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Debating in the maelstrom: Do the Greens have the answers to the crisis?



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“We don’t need any changes at all to the infrastructure of the national public spheres. (...) The real problem is the opening up of national public spheres to one another, so that in Germany, for example, we are informed about the most important discussions in Spain, Greece, Italy, France or Poland – and vice versa”

Jurgen Habermas



Benoît Lechat

Introduction

The Green European Journal's editor-in-chief, Benoit Lechat, discuss the content of the first edition. Focusing on the economic crisis and the future of Europe, this first edition aims to establish the Journal from the beginning as a forum for provocative debate and discussion.

In this peculiar period of uncertainty and quick changes, launching a new journal dedicated to the analysis of long term trends might appear as pragmatic as trying to organise a meditation congress in the middle of a tsunami. But this project is based on the conviction that it is precisely the uncertainty that reinforces the need to better understand the deeper changes that our societies are currently facing. We further have the conviction that this work must be carried out on a transnational level, by giving to different visions and proposals the opportunity to travel beyond borders, in order to reach all those who want to contribute to the construction of a more sustainable and democratic Europe.

Rethinking economy and democracy

This first edition has one main leitmotiv: The economic and the democratic crises are two sides of the same coin. Any attempt to solve the crisis of economic governance within the European Union without addressing the question of democratic deliberation and control is doomed to failure. European leaders debating behind closed doors may, under the influence of powerful member states and the market, come to some form of compromise. But this will not hold, unless those who subscribe to different ideological views and represent different national interests succeed in building a consensus on the causes of the current crisis, which has laid bare key weaknesses of the European project – foremost the financial imbalances, as well as the social and ecological costs of an insufficiently regulated internal market.

But the debate on the centrifugal forces, which threaten to break apart the European Union is not only stifled by national self-interest and short-sightedness. One of the principal problems is that the spaces in which this debate has already started are politically weak and marginal, while national public spheres remain largely disconnected from one another and are strongly influenced by nationalist inclinations. Therefore, it is most urgent to strengthen the transnational spaces in which alternative viewpoints are forced to engage in open-ended dialogue. The ambition of the Green European Journal is to make a modest contribution to this effort by building links between green-minded audiences of the European Union's member states.

Crisis: do the Greens really have the answers?

Approved on November 14th by the Congress of the European Green Party, the "Paris Declaration"¹ gives a snapshot of the current state of the debate on questions of economy and democracy inside the European Greens. In the **Major** theme of this edition Pascal Canfin and Alain Lipietz question from an ecological and historical perspective the "liberal-productivist" economic model that in their view lies at the core of the current crisis.

The Greens have also been producing very concrete political proposals. In 2008 the political family put forward its key answer: the "Green New Deal", an attempt at resuscitating Roosevelt in the 21st century. Although the ecological modernisation of some of the most advanced European economies provides them with a powerful claim and symbol,

¹ www.europeangreens.eu



many questions remain open. For instance, growing energy efficiency may just not be enough if on the economic level it is overpowered by the “rebound effect”, and is overshadowed by the rise of inequalities on the social level.

The resolution adopted on the 25th and 27th November at the conference of the delegates of the German Greens in Kiel shows how one influential Green party attempts to cope with the renascent growth vs. degrowth debate. The clash between partisans of an *alternative to austerity* and proponents of an *alternative austerity*² is a pragmatically oriented,

yet also ideologically loaded, and a most certainly fascinating debate, which will influence the political priorities and positioning of Greens in the future. This, for sure, will be an important topic for future editions of the “Green European Journal”.

Although this important debate has not been decided, both sides tend to agree that the “one-size fits all” austerity policies advocated by most European governments and institutions have shown their limits. As demonstrated by economist Ricardo Mamede in the case of Portugal, far from helping to surmount the structural weaknesses of the economy, they have actually aggravated them.

Before Portugal, Greece had been recognised as a showcase for how problems considered as peripheral could suddenly become central. The interview with Nikos Chrizogelos and Viola von Cramon – who discuss the way the German and Greek Greens try to overcome the walls of incomprehension in order to propose common solutions to the serious problems that the Greek people face – provides a convincing argument for the need to foster European dialogue on the issue.

