 25% and 50% for the most popular tickets and packages. They are clearly raising indirect taxes instead of direct taxes, which are not only affecting those with the lowest income; this approach is also a part of the recentralisation strategy of the PP.

This is of course a major attack on the constitutional pact with the regions with strong national identity. Moreover, in Catalonia, the new right-wing Government of Catalan nationalists (CiU) since November 2010 already applied drastic cuts in the public sector, so far much deeper than those envisaged by the PP. In the same spirit of breaching the constitutional consensus, the exclusion of trade unions from the dialogue around labour reform suggests a unilateral rupture from the idea of developing a consensus for a joint way out of the crisis. This is actually happening at the whole European level, where the tacit social pact in post-war Europe between capital and labour for social peace in exchange for increased quality of life, guaranteed by a strong welfare state model, is cracking.

<sup>6</sup> <http://www.publico.es/dinero/396933/vias-de-escape-para-que-los-ricos-no-paguen-impuestos>

<sup>7</sup> <http://www.expansion.com/2010/03/10/economia-politica/1268242850.html>



*Austerity has led to growing social unrest in Spain, as unemployment continues to soar*

### **Growing social opposition and tension climate**

With such an authoritarian approach, added to the growing social discontent caused by unemployment and collapse of the public services, it is only natural that social unrest increases. Already the defeat of the outgoing PSOE Government and the “Indignados” movement born from the May 15th protest showed a clear lack of confidence by the average citizen in traditional politics, with massive protests calling for democratic regeneration. Besides, the budgetary cuts in education have created massive student demonstrations. One of them, last February in Valencia, led to the shaming image of brutal police repression – one of the toughest in the post-Franco era – towards minors, as a response to peaceful secondary-education students protests on the lack of decent infrastructure, resulting in many injuries.

The continuation of reforms and particularly the new labour laws are likely to result in an escalation of social conflict. As mentioned, the trade unions are left with no option but to organise protests, as shown by the General Strike of May 29th, and with future ones expected given the inflexible approach of the Government. The sole response from the Government’s side to this climate has been to prepare a law where, among others, the call for peaceful assembly and demonstration is penalised, which is a clear violation of fundamental rights, or in other words, Gandhi would have been prosecuted nowadays in Spain, and civil disobedience can be treated under terrorist law.

### **How to go out of the Euro Dogma and boost the Spanish Economy?**

To sum up, the situation in Spain, mainly created by the panic of the financial market, is starting to be socially risky. First of all socioeconomically, because of the more than a million households without any employed member, and without the prospects of this changing in the short to medium term, and secondly because of the increasing disappointment with the Government and the frustration, generating social tensions, which can end up turning into desperation and strong street mobilisations as witnessed in Greece.

In our opinion, it does not make sense to stick inflexibly to a certain debt percentage on a certain deadline, the accomplishment of which cannot be guaranteed anyway, at the expense of ruining millions of lives and leaving social cohesion behind. We are convinced that the future socioeconomic and political cost of this for Europe of it will be much

higher than the current debt figures, the fear around whom started mainly due to the financial bubble.

We need rather to focus on the real economies of the peripheral countries, and try to adopt proper anti-cyclical strategies to help them recover. This has to be done both at the State but moreover at the European level, leaving national interests aside, and in the spirit of true European federalism. We are convinced that there are enough funding mechanisms within the current legal framework (Eurobonds, fiscal harmonisation, Financial Transaction Tax, ...) to achieve this objective and it is just a matter of political will. We need strong leadership to proceed, escaping from the easy blame on the stereotypical “Latin culture of laziness”, and understand that we have to redefine the meaning of competitiveness inside the EU. After all, the commercial balance in an internal market is a zero-sum game, where one partner can only win if the other loses. This is why we should not look at the size of each portion but rather increasing the

size of the whole cake. And this can only be done if we manage to solidify the internal economies of the countries, achieving an aggregated internal demand boost. And we will of course not achieve that by strangling the purchasing power of consumers. Either empathising with the overall approach or not, everyone should realise that the contraction of the economy goes against the core logic of capitalist theory, still at the heart of policy making. We can say that Euro Dogma entails at least a fundamental contradiction ■

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# Poland: the dark side of growth



Piotr Ikonowicz

With one of the highest growth rates in the European Union, the Polish economy seems to escape the crisis. But there is another side of the coin. The Polish are working more and more but earning less. This is the result of a practical obligation to systematically work overtime during weekends and the impossibility of taking annual leave. But what is the social impact of this inequality?



Attempts to create a trade union in a private company end in dismissal. The freedom to create free trade unions, for which workers fought in August 1980, does not exist on paper. The trade union membership rate is among the weakest in the European Union.

Work becomes increasingly difficult because companies make savings on employment. They dismiss some employees and force the remaining workers to carry out the tasks that were previously carried out by those who have been dismissed. The exploitation of workers is constantly increasing: for every zloty (roughly 24 euro cents) dedicated to the total payroll, a Polish employer obtains the equivalent of 1 zł 71 groszy (41 euro cents), whilst, by comparison, in France the figure is 1.17, 1.18 in Germany and 1.19 in Italy. This certainly does not result from a technological revolution but from the mere fact that Polish companies have managed to force people to work overtime, to put in ever increasing effort, faced with the threat of dismissal, which often leads to exhaustion.

Despite such hard work, it is becoming increasingly difficult to provide for one's family. The cost of living, in particular the price of housing, energy and food, is increasing much faster than salaries. The average salary announced in the media does not apply to 65% of the working population. The net amount of remuneration paid is 1,474 zł (€352.31). This means that for a family of four people in which only one spouse is working, the income per person falls to 368 zł (€88.08), which is lower than the official minimum subsistence level. Yet such families cannot ask for welfare allowances because for that income must be lower than 351 zł (€84) per person. Most workers are no longer in a position to work more, for longer. However, we, thanks to our efforts, are the ones contributing to the economic growth, whilst we are condemned to vegetate.

### **So why do we tolerate such a situation?**

Over the last 20 years, unemployment has remained at a high level; a two figure rate. The existence of such a mass of unemployed people has turned us into a pool of "human resources" that can be mistreated. We are not asking for salary increase because there are always several unemployed people in line waiting for our jobs. Most people have become slaves, working on the "free market". Attempts to create a trade union in a private company end in dismissal. The freedom to create free trade unions, for which workers fought in August 1980, does not exist on paper. The trade union membership rate is among the weakest in the European Union.

The most widespread feeling among workers is the fear of being fired. This is because unemployment benefits have become fiction. Most unemployed people are not entitled to receive them, and those who do receive them can't even pay their rent. More than two million unemployed people are forced to work illegally if they want to have enough money to buy food. Another million have been compelled to emigrate.

There is no welfare system or effective unemployment insurance, which means that workers are incapable of fighting for better working conditions and pay. Workers are often forced to work for a salary that isn't sufficient to survive on. As a result, the number of workers in poverty is increasing.

### **Working poor**

Official propaganda seeks to convince us that, in order to avoid poverty, we just have to work. However, this is not the case. 17% of families have had to borrow in order to make routine purchases. They spend 50% of their income repaying bank loans because salaries are not sufficient enough to pay for rent, food, clothing, school supplies for children, nursery fees, etc. The government explains to us that these are necessary cost for economic growth, for modernisation, but for our neighbours in the Czech Republic, a country which has a similar history and a national income similar to our own; the working poverty rate is only 3%. Czech restaurants are filled with people who work, whilst our central statistics office, the GUS, triumphantly announced that one Polish family out of two is now able to eat out once a year. Two thirds of Polish men and women have no savings. Therefore as soon as there is a loss of employment, illness or an accident in a family, lives fall into ruin. It is enough to miss your rent payment three times to find yourself on the streets. Low salaries and poverty are also the result of the fact that almost one third of people in employment have what we call “bin contracts”, which in principle gives no rights to workers and therefore no chance of stabilising their living conditions.

### **The myth of the middle class**

Recently, authorities proudly announced that our country was now the sixth largest economy in the European Union. However, according to data issued by the Finance Ministry, tax returns show that out of 25 million tax payers, there are 24 million people who earn less than 3000 zł (€718) net per month. The majority of people with their own businesses do not even earn that. In a country where most people struggle to make ends meet, it is increasingly difficult to sell merchandise and services, particularly when we find ourselves in a situation where we have to compete with large corporations who have been exempt from paying tax by the State. Instead of a developing middle class there is a gap between the majority of the population, steadily becoming poorer, and a handful of privileged and rich people. Furthermore, for most of our children, there is no chance of having a career that leads towards social advancement. The most we can dream for now is finding a job which enables us to earn a living and pay our rent. More and more adults do not dream of having a career, but being able to stand the strain until retirement. Middle class people, in fact, are the ones who have reserves, savings from other sources than the income from their jobs. However, most of us have no savings and most of us who have been able to put something aside only have a few thousand zlotys, more so to pay for our coffins than to deal with the unexpected.



*Poland has seen rapid economic expansion in recent years, but the benefits of this have not reach everyone*

### **Children are suffering the most**

30% of Polish children suffer from poverty and malnutrition. 75% of children live in overcrowded housing, which means that they do not even have a corner where they can learn and do their homework without disturbance. Poland is one of the societies which spend the least on its children in the European Union. Among the 7 million children in Poland, two million are malnourished, much like their parents.

