

# Reimagining ‘Social Europe’ from the ground up

Another Europe is within reach – but only if member states are given space to unleash our collective imagination.

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Image: Karl-Josef Hildenbrand/DPA/PA Images

The recent EU election was not the Armageddon some believers in a more ‘Social’ Europe had feared. Complacency, however, would be unwise. A survey of active members of the European Trade Union Confederation (ETUC) across the continent found that **one third voted for far-right parties**. This is, to paraphrase the **ETUC secretary general**, what a broken social contract looks like.

For those who believe, it remains urgent to come up with a compelling vision for ‘Another Europe’ – before it is too late.

## **Social Europe today: between Compensation and Exit**

The most frequent responses from across the European left to challenges of European integration have tended to come in two distinct flavours: Compensation or Exit.

On the one hand, the European social democratic left has sought to compensate for supranational liberalisation with supranational redistribution. This is proposed either in the form of a Transfer

Union, or in the form of transnational social security (for example an EU-wide unemployment benefit payment).

On the other hand, a Euro-sceptic left, most influential in the UK but increasingly audible in other parts of the continent, has argued that the only adequate means of countering the neoliberal version of the EU is to leave it altogether – or at least to exit from aspects of it.

Both these positions, for all their good intentions, arise from false oppositions. The social democratic attempt to counter borderless capitalism with borderless social security is noble, but does not really address the problem. Such measures can only partially shelter the citizens of Europe from the turbulence and inequities brought about by current EU arrangements.

The call for Exit equally arises from a false opposition: ‘more Europe’ vs ‘less Europe’. It assumes that transnational structures inevitably undermine local initiative. Like those who call for Compensation, it does not occur to those who call for Exit that the institutions of the single market itself could take another form.

## **The confined vanguard and its discontents**

A recurrent theme in these debates, often revisited by the advocates of both Compensation and Exit, is the EU’s great economic divide. The North is prosperous, the South is struggling and oppressed: so runs a common narrative.

But this approach may obscure as much as it reveals. The key dividing line is, in reality, less between the Northern and Southern countries than between a relatively small number of advanced regions, and the majority in stagnation. Out of the 272 sub-national regions in the EU, 208 recorded an intensity of research and development activity **below the EU-wide average of 2.04%**. The most dramatic blow thus far to the project of EU integration – the ‘Brexit’ vote – was dealt not from a ‘poor’ southern country but from the ‘rich’ UK; with the significant support of voters in depressed post-industrial regions.

Even within ‘prosperous’ regions, a dividing can be observed between advanced fringes of the economy and the rest, characterised by stagnation and poor working conditions. The increase of precarious work is evident not only in the peripheral regions, but also in the core.

This dynamic in Europe today reflects a wider pattern, associated with the emergence of the advanced contemporary form of production variously labelled the ‘knowledge economy’, the ‘experimental economy’ or the ‘innovation’ economy. While Fordist mass production relied on the ability of workers to behave like machines, the knowledge economy depends on their ability to do what the machine cannot. The process of production becomes more experimental, and the boundary between conception and execution is blurred. Production comes, in short, to approximate the workings of the human imagination. A knowledge economy in which many can take part holds the promise of advancing human freedom and self-realisation, through much broader access to creative and fulfilling work.

However, this is not the form which the knowledge economy takes today. As Roberto Unger has **recently discussed**, despite its production methods appearing in a wide range of sectors, it remains in each sector a ‘confined vanguard’, excluding the vast majority of the workforce. It is controlled by corporate and technological elites, and is concentrated in a small number of firms and places, which benefit disproportionately.

This situation helps to drive stagnation, as the widening gap between the frontier and the rest disincentivises investment for the vast majority of firms. It also drives increasing inequality; an increasing proportion of wealth is being generated by a diminishing proportion of the workforce.

Political responses to the problem of the ‘confined vanguard’ mirror, in some ways, left-wing responses to the challenges of European integration; they call for either Exit or Compensation.

Right-wing populists propose a return to an earlier phase of economic life: a revival of factory jobs in increasingly closed economies. On the Left, politicians propose stronger regulation or redistribution. The most imaginative ideas look to new technologies to increase productivity, while new forms of welfare, such as universal basic income, redistribute the proceeds. But how effective can such after-the-fact measures be in correcting inequalities that are rooted in the structure of production?