More Europe! Writing a new narrative

Jürgen Habermas sets the tone for the **Minor** part of this edition. According to him, the method used for the European construction is meeting its limits under the pressure of the crisis and the resulting rise of populism. If the economic governance adopted to save the Euro builds solidarity, then it should also be

² www.greenhousethinktank.org and « Solide, solidarisch, Grün: Unsere Haushalts- und Finanzpolitik” (Motion adopted by the Conference of the Delegates of the German Greens at Kiel on 18 November 2011) see www.gruene.de/no_cache/einzelansicht/artikel/solide-solidarisch-gruen.html

But all the attempts to develop the base for a broader conception of solidarity have not yet succeeded, with a narrower definition of solidarity that seems to bring us back to the nineteenth century.

completed by democratic reforms. But this step could be risky if solidarity does not receive a new content above and beyond the nation-state level.

It was precisely because of this risk that the Heinrich Boell Foundation, the political foundation of the German Green Party³ launched the project “Solidarity and Europe” one year ago. The report of the commission of experts who have been working with the Foundation contains many paths of discussions for the debates that The Heinrich Boll Stiftung (the German Green foundation) and Green European Foundation will organise in 2012. But, besides influencing the narrative on the future face of European solidarity, the Greens are also attempting to influence Europe’s short-term political trajectory. We have therefore included another text proposed by the German Greens, which will be debated in Berlin on the 24th of February (containing new proposals for reducing the numerous imbalances in the development of the European economy⁴).

Yet, we must also acknowledge that these important attempts to develop the base for a broader conception of solidarity have so far not been very successful, with a narrower definition of national solidarity – one that seems to bring us back to the nineteenth century – appearing to triumph in some parts of the European periphery. As depicted by Kristóf Szombati, the situation in Hungary teaches us that this last temptation cannot simply be dismissed as a self-serving reaction of East-European elites

attempting to cling on to their power (although it certainly serves that purpose too). The re-emergence of nationalism could instead be interpreted in the light of the severe difficulties faced by East Europeans in the post-communist era, and their concomitant thirst for recognition in an increasingly interdependent Europe. Hungary’s predicament also raises interesting parallels between the new nationalist moment and the imbalances of the European project, which has been confounded in Eastern Europe with the neoliberal agenda.

It is common place, but also painfully true: dead national heroes still hold more sway over our imagination than the possibility (or rather necessity) of constructing a new Europe. The experience of the exiled writers before the Second World War described by Erica Meijers shows some common points with our current situation. The crisis then was also thoroughly economic and political. We can only hope that the experiences gathered during more than 50 years of European construction can help us to reinvent a new model of society for our continent. Transforming the economy in the direction of sustainability, restoring the meaning of social justice and developing a democracy on the European level are historical tasks that the Greens have been attempting to tackle since their emergence at the end of the seventies. They should continue ■

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3 <http://www.boell.de/publications/publications-solidarity-and-strength-the-future-of-the-european-union-13276.html>

4 www.gruenes-blog.de



Pascal Canfin, MEP
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Ecology as a way out of the crisis

How do we get out of the crisis?

That is the main question that political figures
are being asked today right across Europe.

Maybe the software of ecology is the best adapted
to get us out of the crisis?

Ecology's first contribution is the surpassing of nationalisms. In these troubled times, there is a temptation to withdraw within ourselves. This is more than an illusion. It's a trap. Regaining control of financial markets; finding an agreement to fight against climate change; or even protecting our industry from disloyal competition from countries without social and environmental norms will not be possible at a national level. The European Union is the only place in the world where Nation-states have begun to create a supranational institution and it is this endeavour that will help us out of the crisis. In order to do that, we must stop with sovereigntist resistance. As such, the Union still does not have power to put an end to absurd fiscal competition between its States because they refuse to transfer what they consider to be a symbol of their sovereignty *e.g.* fiscal competition that enables CAC 40 companies in France to pay just 8% taxes on their profits, whilst SMEs pay three times that rate. If we were in a federal fiscal area, we would have a European tax on the profits of multinationals, and a tax on financial transactions, because the European Commission, like the European Parliament are in favour of it. By overcoming sovereigntism, Europe could finally become an area of protection and not simply a vast market in which there is competition that benefits the richest and the most powerful above all.

Ecology's second contribution is the proposal of a green economy that creates virtuous circles. Innovating massively in green technologies is the only way to develop new jobs in industry. Large scale

investment into building insulation creates hundreds of thousands of jobs that cannot be delocalised, whilst massively reducing our role in climate imbalance. Developing renewable energy will reduce the cost of energy and our dependence on other countries without having to bear the risks of a nuclear catastrophe. Furthermore, this can be done without increasing public spending as they are financially profitable investments that fund themselves.