### **We are working for longer and living less**

Deteriorating diet; stress linked to financial difficulty; the lack of holiday; longer working hours; all of the above have stopped the process of increasing the life expectancy of citizens, in particular for the poorest where it is decreasing. On average, residents of the working class neighbourhood Praga in Warsaw live, on average, 16 years less than residents in the rich neighbourhoods of Wilanow and Mokotów.

### **The right to housing**

One of the main causes of the emigration of young people is linked to the inability to be able to earn a living at home. In Poland, it is believed that unsatisfied needs in terms of housing are estimated to be close to 2 million households. Purchasing housing through a developer or a mortgage is impossible because the great majority of the population earns too little. At the same time, maintenance costs are increasing so rapidly that many families are faced with the possibility of being evicted. An illness in the family or the loss of employment leads to, to begin with, late rent payment and ends in eviction. It is becoming difficult to keep housing with only one pension, which happens upon the death of one spouse. Often, some owners buy buildings with their tenants and then throw them out. People lose the flat sold at auction, even for insignificant amounts of debt. Housing is treated as an ordinary commodity. And yet, the right to housing is a basic human right ■

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# Britain's gendered austerity



Natalie Bennett

Austerity in Britain has a face. That face is female. That face is a mother of a dependent child. A mother with a job – although a job she may well lose in the next couple of years through no fault of her own. A very poor paying, part-time job, renting at high cost in the private sector, in a home that's poorly insulated and expensive to heat.

Of course that's not true of every victim of Britain's government cutbacks, but it's a model that represents a very high percentage, a gender bias that may be more extreme than anywhere else in Europe.

As the Fawcett Society, Britain's leading campaign for equality between women and men (declaration of interest, I'm a trustee), has identified,, there are three main ways in which women are being chiefly hit by the cuts:

1. Through the loss of benefits and services.
2. Through the loss of public sector jobs.
3. As state services are withdrawn, women will have to fill in the gap and take up further care and community responsibilities.

### **Benefits and services**

On average a fifth of British women's income comes from benefits. The figure for men is one-tenth. That looks set to get closer to balance, but not because women have more income from other sources, or more time to earn it. Of the £14.9bn (€18.5bn) raised from the government's five spending reviews since 2010, £11.1bn (€13.8) is being taken from the pockets of women. The results of last year's comprehensive spending review were particularly stark. Lone parents lost 18% of their income (92% are female). (And there are nearly 2m such households in Britain, home to 24% of Britain's children.) Lone pensioners lose 11%. In contrast most other household types lost 6-7%

Chief impact comes from changes to working tax credits (which were used by the previous Labour government to make up for low pay, with the

minimum wage insufficient for living in many parts of the country, particularly London and the South East), child benefit and cuts to public sector pension conditions. Additionally, childcare support has been cut back, which is likely to hit single parents particularly hard. (In the UK parents give 33% of net family income to childcare – the comparable figures in France is 11%.)

The tax credit changes are going to hit already vulnerable households – those with one part-time worker, either because that worker is a single parent, or very often because the family lives in an area where little work is available and only one has secured a half-time job. Previously 16 hours of work was required for eligibility, but that's now been lifted to 24 hours. The government appears to have assumed that working hours are a simple matter of worker choice, but as a number of newspaper accounts have recorded since, many workers are simply not able to find the extra hours.

There's been surprisingly little debate about it, but the cuts to child benefit (94% of which is paid to the female parent) are also hugely significant, and not just in financial terms. The current rate is £20.30 per week (€25.20) for the first child and £13.40 per week (€16.64) for others. That level has been frozen until 2014, and its universality ended, with high-earning households losing it. That removes an important principle, hard-fought-for by a handful of women members of parliament after the Second World War, that the state should acknowledge the contribution made by those raising children (and ignores the important fact that household income and assets are not necessarily

The government appears to have assumed that working hours are a simple matter of worker choice, but as a number of newspaper accounts have recorded since, many workers are simply not able to find the extra hours.

equally available to all members of a household). Housing benefit (53% of which is claimed by female single-headed households, with 25% to male-headed and 22% to couples) is being slashed. The costs of it have risen enormously, but that reflects the fact that the proportion of social housing has fallen and the costs of private rentals are rising, particularly in the South East and London, with house prices. And almost 1 million of its recipients are working – another reflection of the fact that companies are failing to pay adequate wages (and the Labour and now Conservative/Liberal Democrat government have failed to do anything about it.)

It seems almost every government action you examine has a strongly negative impact on women, or a relatively beneficial effect for men. The much-trumpeted policy of the Liberal Democrats of a rise at the level at which tax starts to be paid from £7,475 (€9,281) and £8,105 (€10,063) will see, the respected Women's Budget Group has calculated, 57% male beneficiaries, with women overall gaining £514 (€638) million and men £680 (€844) million.

In a different report the same group looked at indirect tax changes, including an end to the fuel duty escalator (which had automatically lifted petrol prices) and the rise in VAT. It found that the net impact of indirect tax changes was to benefit single men and households with male earners most, while benefitting pensioner households the least. Far less regressive arrangements could have been made, the group concludes.

### Public sector jobs

Britain's workforce is strongly gendered by occupation, and by employer type. About 64% of public sector workers are female (the figure is 41% in the private sector). In local government the figure's 75%.

There's good reason for women to have moved towards the public sector when they can. In 2010 the median gender pay differential in the public sector was 9.2%, in the private sector 18.4%. And benefits such as maternity leave, parental and care leave are better.

But this means that, given an estimated 700,000 public sector workers are expected to lose their jobs by 2015 due to government cutbacks, by April 2012 the number of unemployed women had reached 1.14 million, the highest figure since 1987. While there are still more unemployed men, women are catching up fast.

Additionally, even for women who manage to hang on to their jobs, pay and related benefits in the public sector are falling fast. Large numbers of local government workers are now into their third year without a pay rise. Given Britain's high inflation rate, they've seen a cut of around 15% in real terms in the value of their incomes.

Additionally, pension changes, which provoked the biggest strike in a generation, will also have a big impact. This is despite the fact that to take the example of local government pensions, the mean average pension is only £4,200 a year, with the average for women £2,870.



### Increasing care and community responsibilities

On average British women do 4 hours and 15 minutes of unpaid work a day, compared to men's 2 hours and 18 minutes. Prime Minister David Cameron's "Big Society" idea is that the government should step out of any areas of caring and community responsibilities, and "the community" should take up the roles. While men have on average an extra half hour a day of free time than women, there's little evidence that this is where the slack will be taken up. Social expectations and gender roles mean that these chiefly caring responsibilities are likely to fall most heavily on women.

Already, 40% of women in employment rely on relatives for childcare (a majority of them female), and one in four women in their 50s are caring for a disabled or frail elderly relative. The pension age for women is being lifted rapidly – to 65, then 66 by October 2020. (It was 60 only a few years ago.) The question arises – if they do continue working, who's going to do the caring?

Is this "collateral damage" or a broader plan?

There's been little public discussion of this, but a strongly socially conservative, Christian group of MPs makes up a significant proportion of the recent tranche of new Tory MPs. That's been most visible on the issue of abortion, but there are also signs among Tory MPs well beyond this group that they are seeking to move back to a "traditional", male-breadwinner, female carer family model.



*Britain's Chancellor of the Exchequer George Osborne, who has presided over a series of severe budget cuts*

The Universities minister, David Willetts, claimed feminism was the "single biggest factor" to blame for the lack of social mobility in Britain - the income of the "male breadwinner" that counts for him. Work and Pensions Secretary Iain Duncan Smith has been a strong proponent of traditional marriage, on the basis that it is a more stable environment for the raising of children. A paper by his department this year said: "The government is clear that marriage should be supported and encouraged." David Cameron has frequently promised tax breaks for married (heterosexual) couples, although has yet to be able to get it through coalition negotiations (according to newspaper reports).

The existing changes to tax credits will force some women to stop working – they would actually be paying to work. This will have for them lifelong consequences – their skills and earning potential will be reduced, and given the increasing focus on private pensions, it is likely to sentence them to an old age of poverty.

Writing in the *Feminist Review*, Dr Clare Hemmings, of the London School of Economics Gender Institute, concluded that the coalition was basing its whole approach to society on traditional “family values” that assumed a middle-class heterosexual family with the women staying at home.

The existing changes to tax credits will force some women to stop working – they would actually be paying to work. This will have for them lifelong consequences – their skills and earning potential will be reduced, and given the increasing focus on private pensions, it is likely to sentence them to an old age of poverty. But even more significantly, the proposed introduction of universal credit in 2013 (supposed to simplify the benefits system) is going to further discourage many women from working. The Women's Budget Group has calculated that a second earner working 16 hours on £6.08 per hour will lose 82% of her weekly income. Currently under the pre-April 2012 system she lost 53%.

The planned new system strengthens the emphasis on household rather than individual incomes – which is increasingly likely to be the male “head of household”. That could have huge implications – there's evidence that women are regarded as responsible for the needs of children, and are more likely to spend the money available on household essentials rather than personal luxuries.