## Towards an alternative

So beyond Exit or Compensation – what’s the alternative? The other path is **democratisation** and **institutional transformation from the ground up**.

In relation to the challenges of the ‘confined vanguard’, this ground up transformation means *democratising* the knowledge economy, so that society as a whole is able to participate in it and shape it in the first place, even *before* any redistribution happens.

In relation to the challenges of EU integration, it means reforming restrictive fiscal policy frameworks so that member states and regions have the policy space they need to pursue local development strategies and institutional innovation. Measures such as the Fiscal Compact, and other treaty agreements on which they build, lock member states into a limiting, one-size-fits all neoliberal model. Rather than convergence, the goal should be the cultivation of diverse and distinctive local models of development.

Encouragingly, elements of this kind of thinking are increasingly apparent in current attempts to reimagine Europe from the left. Joseph Stiglitz, in a recent **report** for the think tank FEPS (affiliated to the Socialists and Democrats Group in the European Parliament), has called for a shift away from the current restrictive fiscal framework, encouraging public and private investment, promoting worker ownership and reforming intellectual property rights. The Independent Commission for Sustainable Equality, in their **report** to the S&D Group, propose among other things increased social and environmental requirements on companies, public representatives on bank boards, and public policy goals beyond GDP. David Adler of the transnational “Democracy in Europe Movement 2025” (DiEM25) has called for an **‘embedded internationalism’**, while its **‘European Spring’ manifesto** proposals include citizen participation in setting EU innovation funding priorities, and the collective ownership of the products of these investments.

This kind of thinking needs to be taken further, and allied with a focus on the *local* experimentation that will be needed to address regional divides. It is crucial for the EU to give member states and their regions the space to experiment with their institutions and policies. This does not exclude the development of transnational political and economic institutions. These too may bring great benefits. But creating space for local divergence is a necessary prerequisite for successful transnational initiatives.

Calls for policy space are one thing. Making successful use of that space is another. Experimentation cannot afford to only tinker around the edges of the current order. Programs to teach toddlers how to code will not be enough. The “gadgets” of the innovation economy should not be confused with its deeper features, namely its emphasis on creativity, trust, discretion, and co-operation between workers.

Spreading these deeper features throughout the economy will require substantial measures; the transformation of the very institutions underpinning economic life. EU states and regions need to be empowered to pursue three major projects: democratising the economy; establishing a ‘social inheritance’; and building a high-energy democracy. Contrary to current tendencies in EU policymaking, none of these will be achieved through following “best practice” – no template or “best practice guide” exists. But it is possible to suggest some pathways for exploration. (These are discussed in more detail in ***Imagination unleashed: Democratising the knowledge economy***, a report produced by one of the authors in collaboration with Roberto Unger and others).

## Democratising the economy

To democratise the economy, more people must be given the opportunity to apply their powers of imagination and creativity in economic life. Stakes in the economy must be much more widely distributed. Firstly, this requires a change in industrial and innovation policies. In many parts of the world, support programs are skewed to the interests of the better-off. Public and semi-public agencies need to be established, or strengthened, to massively increase access not just to capital, but also advanced technologies and working practices. These agencies can also act as orchestrators of innovation, bringing together different stakeholders to drive the development local specializations.

The Finnish innovation agency **TeKes** is a good example. The dense networks of cooperative competition developed in Northern Italian regions such as Emilia Romagna are another important example for local innovation strategies. Simplification of competition law will also be important here; even if EU State aid rules do not, strictly speaking, prevent effective industrial policy, their complexity certainly constitutes a barrier for smaller and less well-resourced member states.

Crucially, these innovation strategies cannot focus only on ‘high-value’ sectors such as high-tech manufacturing. While more jobs in such sectors are certainly desirable, the proportion of the population directly employed will rarely be large enough to sufficiently raise prosperity across the board. More serious attention needs to be paid to the **foundational economy** – the low-value ‘everyday’ sectors in which the majority are employed. Sectors such as care work, ever more crucial to our wellbeing in ageing European societies, are rife with low pay and poor working conditions. Investment in technological, social and organisational innovation, to raise job quality, wages and the ‘value’, in the broad sense of the word, of these sectors, **must be a priority** for national and regional innovation policy.