Ecology's third contribution is that it gives meaning. This crisis is the crisis of financial capitalism, which began its domination in the 1970s and which is imploding under our very eyes. However, it is also, paradoxically, the crisis of an overall excess that is pushing us to the limits of what the planet can withstand. This crazy race that is exhausting mankind and natural resources will inevitably push us towards another collapse, not financial, but environmental. This is why a way out of the crisis is not possible using past strategies. This new way forward is profoundly different from both the traditional right and the left; breaking with this collision course which is based on more consumption and growth of the GDP in rich countries and takes in to account the reality of a world with limited resources. The ancient world is dying. It is up to us to take part in creating a new one ■

Pascal Canfin is a member of the European Parliament for the French Green Party Europe Écologie/Les Verts and as a member of the Parliament's Committee on Economic and Social Affairs. Prior to entering the Parliament, he was a journalist for the magazine Alternative Economics.

An amended version of this article was originally published in "Les Echos".



Alain Lipietz

Fears and hopes: the end of an economic model and the Green alternative

Beginning with the crash of Lehman brothers in 2008, the financial crisis has evolved into an existential threat to the liberal-productivist economic model that has dominated for decades. Outlining the inherent flaws in this system, this article calls for a “Green New Deal” at global level as a solution to the ongoing crisis.

Officially opened by the crash of Lehman Brothers, and today turning into a crisis of sovereign debts, the present crisis already appears to be as serious as the Great Depression of the Thirties. It certainly deserves the label granted by the “Regulation Approach”: a Great crisis. That is: the end of a capitalist model of development. This collapsing model, whose reign stretched out from the end of Fordist period (around the “Monetarist shift”, 1980) to nowadays, has been sometimes labelled “neo-liberal”, sometimes “liberal-productivist”. Now that it meets its own crisis, this double character, both *liberal* and *productivist*, seems to be ratified by the double origin of its crisis, according to the Hegelian rule that “Minerva’s owl takes off at the fall of the night”. And from the double character of its crisis stems the double solution, social and ecologist, it requires.

Certainly, as in the 30s, this crisis surges on its financial side. Certainly, as in the 30s, there will have to be a solution to the insolvency and financial disorders. Yet the present paper is dedicated to social aspects and more specifically to ecologist aspects of the solution. Too often, a green touch is imposed upon a mere Keynesian analysis of the crisis, as a green-washing imposed by opinion’s mood. On the contrary, we shall try to root the necessity of a green solution into the ecological aspect of the crisis. In order to do so, we are to question the nature of the model in crisis, and the mechanisms of its crisis.



In fact, “a society has the conjuncture of its structure”¹ and the complex structure of liberal-productivism determine the complexity of present crisis. As a “liberal capitalist” crisis, it has much to do with the Great Depression of the Thirties. As an “ecological” crisis, it evokes the “Ancient Regime” crisis, and its last example, the European crisis of 1848.²

1 Labrousse E., *La base de l'économie française à la fin de l'ancien régime et au début de la révolutions*, PUF, 1944.

2 Labrousse reference with *Labrousse E. et Braudel F., Histoire économique et sociale de la France*, PUF, 1975.

Like in the Thirties, the crisis starts in the financial sphere but soon reveals its social and macro-economic origin: workers are too poor, profits too high; a crisis of over-accumulation (or under-consumption) was unavoidable. Solution to the 1930's-type crisis: increase wages, and sell a (black) car to everybody, as Henry Ford puts it. And enlarge money supply, accept credit economy, foster public expenditures, as JM Keynes puts it. But, as in the eighteen-forties (and contrary to the nineteen-thirties), earth was so poorly generous to humankind in 2007 and 2008 that basic consumption goods became too expensive. The demand for capitalist durable goods was crowded out by the demand for staple commodities: food and energy. In reality, this miserliness of the planet is nothing but the structural outcome of the productivist character of recent capitalist models. Thus, a Fordist-Keynesian solution would immediately trigger a new fall into the crisis: a new alimentary shock, a new oil shock (and if the solution is looked for in nuclear plants, new Fukushima-s, ...). Moreover, it would accelerate the climate crisis.

On the other hand, a mere "green-washing" of a business-as-usual recovery policy, granting more public support to "green technologies" and ignoring the depth of inequalities at the root of the "liberal" dimension of the economic crisis and the necessity of social reforms, would be a symmetrical mistake. The financial, social and ecological aspects of the crisis are so tightly interwoven that no partial solution could be efficient. We need a *Green Deal*, both ecological and social, at global level.