We have now a generation, or even two generations, of women who've assumed their right to work – and understood that they can't necessarily rely on a male breadwinner for their financial future (and

increasingly know that they can't rely on the state). And we have an household system in Britain that's predicated on two incomes – essential in most cases for the purchase of the home, which successive governments of both stripes have regarded as an aspiration that should be held by all households, and under current wage and rental levels, also to maintain a rented home.

I'm increasingly returning to the words of the radical historian Sheila Rowbotham: “We've learned now that you can go backwards. In the Seventies we assumed once you made a gain it would stay there.”

### **The Green Party response**

The Green Party has spoken out strongly against benefit cuts, and the whole austerity agenda in the UK. It was a strong opponent to the government's recent decision to cut the top tax rate from 50% to 45% for earnings over £150,000 a year – which will certainly more strongly benefit men than women. In the 2010 general election, it presented a fully costed “no-cuts” budget, with the funding made up by cracking down on corporate and rich individual tax evasion and avoidance, raising of tax on large corporations and with a personal tax rate of 50% starting at £100,000. It has been the only party to maintain this position, with the largest opposition party, Labour, saying that it would make the same cuts as the government, just more slowly.

In the recent London mayoral/Assembly elections, a push to promote the London Living Wage through the creation of a Fair Pay Mark for companies would have been particularly helpful to women (one in ten

fulltime workers and two in five parttimers are paid less than the living wage, in both cases a majority of women). The London manifesto also stressed the need for affordable childcare, and for government provision/funding of social services, not relying on voluntary efforts.

More fundamentally, the Green Party of England and Wales supports the idea of a citizens' income, which acknowledges that every member of a society has a right to be supported by it. This could have a transformational impact on the lives of women (and men) ■

*Natalie Bennett is the chair of Green Party Women (of the England and Wales Green Party), and was a London Assembly candidate in the May 2012 election. She was for five years editor of the Guardian Weekly newspaper, and previously worked for The Times and Independent (both in London) and the Bangkok Post. She's also worked as a UN consultant on women's and children's issues in Asia.*

### Further reading

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# Re-defining Capitalism? A Role for Social Enterprise



Anne Bland

As the economic crisis continues, many forces are beginning to question whether capitalism can survive in its current form. In this piece, Finnish Green activist Anne Bland asks whether there is a means of changing how capitalism works, in order to make it more inclusive and supportive of green thinking.

Europe is suffering a massive economic and financial crisis. Debates are taking place all over the continent and doubts are being raised whether the prevailing economic system, capitalism, has finally come to its knees. Some are even talking about a post-capital society, claiming that the free market-ideology simply doesn't work, at least not for the majority of EU citizens.

One thing is clear, though: capitalism has been impotent in responding to the current shocks and crisis. One of the most embarrassing facts today is that every fourth European under 25 is unemployed, and this figure is set to rise. Today's capitalism is failing.

The blame-game is on-going – how did we get into this situation and who should take the responsibility for getting us out of it? From its conception the European Union has had to manage tension between opening up markets to provide free movement of people, capital and goods, and at the same time, trying to balance the effects of this freedom with a "European social project" to tackle exclusion and poverty. This liberal-social EU, was it just a dream that never came true or are there ways in which it would be possible combine these both?

Is the "only for-profit" business model the best way to produce goods and services for people, considering that it is often associated with lack of labour rights, damage to the environment and huge profits for shareholders at the expense of everything else? In the end, the fact remains that *status quo* is not an option anymore; we need things to change and we need to change them fast.

### **Austerity measures causing a shift in social and health policy**

Austerity measures – cutting public budget deficits by increasing taxes and making spending cuts – are taken for granted as a way out of the crisis. However, austerity plans have caused a worrying shift in social and health policy. Social and health care sectors are the biggest spenders of public money and many services are now being outsourced and privatised in hope of creating savings.

Unfortunately this has been a very short-sighted approach. The free market, endorsed by the current procurement and state aid rules of EU, in public service has meant that mainly big national and multi-national companies win public contracts by offering the cheapest contracts. Over time, competition dies out leaving these large companies to put their contract prices up. The EU's big idea of diverse and competitive markets is made redundant.

In Finland big private companies driving to meet their quarterly targets are making 20% profits with tax payers' money in the care sector. Surely, it would be much better to invest this money in increasing the quality of the service, in well-being of the staff and creating added social value in the community instead of making overseas shareholders even wealthier?

Instead of an instant move to marketised services it is first important to decide what it is that is needed from the services; what is the desired outcome of the service. The delivery method should then be decided accordingly. Some services are clearly best to keep under public provision and some might actually benefit from free competition of bigger players,

In Finland big private companies driving to meet their quarterly targets are making 20% profits with tax payers' money in the care sector. Surely, it would be much better to invest this money in increasing the quality of the service, in well-being of the staff and creating added social value in the community instead of making overseas shareholders even wealthier?

whereas some would produce the required wider outcomes through more innovative means of delivery. Public bodies should think how they might use public service contracts to improve the economic, social and environmental well-being of our communities and thus, provide long-term savings through sustainable growth.

Market fundamentalism with its idea of creating freedom of choice, and citizens needs being served simply by supply and demand, is naive. It forgets about the consequences of market failure for communities and the structural issues that affect disadvantaged people (e.g. lack of affordable child care and public transport, racism and sexism etc.). Not everyone can have the freedom so eagerly promised under capitalism. Austerity plans should not be used as an excuse for absolving public responsibility for looking after the most vulnerable.

Much of the blame for the current crisis has been placed on the international finance sector. More widely there has been a reaction against corporate greed and a questioning of whether the interests of international capital are in conflict with those living ordinary lives across Europe.

In addition to the call for better regulated markets there is an increasing interest in different business models that can balance monetary, social and environmental needs.

### **People, planet and profit**

Social enterprise or social business; which for the purpose of this article are used as synonyms; does not anymore operate in a niche market but is becoming more of a global movement. In Europe alone, it is estimated that there are a 11 million people (6% of total employment of EU) working for social economy which, more often than not, uses social enterprise business models to achieve its social goals.

The definition of social enterprise is still being discussed all over the world. However, it is largely agreed that it is a business that operates in the markets to fulfil its social and/or environmental purpose and that it re-invests the majority of its profits into realising its social and/or environmental mission. They characteristically are businesses that are open and transparent in their actions and that often involve their different stakeholder groups in the ownership, governance and decision making structures.

Social enterprise combines the best of two different worlds: it is a mixture of the dynamism, nimbleness and self-sufficiency of the private sector, and of the public and social economy sectors that are more value-based. It is an individually, socially, societally and environmentally sustainable business model that "does good" in the society.

To be able to do good in the society and in the world, social enterprise need to be viable business, but it does so with a conscience. It is still important what figure is on the "bottom line" but it also thrives towards a double, even a triple bottom line approach. The social, and increasingly ecological, success of the



business is measured, and hence, people, planet and profit are equally important.

Social business is a concept, not a legal form. Its legal forms are diverse in different countries (e.g. economic societies and foundations, mutuals and co-operatives, even company forms like Community Interest Company that was specifically created for social enterprise).

The term *social enterprise* may be new but the idea itself is not. It goes back in history to mutual and self-help practises and draws many values from the old co-operative sector. There are different ways or routes of getting into social business:

**1. Trading of NGO's and voluntary sector.** To be sustainable and free from grant-dependency many NGO's have started a value-based business.

**2. Public sector spin-outs or organisations providing public services on contract.** Some countries have externalised their public services and often big multinational companies win contracts. Increasingly, social enterprise models are seen by commissioners and procurement officials as a more ethical option of using tax-payers money.

**3. New value-based businesses.** Especially young people are more interested in ethical business models than in business that exists purely for raising shareholder value.



*Mondragon, a people-centred business and an employee-owned co-operative*

**4. Local economic development.** Communities (urban and rural) start delivering services that either the local authority or a private business no longer wish to deliver (e.g. shops, schools, pubs, post offices). Also devolved and localised energy production sector, e.g. community-owned wind farms and biogas plants, has seen many social enterprises being set-up.

Many people are familiar with Fair Trade and ethical micro-finance services of the Grameen Bank as great examples of social enterprise but there are many more in sectors as diverse as energy, clean technology and recycling; health and care; banking and finance; utility services; and work integration social enterprises (i.e. social firms). Here are some European examples.

Turning Point, the UK's biggest public social care and service provider, is an inspiring story of a small, local alcoholism project growing into a big, ethical business by being innovative and flexible and by putting its customers and staff always first. To compete with the

If Europe is adamant that capitalism is still the way forward capitalism needs to change fundamentally.

big multi-nationals it is using new outcomes-based commissioning methods, co-operation structures like consortium and outside-market activities (e.g. timebank) to co-produce public services.

Mondragon Corporation was established in the 1950's with the express purpose of creating employment for young men in the Basque region of Spain and has evolved into an integrated system encompassing several manufacturing and service businesses, a bank and a university. Over the years it has thrived and has demonstrated a sustainable form of economic development. As a people-centred business (structured as an employee-owned co-operative) it has been resilient in recession and provides employment for over 80,000 people.