If stakes in the economy are truly going to be more widely held, then we also have to rethink models of ownership. The dominant form of ownership – the unified property right – bundles together the right to use, the right to sell, and control of the revenue stream, and vests them in a single “owner”. This seems natural to us – although this property right in its present form did not come into being until the 19th century. It has the advantage of allowing entrepreneurs to take risks. But it does little justice to the interdependencies and interactions that actually shape our lives.

We must begin to "unbundle" this unified property right. For example, a company's ownership rights could be made more dependent on fulfilling obligations to nature and to local communities. Control over investment decisions and over decisions about the use of resources could be broken up by giving workers a greater say in shaping the production process. The emerging success and steady spread of the **'Preston Model'** in the UK, described by Martin O'Neill and Joe Guinan as part of an **'Institutional Turn'** in the economic approach of the British Labour party, underlines the potential of public sector procurement as a tool to promote alternative forms of ownership. In all cases, we should not be dogmatic – we need an experimental coexistence of different approaches to investment and ownership, to see which work best.

## **A social inheritance**

None of these economic measures will succeed if people do not have the capabilities and security they need to take advantage of them. A necessary prerequisite for successful economic democratization is the creation of a "social inheritance": a set of resources and skills that every individual should receive from society. Although the emergence of the **European Social Pillar** represents a step in the right direction, the EU has not generally facilitated substantive increases in levels of social investment, which have remained **persistently low across member states.**

A crucial component of an adequate social inheritance would be an education system that focuses on cooperation, critical thinking and creativity. Learners need the opportunity to develop those skills that are at the heart of the knowledge society. Equally important are new forms of social security. These must be universal and "portable", rather than linked to a particular job. They might take the form of a basic income, payments to citizens at certain turning points in life, stipends for lifelong learning, or even equity in innovative companies.

Crucially, such new forms of social security should exist not just to partially shelter citizens from the vicissitudes of change, but rather to provide a haven of security from which they are empowered to participate in it and shape it.

## **High-energy democracy**

Finally, if the EU member states and regions really want to take the innovation economy into their own hands, they must ultimately bring the habits of creativity and experimentation into the functioning of democracy itself. Throughout Europe, citizens are kept at a low level of participation, making it difficult or impossible to compete with the current order, or populist forces that promise facile alternatives.

Two types of changes are needed. Firstly, we need to transform legislative processes and institutions. Contrary to common assumptions, we do not have to choose between a political order that is either 'hot' but authoritarian, or institutional but lifeless. We can fashion a 'hot institutionalism' by enriching engagement in representative democracy with elements of participative democracy. Experiments in **Barcelona**, **Madrid** and **Taiwan** highlight the potential of new processes by blending online and offline processes to increase participation in democratic deliberation.

Secondly, and equally importantly, we need to create the conditions in all European regions for a strong, independent civil society capable of advocating for the interests of those at the margins of society. This is partly a question of access to finance and other resources, including support for social innovations that, at their most radical, offer better ways of meeting social needs. Civil

society – especially trade unions – must be able to experiment with new technologies and organising methods so that it is not left on the sidelines in struggles over the changing economy.

## **Conclusion: imagination unleashed**

The innovation economy is, at best, a form of production that brings our economic life closer to the workings of the human imagination. But as long as the overwhelming majority of people are excluded from work that would allow full expression of their imagination, their dignity and potential are denied.

So long as the EU hinders its member states and regions from contesting this situation – by submitting them to a regime of convergence which stifles local possibilities – it will be perceived as part of the problem, rather than part of the solution.

We need, then, to unleash our collective, institutional imagination – not just so that advanced forms of production can spread, but so that the human spirit can be set free too, and so that we can progress together towards a more inclusive, more balanced and more pluralistic European Union. Institutional reconstruction of the European Union, more hospitable to the needs and unexploited potential of many localities and regions across Europe, can again become a source of inspiration for many other regions and communities around the world. Another Europe is within reach – if we enable the citizens of Europe to imagine it.