Specialisterne is a Danish social enterprise that uses the characteristics of people with autism spectrum disorder as a competitive advantage in the business market providing software testing, quality control and data conversion services. They create meaningful and well-paid employment for a group normally excluded from society. It has successfully expanded outside Denmark to Scotland, Iceland, Austria, Switzerland and the USA and has a vision of taking the model to India too.

Baywind Energy Co-operative is a community-owned windfarm in England that has 1,300 members. It has replicated its model by investing its profits in its Energy4All Ltd company that works with community groups and landowners to develop more renewable energy projects all around the country.

### **Values-led business – capitalism re-born with a conscience?**

Putting it simply, capitalism is based on accumulation of capital. There are two questions we should ask in this time and era. Firstly, what is done with that accumulated profit? Considering the huge impact of the current crisis, is it anymore justifiable to only increase shareholder value or should the profits be re-invested in creating other types of capital?

Secondly, how were those profits accumulated in the first place. Were, for example, ILO agreements respected or did the company use child labour and sweat shops? Or were redundancies necessary for short-term financial gain?

If Europe is adamant that capitalism is still the way forward capitalism needs to change fundamentally. Future, more responsible capitalism – or indeed, capitalism with conscience – that would pull Europe out if its economic, financial and climate crises must include creation of human, social and ecological accumulation of capital. To stimulate social and environmental progress we must go beyond GDP for new measurements. Instead of just plain economic growth, maximum wellbeing for minimal planetary input should be our aim. Values-led social enterprise could be a vehicle in achieving all this – making money and changing the world.

Whether social enterprise can become this transformational force in Europe will largely depend on what kind of enabling policies the EU and the Member States will create for it. It will need advocacy to make different social business models better known and it will require access to right-kind of



*Green New Deal - calling for environmentally sustainable business models*

finance (e.g. social investment and social impact bonds). To enable social enterprise to compete in public service markets it will need a level playing field. For instance, EU procurement rules don't have a selection criteria specifically for social enterprise. If we don't want to squander public money into tax havens anymore, this must be done.

To make this happen political leadership in both the EU and the Member States is required. The Green New Deal of the European Greens is all about changing current policies and practises to create social and environmental value. Will the Greens take the lead? ■

*Anne Bland is an active member of the Finnish Greens, working on Green New Deal and social policy. She is the owner of an expert company on social business and social innovation.*

# Austerity and the old dilemma of French political ecology



Erwan Lecoeur

As with every presidential election, France is addressing national issues and shrugging off those promoted by the Greens. The debate over what would be the right solutions to the crisis and more particularly the debt crisis have faded into the background, even if resistance to austerity policy largely explains the success of the Left Front candidate. The successes of Europe-Écologie (the French Green Party) in 2009 and 2010 now seem so far away. Yet, outside of the political landscape of parties, movements that are proclaiming ideas of degrowth or ecological transition are seducing supporters in increasing numbers.

### During the campaign, debt in the background

The crisis hit France as it did other European countries, even if the scale of national debt (85.8% of GDP) and the national deficit (5.2% in 2011) is a big ticking time bomb for the future parliamentary majority, whatever it may be.

On the eve of the presidential elections, the country seemed to be both dumb struck and stuck in a wait-and-see attitude. After several months spent commenting on every mini European summit (the famous “Merkozy” Franco-German), the media has scaled down the competition to mainly domestic issues (purchasing power, unemployment, education). The candidates’ campaigns only lightly touch upon the measures that will need to be taken to reduce the national deficit. The promised magic (or bitter) potion will only be distributed after the legislative elections.

Whilst we may have expected for this major consultation to focus on the issues of the debt and the deficit, it was focused on “values” and the issue of security that President Sarkozy has shrewdly chosen to promote his re-election, in order to avoid his record taking up too much space. A “shock” strategy that seemed to provide results because the right-wing candidate, heralded as very unpopular, had caught up the socialist party’s candidate in the polls of the first round a few weeks ahead of voting (they were neck and neck between 26% and 28% of votes in the first round), but which did not enable him to win in the second round, his total number of votes still being insufficient, despite his attempts to attract the support of the 6.4m Le Pen voters. On May 6th Hollande won the decisive 2nd round with 51.62%.



*French elections: back to the future?*

### And in the end, it's Marine Le Pen who advanced

All Presidential elections are different. Nevertheless, as the breakthrough of the FN was confirmed (17.9% of the votes), there was a feeling of “back to the future”. A return to the future of 2002, as Jean Marie Le Pen qualified for the 2nd round in that year’s presidential election. The daughter did not repeat this feat, but improves the score of the father (16.8% in 2002) and strengthens the grip of the FN on society by winning an additional 1.4m votes.

The future looks bleak because the performance of the daughter Le Pen raises again the difficult question that has hung around French society for 30 years: is the FN a major force in French politics? A referee capable of becoming the principal source of opposition from the right to a Socialist Government after the possible implosion of Sarkozy’s UMP?



Of all the various issues that the news should have put emphasis upon (nuclear accident, energy crisis, financial crisis, ...)  
Eva Joly had something to say!  
Her alternative budgetary proposals in particular were shored up, both to ensure ecological transformation of the French economy, to invest in social justice and education and to reduce the national deficit by €30 billion.

Other candidates believed that they would appear as alternatives to the Sarkozism thanks to their success in recent years. It was the case of Francois Bayrou, as a "centrist humanist" who thought that he would be able to repeat his success of 2007 (18%) and make it to the 2nd round. His vote collapsed to 9% and was replaced by Marine Le Pen in the role of "3rd man". Other revelation, Jean Luc Melenchon, at the head of the Front de Gauche (including the French Communist Party) managed to surprise commentators and go beyond the 10% barrier. But, the dynamic of his campaign had enabled him to hope push Marine Le Pen into 4th place. His failure to do so was a disappointment.

### **Ecology missed the elections**

For the Greens, the scene ended in a descent into electoral hell. After the unexpected success of Europe-Écologie-The Greens in 2009 European Parliament election (16.2%), and the good score obtained in the regional elections (12.4% in March 2010), some believed that the new party born from the coalition (Europe-Écologie-The Greens, created at the end of 2010) could play a significant role in the next scene. However, the majoritarian system and the extremely personalised approach to the elections were still devastating for the Greens.

After an internal election which led to Eva Joly's candidacy against Nicolas Hulot, considered much more media-friendly, those who hoped see her play a more important role in the campaign were disappointed. Over the course of the campaign,

the former magistrate saw her ratings fall across all surveys, going from 10% (in summer 2011) to 2% in the run up to the first round (22nd April 2012). A fall in public opinion, coupled with a loss in credibility for the greens who have not managed to explain why they had forged an agreement with the Socialist Party beforehand, against the hope of finally having a parliamentary group in the Assembly.

For the new Europe-Écologie-The Greens (EELV, created at the end of 2010 amidst the enthusiasm of Europe-Écologie), the presidential elections is like bitter fruit. Political ecology has disappointed after having been so encouraging. And for its defenders, the fear is that of being judged by the height of the very low score obtained by their candidate, rather than by previous elections. Indeed, the campaign excluded green issues and most of the candidates focussed on the usual topics: purchasing power and employment for the French. However, the issue to which green issues are losing out to when the economic crisis appears seems to be borne out. And yet, in 2009, the 2008 crisis had already hit. Of all the various issues that the news should have put emphasis upon (nuclear accident, energy crisis, financial crisis, ...) Eva Joly had something to say! Her alternative budgetary proposals in particular were shored up, both to ensure ecological transformation of the French economy, to invest in social justice and education and to reduce the national deficit by €30 billion.<sup>1</sup> However, the message did not get across, in this extremely personalised election that has been reduced to a war of egos.

<sup>1</sup> "Budget 2012, un new deal écologique et social, le contre-budget d'Eva Joly", [www.joly2012.fr](http://www.joly2012.fr)



At the beginning of April, the French daily newspaper *Le Monde* assessed the situation by evaluating all the proposals on environmental issues. The conclusion: "In a campaign dominated by economic and social issues, the environment will have been missing from the debates, with the exception of the phasing out of nuclear power, a key debate in autumn 2011, which no longer seems to interest candidates in the slightest." And Nicolas Hulot, now returned to the head of his foundation after a defeat in the EELV, explained his disappointment: "The main political formations attempt to meet, with verve, the daily concerns of French citizens, but they do not consider the new constraint of the 21st century, which is the ecological constraint".

### **Beyond policy: the alternative as movement**

Disappointed by the weak impact of Eva Joly's candidacy, a large number of green sympathisers who don't identify with the other competing candidates are tempted to abstain. A situation seen by many as "wasteful", whilst, on the ground, initiatives are flourishing, around several movements that are clearly close to green ideas, that are gaining in influence and in followers, but aren't really seeking to impact the elections or to make it a priority issue.

Outside of the parties, this search for solid alternatives is growing. Through disappointment, or by choice, more and more activists with ecological sensibilities are turning towards grassroots movements that are oriented towards individual and collective action.

Former activists, or those from collective organisations, refuse the traditional forms of political commitment; they are forming an active and engaged galaxy around a few strong ideas.

### **Against the religion of growth**

The movement for degrowth has been an example of this for some years. It is mobilised partly around a magazine (*La Décroissance*), but also reviews (*Entropia*), and institute (<http://www.decroissance.org>) and more widely within a movement of "objectors to growth" that informally brings together thousands of people who wish to question the "dogma of growth" and to reinvent more sober forms of existence, often local and pragmatic: housing, food, education, transport. For supporters of degrowth, influencing society with ideas – leaving behind the "religion of growth" and a complete review of lifestyles and consumption methods. Several activist anti-publicity movements (*Les déboulonneurs*, *le Réseau Anti-Pub*, or *la Brigade Anti-Pub*) are generally alongside those in favour of degrowth, in their criticism of a "consumerist society", in a way that is both "denouncing" and urban activist.

### **In the Colibris movement, everyone plays a role.**

In the same spirit, with an even bigger dimension, it is the "Colibris" (hummingbird in English) that have gained significant visibility over the last few years. At the source of new popularisation of this tale (the Colibris movement), Pierre Rabhi and his *Mouvement pour la Terre et l'Humanisme* (Movement for Earth and Humanism) have proposed pooling (along with other personalities) the hundreds of people working on various initiatives (degrowth, self-sufficiency,

Through activist forms of involvements, and personal and collective development, we are beginning to see the signs of a movement that is capable of pooling together “good will” for effective, local projects.



*In criticism of “consumerist society”: urban activist movements such as Brigade Anti-Pub*

local exchange systems) into a vast cooperative: le Mouvement des Colibris. Alongside the agronomist Pierre Rabhi, several kindred spirits meet regularly at conferences and meetings: Edgar Morin, Patrick Viveret, Nicolas Hulot, among others. The link between the groups spread across the country is made through social networks (<http://www.colibris-lemouvement.org/>), but also during rallies, vectors for exchanging solid local and regional experiences: eco-villages, alternative schooling and energy and food self-sufficiency. The Colibris seem to want to form a type of counter society, with solid alternatives, completely separate from the political scene and its media supremacy, to which they have responded with an “we are all candidates” campaign (being photographed on posters), as if to show the need for each one of us to re-appropriate policy.

### Prepare the transition

More recently, it is the “Villes en transition” (Cities in transition) movement that has spread in France (<http://villesenttransition.net/>) over the last few years. Started in 2006 by Rob Hopkins in the city of Totnes (Great Britain), the idea spread to a few neighbourhoods and large American and European cities. In France, he has merged initiatives that are currently in progress (degrowth, Colibris) and is attempting to unite groups forming across the country. Although dedicated, above all, to the popularisation of the concepts linked to transition (resilience, dependence, ...) by organising meetings, those who are heralding this new concept hope to see initiatives flourish in some cities and districts: local currency, permaculture, green transport and energy. For these activists, the main objective is to form local groups capable of implementing collective projects that will encourage districts to shake off the dependency on oil; a way of creating the social link based on personal involvement, which is increasingly seducing “dropouts” and those who are pessimistic about the current crisis.

### A “people of ecology” not inclined to have an impact in the elections

The objectives of these groups and movements are quite similar. The facts show that most people involved in these alternatives take part, in one way or another, alternatively. However, behind these few examples, it is mostly an attitude that should be noted. The same attitude that we also refer to as “cultural creatives”, developed by studies on the attitudes of American and European populations. These people, with “post-materialistic” values

will account for approximately 1/3 of the French population (study conducted in 2005: *Les Créatifs culturels en France (Cultural creatives in France)* published by Y. Michel). For this phenomenon of substance potentially able to bring major change, the difficulty lies in the lack of awareness of the potential impact and influence that these people possess. Not being very supportive of voting, they have not become an issue for parties, as such. However, through activist forms of involvements, and personal and collective development, we are beginning to see the signs of a movement that is capable of pooling together “good will” for effective, local projects.

Do these new forms of involvement hark back to the pioneering spirit of the greens back in the 60s and 70s, who wanted to “reinvent life”? Or more prosaically, do we have to look at ways to protect ourselves in the face of current concerns and the political dead-end that the systemic crises have brought into the light of day?

Moreover, for the Greens, it seems that an ambiguous relationship continues to separate the party and its “potential sympathisers”. Whilst those involved in the

elections see their hope turn into a stable electoral force after each tawdry period, other, more effective forms of involvement seem to fuel the paradox that the French Green party had always to confront: how to continue believing that the situation could change through elections, when those who carry these ideas seem to have so much trouble surviving in the political landscape?

And whereas each new crisis reminds us of the urgency of our actions against the effects of the ecological crisis, by changing the policy of governments, the issue that has tormented the French Green party for decades comes back to mind: should we expect a positive through politics, or by creating alternatives? After more than forty years of existence in France, political ecology has undoubtedly not yet completely resolved this dilemma ■

*Erwan Lecoœur is sociologist and consultant and author of Des écologistes en politique published by Lignes de Repère, March 2011.*

# **“Solidarity and Strength”: for an open debate on the cause of the crisis**



Benoît Lechat

In October 2011, the Heinrich Böll Foundation presented the results of a long collaborative project on the future of Europe. This project was an invitation to debate the project that we wish to see implemented for Europe in the 21st century. This reaction calls for a debate to be developed on two levels: firstly, to debate the causes and solutions to bring to the crisis and, secondly, the transitional dialogue to undertake in order to widen the social base of a renewed concept of European solidarity.

In times of crisis, taking the time to reflect can be a matter of urgency. Often, what can seem to be a surreal luxury is in reality an absolute necessity. Opening up perspectives in the distant future enables us to find more creative and more stimulating solutions. This reasoning applies itself well to the work that the Heinrich Böll Foundation began in 2010 on the future of Europe, by mobilising a committee of approximately fifty experts from the academic and political world. The report “Solidarity and Strength” is not a message in a bottle but an invitation to a Europe wide debate and it is in this capacity that it is to be understood and responded to. The strengthening of a public European space is not only something to which the Green European Journal intends to contribute, it is also the explicit expectation expressed by the committee of experts that wrote the report for the Böll. We can no longer be satisfied with talking about the national consequences of European decisions: the time has come to hold debates on the same political subjects simultaneously in different countries and to discuss the issue of the future of Europe directly between the Green national foundations.

### **A “political” and “pragmatic” proposal**

My reaction as a Belgian Green, who is located at the crossroad between several green political sensitivities, is both in terms of the form and the methodology to be implemented to move forward with plans of a new European “narrative”, that is to say a new overall “account”, giving meaning to isolated actions and mobilising collective energy for the 21st century.

The report “Solidarity and Strength” summarises this new narrative in two words, the choice of which has not been left up to chance. Their complementary meanings clearly indicate the entirely political objective of the project: it isn’t a question of building a more or less moral and radical protest with regard to the evolution of Europe and the world, but rather to propose a renewed, normative framework along with specific proposals to implement practically whilst taking into consideration the real institutional and political conditions that exist within the European Union. The expert committee therefore seems to have paraphrased the French philosopher Blaise Pascal according to whom “justice without force is powerless: force without justice is tyrannical”.<sup>1</sup>

The committee intends to apply this maxim both at the intra-European level and the global level, in the sense that solidarity must be effectively applied throughout by a force of cooperation that finds no legitimacy outside of the demand for solidarity. This interdependence also seems to justify the demand for pragmatism, which underlines the report and leads to the proposal of a series of stimulating projects that Böll believes will be able to develop a cooperative dynamic with the European Union. I will not venture into a philosophical exegesis about the tensions between justice and force as Blaise Pascal and the Heinrich Böll Foundation each understand it, at this stage I will merely put forward a certain number of questions and points of view about the diagnosis and proposals made.

<sup>1</sup> Blaise Pascal, “Pensées”.

The excessive indebtedness of many States is not only the result of a failure on governments' part and the incremental nature of the construction of Europe. It is also the direct consequence of neo-liberal policies of deregulation, which for thirty years has fuelled the growth of private and public debt and which have allowed States and people hit by inequalities to maintain a completely unsustainable level of consumption.

### **Disagreement on the causes and responsibilities of the crisis**

My first question relates to identifying the causes of the current crisis in the Euro-zone and then what is needed to resolve it. In substance, the Committee of experts believes that the crisis is mainly the consequence of a lack of real economic governance and consequently a lack of European democracy. This new economic governance and the strengthening of its democratic bases form the necessary but insufficient condition of recovery from the crisis. This condition must also go via a sustainable mechanism to control the debt of States as well as the implementation of Eurobonds for the proportion of public debts below 60% of GDP. This budgetary solidarity and the ecological modernisation<sup>2</sup> of the economies of these countries must enable a radical upturn in growth in the most indebted countries. The social pillar of a Green New Deal, which must "renew the social balance" within the European Union is not neglected. It intends, however, to take current limitations of the legal and institutional framework of the EU into account, regardless of whether this is done by developing minimal social standards or laying the foundations for a European unemployment insurance that will have a stabilising effect in case of a crisis.

This text, which was designed before the dramatic turn of the crisis in the second half of 2011, calls for an even more urgent debate on what approach should be adopted towards national plans with regard to the European treaty's position on budgetary discipline. The positions adopted in this framework will vary depending on national contexts (the possible presence in coalitions, economic situation, and internal power struggles...) and analyses of the causes of the crisis. In this respect it is striking to observe that the Committee of experts is concentrating all of its attention on the causes that result from European failures – whether these failures are institutional or result from the "bad management" of certain governments. It nearly does not mention the responsibility of economic discourse and dominant economic policies in Europe and more widely in industrial countries since the 1970s. However, the excessive indebtedness of many States is not only the result of a failure on governments' part and the incremental nature of the construction of Europe. It is also the direct consequence of neo-liberal policies of deregulation, which for thirty years has fuelled the growth of private and public debt and which have allowed States and people hit by inequalities to maintain a completely unsustainable level of consumption.<sup>3</sup>

2 That is to say an economic policy that aims to strengthen efficiency in the use of resources, by implementing technical tools (renewable energies, energy saving, ...) and market tools (ecotax, ...).

3 See the analyses carried on this plan by LIPIETZ et JACKSON.





*A debate over the future direction of Europe's economy is crucial*

In the countries of the Euro-zone, some have more or less been able to benefit from this deregulation by using their capacity to adapt to economic competition, both intra-European and international. In this prospect, the attitude of the EU towards globalization should be clearly assessed. The opening of markets has probably weakened the nation-states in a way that was not sufficiently balanced by a reinforcement of the strength of the European Union. Once more, we have to consider that the crisis has many causes. Inside the Eurozone it results of a combination of the bad governance on national level, the lack of global European economic governance and the policy of the European Central Bank that has dramatically reinforced the macro-economic imbalances inside the Eurozone. This monetary policy is also the consequence of the historic compromise that

was concluded between France and Germany in the frame of the German reunification and of the creation of a single currency.<sup>4</sup> This should be kept in mind if we want an open debate between Europeans on new economic governance beyond the national schemes.



*The economic crisis is starting to raise doubts about the very future of the EU*

### **Plans for collective mobilisation?**

Rebuilding European solidarity commensurate to the social and environmental challenges of the 21st century involves acknowledging the impact of these historic political choices, at least if the Greens want to be able to give a non-demagogic answer to the irrepressible mounting social resentment. Regardless of the inherent difficulties and impossibilities to the diversity of national social policies, finding an alternative to the largely unfulfilled promise of a "social Europe" will in fact become increasingly urgent. Whilst this "social Europe" was not necessarily

<sup>4</sup> VAN MIDDELAAR L. *De passage naar Europa, Geschiedenis van een begin* (The passage to Europe. History of a Beginning), 2009.

The ecological economy is more efficient and competitive where the social movements driven by the prospect of a better life and for example of another "way of life" are or have been the strongest.

promised as such, it was nevertheless implicit in the entire implementation phase of the Maastricht treaty. Keeping this project as a kind of regulative ideal is indispensable if the construction of Europe wishes to conserve the support that the European trade union movement provided in the past in exchange for the establishing competition between national social systems.

On the other hand we should try to avoid arousing the wrong hope of a return to the post-war time when national States still had macro-economic tools enabling them to protect their welfare states from competition. Ecological modernisation will of course enable the European economy to conserve an important place in the world economy and to ensure that European force and solidarity are possible. However all of the Greens in Europe must remember: the ecological economy is more efficient and competitive where the social movements driven by the prospect of a better life and for example of another "way of life" are or have been the strongest.<sup>5</sup>

### **Rethinking the balance between State, the market and the "commons"**

In addition, the attention that must rightly be given to the issue of the strength of the European Union, whose economy is now only equal to 20% of global GDP, must not encourage us to look for growth at any price, although this temptation is enormous in countries threatened by bankruptcy. Whilst the report

of the Böll Foundation does not intend to forget about the discussion on the content of growth, the issue of absolute decoupling between the increase of GDP and the increase of all kinds of pollution (e.g. greenhouse gas emissions) should not be put aside in the discussion on the future of the European economy. It is not merely a technical debate to be had between engineers and economists about the possibility of technical progress advancing quicker than demographic and economic growth, it is also a political and social debate to be had on the type of social organisation and the balance to find between the market, the State and the "commons" in the European (and global) economy of the 21st century.

This debate, which is currently speeding up,<sup>6</sup> must be had at the European level, between the Greens and all potentially interested parties, and beyond that, with social movements, whether they are traditional (trade unions) or a new form (transition movement, ...). The objective of this debate must be to define what the social model of the first half of the 21st century should look like and who will be the equivalent of what was the Fordist compromise of the *Trente glorieuses* and the liberal-productivism of the last quarter of the 20th century. One of the numerous challenges of this project will be not stopping at the borders of the Euro-zone and also involving all post-socialist states. They could be mostly interested by seeking an alternative approach to the dualistic confrontation between State and market.

<sup>5</sup> DRYZECK J. 2006.

<sup>6</sup> See the success of the conference organised on 9th March in Brussels by GEF, Etopia and Oikos.

There is still urgency to amplifying the debate in order to transform the interdependence between Europeans into positive solidarity experienced by peoples.

### **The symbolic side of solidarity**

My last comment will be about the notion of solidarity. It is anchored in my Belgian experience of the debate on financial transfers between Flanders and Wallonia. The lesson that I take from it is that we must not underestimate or overestimate the importance of the symbolic aspect of these transfers such as since Marcel Mauss the anthropology of the "Gift" has taught us how to understand it. In this instance we must correctly measure the resentments that unreturned donation may generate, as much for those who give without the hope of receiving something in return as for those who receive without any hope of being able to one day return ...

In Belgium, we are now paid to know that we never become aware of the devastating effects of these resentments early enough when they are aggravated by denying recognition of collective identities.

We must therefore double-up creativity in order to develop original ways of reproducing "positive mutual indebtedness"<sup>8</sup> between all Europeans.

The major projects proposed by the Böll Foundation (a European Green New Deal, a European community of renewable energies, an ecological overhaul of the common agricultural policy, a reform of the foreign policy and proximity ...) also offer the possibility. Those projects could give to the current beneficiaries of the solidarity a real prospect of "returning".

They could also free them from the impression of being the victims of a condescending paternalism.

### **Is Europe really a domestic policy issue?**

Solidarity also comes via empathy: in the current situation, the risk of defending Eurobonds in Germany must be acknowledged as much as the call for rigorous budgetary policy in countries where the social consensus is more fragile, because inequalities there are stronger. More than ever, there is still urgency to amplifying the debate in order to transform the interdependence between Europeans into positive solidarity experienced by peoples. For the Greens, it is undoubtedly necessary to think about increasing the possibilities of transnational meetings outside of the usual contexts where people involved at a European level meet. Belgians hardly have lessons to give on the matter. They live at the geographical heart of Europe. More than anywhere in the world, due to its structural importance, the European policy reveals domestic policy. However, huge efforts still need to be made to fall in with more Europeans, starting with our immediate neighbours who live on the other side of our still national borders ■

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8 CAILLE A, "Pour un manifeste du convivialisme", 2011.

# Delivering Hope – is there a green answer to the challenges raised by the rise of the Front National and its fellows in Europe?



Edouard Gaudot

The success of the far-right candidate Marine Le Pen in the first round of the French Presidential election, and the success of similar nationalistic parties in other European countries, has left many wondering how the greens and progressive forces should respond to this perceived threat to European values. Edouard Gaudot suggests that the answer lies in offering hope to those who feel rejected by the political and economic system.

**"Hope! It is the quintessential human delusion, simultaneously the source of your greatest strength, and your greatest weakness."**

The Architect to Neo in *The Matrix reloaded*, directed by the Wachowski brothers, 2003

**"L'espérance pour moi est fasciste"**  
Lucien Rebatet, *Les Décombres*, 1942

### **Something rotten in the kingdom of France**

On 22 April 2012, ten years after the tragic elimination of the socialist contender Lionel Jospin by the far-right candidate Jean-Marie Le Pen, the first round of the presidential election in France gave a clear lead to Jospin's heir, François Hollande (28.6%), just ahead of Nicolas Sarkozy (27.1%). The incumbent President has now to solve an impossible equation if he wants to remain in power: wooing as many far-right voters from "Marine", Jean-Marie Le Pen's daughter, (17.9%), without scaring away François Bayrou's centrist electorate (9.1%). In comparison Hollande's task looks easier, as he received already unambiguous support from Eva Joly's Greens (2.3%) and Jean-Luc Melenchon's radical Left Front (11.1%) and needs only a fraction of Bayrou's voters to finish ahead.

In the wake of a stunning result that surpassed all polls, the extreme-right and eurosceptic candidate Marine Le Pen boasted that she was France's sole and real "opposition leader", carrying on her denunciation of "the system" embodied by the two finalists of the race. She clearly expects Sarkozy's defeat to initiate a reshuffle of the Right, around her strong position, starting with the forthcoming parliamentary elections. As a matter of fact, the speeches and positioning of the current majority, show that the walls between an "evil extreme-right" and the "droite républicaine", are currently falling. Marine Le Pen's strategy of "de-demonisation" has paid off – indeed well helped by Sarkozy's constant radicalisation since 2010 and his infamous Grenoble speech.

Perhaps it is right to explain, as so many scholars and analysts point out, that nothing has changed

in-depth with the FN, that it remains true to its core values and electorate since the beginnings; but one should be fair and credit Marine Le Pen at least with one important success: her father's party was more a reactionary coalition of disgruntled opponents to the system, filled with the survivors of every historical lost battle against the Republic, Dreyfus, de Gaulle, decolonisation (especially Algeria), Europe, "May 68", etc. She moved it from its reactionary stance towards a new future-oriented streamlined force, decided to play the democratic game with a winning, and not simply distorting, aim. Marie-Christine Arnautu, the Front National's vice president even insisted: "This was a professional campaign compared to 2002. In 2002 it was a protest vote. Today this is no longer the case."

But how much of the FN is conviction and how much is protest – I would suggest counting as protesters those who will eventually vote for Hollande on the 2nd round. A subtle combination of strategy (blowing up a demoralised and leaderless Right) and game (challenging the system and its political categories), this share of FN voters seems to me to follow a militant approach much more clearly than those who will eventually settle for the "parliamentary" version of their political priorities. For sure, we'll have also to refine our analysis of the phenomenon, according to the rampant radicalisation of the incumbent president, who has already brilliantly demonstrated his absolute determination to fish in Marine Le Pen's pond. In its strategy, as well as in its platform, electorate and success, this Front National "new look" is a kind of post-fascist, populist and trendy faction, quite similar to what Gianfranco Fini did with the heirs



Strangely, no one amongst observers, commentators and politicians seems to consider that one dominant emotion in the choice to vote for a post-fascist party like the FN could be a positive one: hope. Hope: this powerful resource of political commitment. This driver, this faith that can carry mountains.

of Mussolini in Italy in the 1990's – and as Sarkozy unequivocally decided to fish in Le Pen's pond, here (again) the parallel with Berlusconi is evident.

### What “anger”? Of what “people”?

Surely, like its traditional version, this new extreme-right continues to play on the usual mechanisms of exclusion and differentiation, in order to be heard and seen. The scapegoat may be changing, but the principle does not. Every “foreign element” is considered a parasite or an invader, against which protection is necessary. Jewish yesterday, today generally Muslim: Islamophobia has become the focal point for the extreme-right and gradually for the conservative right parties. No religion here, since Islam is only conceived as a rapidly spreading ideology, naturally destructive of social and cultural balances. And it becomes then possible to fight it off in the name of political liberal values such as freedom, equality and secularism: subtle and clever trick which allows then to cry for another “betrayal of the elites”. For the confluence point where extreme-right as well as all various populist movements do converge, is this same simplistic opposition of a fantasised “people” against real “elites”.

“Compatible avec la République” (*Compatible with the Republic*) as Sarkozy relentlessly claims? Suffice to say that 6.5 millions voters, and a significant share of the youth vote, demonstrate that the Front National has simply become attractive – trendy, in a way. There is a lot of bewilderment in the recognition that so many young people could vote for such a party – but perhaps there is so much insistence on the forceful

enrolment of the youth in the fascist regimes that we tend to forget how much revolt, commitment, and a true sense of idealism are deeply rooted in the mentality of the younger generations.

Suffering, pain, disorientation, loss of references, angers, ... Strangely, no one amongst observers, commentators and politicians seems to consider that one dominant emotion in the choice to voter for a post-fascist party like the FN could be a positive one: hope. Hope: this powerful resource of political commitment. This driver, this faith that can carry mountains.

It could be useful to dwell on the historical beginnings of fascism, at the time when it was only the rough doctrine of a socialist journalist from Milan, disappointed and frustrated by the misgivings and impotence of its national political system, unable to earn the due respect for its contribution to the 1918 final victory. We would remember then the revolutionary inspiration, the strong wind in the sail of radical transformation, the will to go forward, faster, stronger, and finish off with a despised establishment. In the beginning was Hope (at least a kind of), as Italian fascism presented itself as the only political force able to take down the ruling bourgeoisie and its detested social order, without replacing it with by proletarian dictatorship.

The rise of fascistic and/or populist movements on our European political scenes equates to a brutal kick in our post-materialist comfortable house of leaves, where we dwelled so far, in denial of the idealistic dimension of politics. This dream might well seem



more like a nightmare to us, filled with xenophobic and racist sound and fury, repugnant impulses and destructive anger. Indeed. And we certainly would be right. But we're not dealing with rationality here. The FN voters might choose the wrong anger. They probably choose the wrong enemy. But they're definitely not wrong on this point: one is always right to hope.

Which makes the answer really difficult.



*Marine Le Pen's success is part of a broader resurgence by the European populist-right, which the Greens must confront head-on*

### **Is there a green answer to the Front National?**

One could consider that it's not the plight of ecologists and greens. That it's first and foremost the task of social-democrats and other traditional left-parties to woo back lower-middle and modest classes, as well as the youth back into the progressive family. That the ecologist's diagnosis on the

complexity of the reality is far too sophisticated. That their answers to local and global unbalances are far too disconnected from the daily concerns of the voters. What could indeed be the answer to Marine Le Pen's definition of globalisation: "have cheap stuff made by slaves over there to be sold here to unemployed workers?"

Everything looks as if we had to relinquish every possibility to think the world as complex and instead opt, in full awareness, for simplistic approaches more or less generous, as the Melenchon capture of some core ecologist voters demonstrate. There is nevertheless a green answer. It takes the shape of a double question posed to those who placed their hopes into a malevolent form of populism.

### **1. Who is going to make happen the green industrial revolution that we call upon?**

The engineers and civil servants of the ecological transformation will not be enough – and incidentally many were attracted by the Front de Gauche speeches on the ecological planification. But there is one very eloquent example: contrary to what happened in the mining sector in the past, the European steel industry is not dead. Its production processes are increasingly diversified and there is a growing demand for steel-products with a higher and finer level of technology. Windmills, tramways, trains, electric cars, ... there is no green industrial revolution without steel – but some high-quality steel, produced with a high level of social and environmental European standards; produced with a lower energy consumption and a sustainable

It must be possible to build up the green project within a broader alternative imaginary, carrying a form of revolutionary hope alternative to that of this fascistic revival.

ecological footprint; and well incorporated into a competitive national industrial fabric and integrated into a European single market protected by a carbon tax and a form of qualified access to market.

It is the industrial sector's workers and employees, as well as the innovative and creative entrepreneurs who will be the engine of the development of renewables, the conversion of the automotive industry, the urban renovation combined to the fight against fuel poverty, the de-pollution industry and all these new employments, whether qualified or not, that are brought about by the potential re-industrialisation of our European territories.

## **2. Which political force guarantees that health and food quality must not depend on one's means?**

At the heart of the social question lie environmental inequalities: there are those who have the means, whether material or educational, to choose or not, whether to take their car or not, to live here rather than there, eat healthy or not, avoid stress, junk

food, professional diseases, etc. Fighting against social inequalities is indeed as well fighting against environmental inequalities – in housing, in rural and urban environments, in work conditions, etc.

In a nutshell, it might be time to go against extreme-right populism in a different way than the traditional angle of values and morals. It must be possible to build up the green project within a broader alternative imaginary, carrying a form of revolutionary hope alternative to that of this fascistic revival. It is important to use the resentment and its energy provoked by the unwanted consequences of globalisation, not directing them towards a specific population, but channelling it in a positive way. The task is to deliver hope. And to incarnate it ■

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Daniel Cohn-Bendit

# Ecological transformation will not happen in just one country

The Greens must remain faithful to their European commitment by continuing to promote a European alternative to the austerity policy of the “Merkozy” duo. But passing on an unsustainable debt to the future generation is just as ecologically unsound as leaving a planet in ruins. Whatever their differences, the Greens must present their alternative to the neoliberal’s prioritising of market forces and the “statism” of the old left. This alternative must begin with a recovery package funded by a tax on financial transactions. Interview conducted with Daniel Cohn-Bendit, president of the Greens/EFA group in the European Parliament, 25th April 2012.

A society in which more is better without mastery of growth is a monstrosity for humanity. The European Greens must therefore discuss the issue of the debt amongst themselves.

**GEJ:** It is the day after the first round of the French presidential elections. Does the campaign of Europe-Écologie-Les Verts (the French Greens) show the difficulty of defending a common European point of view, particularly on budgetary issues?

**DCB:** During the French campaign, the Greens have really taken a blow because the party tried to fit into a left and extreme left-wing context by forgetting to affirm their distinctive characteristic like their pro-European posture as an answer to the crisis. Their opposition to the ESM (European Stability Mechanism)<sup>1</sup> has perfectly illustrated this. There was a real difficulty “talking about this discussion”. Europe is out of breath. Everyone is talking about austerity and not seeing that things are heading in the opposite direction in the European institutions. However, the ESM is a solidarity mechanism that offers opportunities to move away from austerity policies but the French political climate is such that a rational debate was not possible.

### Green cleavages

**GEJ:** How do you explain that?

**DCB:** Today, public opinion is mostly Eurosceptic. However, this is for a variety of reasons. The German public doesn't see why they should pay for Greece when it is incapable of operating a state normally. Public opinion in Greece, Spain and France is that the worsening of the crisis is the result of budgetary stability policy and the austerity policy that follows

from this. They see Europe as a source of their problems, rather than the solution. As a result, the European Greens are finding it difficult to promote a nuanced position which is that we need both a budgetary stability policy and sustainable economic growth. The old theory of the left according to which growth and inflation will eliminate deficits no longer holds water. As Greens, we must as much refuse to leave future generations with a debt that will hinder their future policies as leave them a destroyed planet. A society in which more is better without mastery of growth is a monstrosity for humanity. The European Greens must therefore discuss the issue of the debt amongst themselves. However there are also countries like Germany, the Netherlands, and Finland and so on who want to impose their prescription of balanced budgets as an exit from the crisis. This policy being imposed on Greece and Spain is crippling their economies. For me, what we should debate today is how we can implement a policy to balance the budgets by reducing spending along with a policy of recovery and support for the economy.

### Keynes in Brussels

**GEJ:** More particularly, what should be the basis of this policy?

**DCB:** Given the current level of public debts in Member States, the only solution is via European recovery and growth. My theory is Keynes in Brussels! I believe it necessary to simultaneously

<sup>1</sup> On February 21, the Green Members of the French Parliament voted against the European Stability Mechanism (MES). This vote was criticized in a column signed by Jean-Paul Besset, Daniel Cohn-Bendit, Alain Lipietz, Yann Moulier-Boutang and Shahin Vallée. See [www.lipietz.net](http://www.lipietz.net)

create a European debt fund and initiate a European investment plan. The common debt fund would place all debt over 60% in a shared fund, which the States would have to repay over a period of 25 to 30 years. This would allow us to fund this debt at a rate of 2.5%, which would take the pressure off Italy, Spain and other countries.

Isn't this the logic of low interest rates for the debt that is implemented in the USA and in Japan? The investment plan would be funded by the European Union's own income. A tax on financial transactions would allow for €40 billion to be recovered, even without the participation of the United Kingdom. By adding a tax of 0.1% on phone roaming in Europe and a 1% hike in VAT, it would be possible to raise €50 billion. Half could be used to reduce the contribution of States to the European budget. The remaining €25 billion would enable us to raise a total of €250 billion via the European Investment bank which would be dedicated to a multi-year plan of growth and ecological transformation that has become vital for our continent.



*The European Central Bank has recently come out in favour of a "growth strategy", though what such a strategy would contain remains to be debated*

**GEJ:** Would such a plan ever see the light of day with all the differences in opinion with regard to the causes of the crisis?

**DCB:** The unilateral diagnosis according to which the reduction of the deficit is enough is now losing

The Eurozone is an economic force that must be equipped with a political framework that is no longer dominated by national conceptions. Good economic governance is not the sum of what good governance is in all of the Member States.

ground. Today, 25th April, Mario Draghi, the chairman of the European Central Bank, said that he was in favour of a growth plan for Europe. It is obvious that with the French election, a mere phase of rebalancing the budget without economic growth cannot work. However, you are right, there are different political traditions when it comes to the need for budgetary stability.

### **A new regulation model?**

**GEJ:** Has the time not come to invent a new economic regulation model which is neither the Fordist compromise of the “Trente glorieuses”, nor the “liberal productivism” that continues to dominate European policy?

**DCB:** Yes, we must invent a new model because we are nearing the end of a historical process that was parallel to the end of the communist regime and the acceleration of the unification of the European dynamic. The Eurozone is an economic force that must be equipped with a political framework that is no longer dominated by national conceptions. Good economic governance is not the sum of what good governance is in all of the Member States. The latest treaty recommends that the 17 national good governances in the Eurozone apply the same criteria, this is not enough. Good economic governance is not only budgetary stability. We must also shore up the European economy with a European fiscal policy (and particularly converge corporation tax) and a growth policy. For this we need political governance. That is what the Parliament and the Commission as well as national governments are now discovering.

**GEJ:** What do the Greens have to say about this new governance model?

**DCB:** We have to turn our back on two beliefs: the first is the neoliberal belief that the invisible hand is the supreme intelligence of the economy, from which all prosperity will come. The second is this state partisan ideology of the 60s and 70s; this belief that the solution can be found by strengthening the state, therefore a policy of nationalisation. The Greens must say that we have to invent economic regulations that support the markets, orientates them but allows them their dynamics and creativity.

### **Europe is absent from the French campaign**

**GEJ:** Is this enough to respond to the rising social anger in a certain number of European countries? Hasn't the situation changed radically between 2009 and 2012?

**DCB:** Today, Europe has become an adversary because of a wrong diagnosis. Nobody dares to say, against the public opinion, that one can only respond to the social crisis through a reinforcement of European policies. What is dramatic is that in order to get out of the “polycrisis”, as Edgar Morin calls it, we cannot rely on the national level. The nations are not anymore capable of safeguarding stability and security. Their survival and the future of the European people can only be safeguarded by a reformed European Union in the sense of a substantial integration. This is our challenge!



**GEJ:** But everyone agrees with that!

**DCB:** That's not true. Melenchon does not say that. He says the opposite. The extreme right, too. Furthermore, in this French presidential campaign, no one is really taking on this issue, as illustrated by the French left's vote on the EMS.

**GEJ:** Wasn't the problem with the French campaign that this argument was almost inaudible?

**DCB:** We should have led a much more European campaign, saying that the three-fold economic, ecological and social crisis could only be resolved at the level of Europe. However, the entire campaign was oriented against Sarkozy. Francois Bayrou, Eva Joly and myself made the mistake of not attempting to say that there was another way out of the crisis. Today, it is clear that the ecological transformation that the French Greens (EELV) are talking about will not happen in just one country. It is unbelievable bullshit, as unbelievable as economic planning in a single country.



*Daniel Cohn-Bendit speaking recently in the European Parliament*

**GEJ:** Around me in Belgium, I know many people who would have voted yes for the European Constitutional Treaty in 2006, but who would have voted for Melenchon on the first round of the French presidential elections.

**DCB:** Melenchon was able to embody this radicality, the impression that we must "knock over the table". He accused me of stabbing him in the back but he refused to answer me on the details. When he explains in his book that France's natural ally is not the USA but China because they have the same State design, that is what we should be debating. He says "I want to change the tide from Sarkozy

The Pirates are asking the European Greens the question of their internal democracy.

power and capitalism and my guide is China, Chavez and Cuba". His success can be explained by the lyricism of his references (Victor Hugo and Paul Eluard ...) and the nostalgia in France for the 70s, as shown in the success of the film about Claude François. Also, Melenchon did not get 14% of the vote but 11%. That simply means that he managed to gather the votes from the parties to the left of the Socialist party (Laguiller, Besancenot and the Communist Party). He was clever enough to gather those based on his personality. Moreover, however, if he had won 14% and Eva Joly 7%, Hollande would have won 21%; not that much difference from Marine Le Pen. In reality, a large proportion of voters wanted to beat Sarkozy and for that Hollande had to come in first. It wasn't a concerted effort.

### **Melenchon, the Pirates and participation**

**GEJ:** Is there a parallel to be made between Melenchon's good result and the rise of the Pirates in Germany?

**DCB:** These are two completely different ways to say that "we need to 'knock over the table'". The Pirates are ultra-individualistic libertarians. They are against the State and for online democracy, via the internet and the extension of the scope of the individual, the opposite of Melenchon. It isn't their desire to change the system that bothers me, it's their solutions.

**GEJ:** Mustn't the Greens insist on their desire to reform the political system?

**DCB:** The Pirates are asking the European Greens the question of their internal democracy Last Sunday; I was with my wife in the onboard restaurant of a train taking us from Berlin. We were talking about a poll according to which 30% of Germans could vote for the Pirates. I asked my wife if she saw herself voting for the Pirates. A man seated next to us answered "yes, I back the Pirates". He told us that he had taken part in an online debate about the privatisation of religion. None of his proposals had been taken up. But the fact that he was able to take part was enough for him. The Pirates don't ask the real question of whether we are capable of modernising our parties to strengthen participation whilst maintaining efficiency in decision making ■

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The Green European Journal is a production of the Green European Foundation. The Green European Foundation is a European-level political foundation whose mission is to contribute to a lively European sphere of debate and to foster greater involvement by citizens in European politics. GEF strives to mainstream discussions on European policies and politics both within and beyond the Green political family. The foundation acts as a laboratory for new ideas, offers cross-border political education and a platform for cooperation and exchange at the European level.

Published in English by the Green European Foundation, May 2012

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Project coordination: Benoit Lechat (Editor-in-Chief ) and Andrew Murphy (Editorial Assistant)

Production: Micheline Gutman  
Design by DoGood advertising

Cover picture: © 2007 Patrick Dell – “Green Squares”

The views expressed in this publication are those of the authors alone. They do not necessarily reflect the views of the Green European Foundation.



This publication has been realised with the financial support of the European Parliament.  
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This publication can be downloaded at [www.greeneuropeanjournal.eu](http://www.greeneuropeanjournal.eu)

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