Hence the structure of this paper. First, we sum up the components of the late model of capitalist development. Second, we scrutinise the interweaving of factors of crisis in the crisis from 2007 until today. Third, we develop more extensively the blue-prints for a specifically "Green" Deal. Then we turn to the difficulties of implementing such a deal. And last we give some political recommendations ■

This is an executive summary of the full article, which can be found on the website of the Green European Journal

Alain Lipietz served as a Member of the European Parliament for the French Green Party between 1999 and 2009, and previously served as national spokesperson for the Party. He continues to write widely on economic issues, particularly the economics of regulation.

Green New Deal – the German Perspective



Often described as the “engine of Europe” the ability of Germany to adopt a path to a Greener economy is crucial if Europe as a whole is to transform itself. However, this article makes it clear that such a transition for Germany cannot take place in isolation. Rather, Europe must be present at every step of the way to ensure a meaningful change in the current economic model.

The Green Party's critique of growth has become predominant. It is therefore time to find new answers to the question of growth.

The socio-ecological transformation of the economy: the Green New Deal

The way we manage our economy will have to undergo a radical change. Meanwhile, this view is even shared by conservative economists and supported by the European Commission. However, as far as German politics are concerned, nothing is actually happening. Four years of financial crisis show us that an economic model based on gigantic mountains of debt and huge imbalances and in which companies, banks, even whole countries are at the mercy of the financial markets has no future. Moreover, the atomic catastrophe in Fukushima and the ever increasingly urgent warnings from climate researchers show us the insanity of an economic system that does not obtain its energy from the sources which are abundantly available – sun, water, wind. We need a fresh start – for sustainable economic development, for a socio-ecological transformation of our economic model.

Our answer is the Green New Deal

In 2008, in view of the impending financial and economic crisis we, the Green Party, demanded a Green New Deal. With the Green New Deal we suggested a concept for the ecological transformation of the economy, the re-regulation of the financial markets, for a “new social balance” in society and to combat global poverty. The first pillar aims at re-regulating the deregulated financial markets and reducing economic imbalances. The second pillar is directed at socio-ecological restructuring – by means of green industrial policies, the development of renewable energies and

investment in climate protection and education. With the third, the social pillar, we are striving for good jobs, more distributive justice and the overcoming of social blockades in our society.

The question of growth re-answered

A decade has passed at the end of which the majority of people are no better off than they were at its beginning – a decade in which all too often successful speculation and financial deals stood for economic success rather than the spirit of enterprise and development and a decade in which the over-exploitation of our natural resources has increased ever more rapidly. Angela Merkel sees it as wrong that growth is measured solely on GDP and Nicolas Sarkozy has commissioned a committee formed around the Nobel Prize winners Amartya Sen and Joseph Stiglitz to develop alternative indicators to GDP. The Green Party's critique of growth has become predominant. It is therefore time to find new answers to the question of growth. The blind pursuit of economic growth has led us into the crises and it quite clear that we simply cannot continue in this way. The ecological limits of our planet would soon be reached. From the growth perspective it is nothing less than a question of completely decoupling economic growth from the consumption of resources, environmental common goods and from the emissions output etc. The demand for a absolute decoupling takes into account the rebound effect since the relative decoupling is of no use if efficiency gains are immediately swallowed up by “increased consumption”.

In order to transform the economy we need the euro as the common currency and a Europe that is united economically as well as politically.

However, what is equally clear is that our economic system, our social systems and our society have so far been geared to economic growth. Just how dependent we are on growth was evident in its spectacular fall in 2009. The cuts primarily in the public sector and also in social security systems were radical and only managed with great difficulty. In the transformation of the economy therefore the permanent financing of public budgets and social security systems has to be taken into consideration. Research into an alternative means of measuring prosperity also shows that sustained social development does not necessarily mean sacrificing growth. It just has to be the right kind – sustained and socially acceptable growth.

We are tackling this with the Green New Deal. The first important steps were taken by the red-green coalition government. The last ten years have shown what great opportunities the step towards the ecological modernisation of the economy offers. The renewable energies have become an economic engine and job creator. And in many companies ecological innovation processes have been set in motion.

The Green New Deal has to involve the whole of Europe

A different way of running the economy cannot be achieved on a national level alone. We need a strong European Union promoting climate protection, ecological restructuring and social renewal. In order to transform the economy we need the euro as the common currency and a Europe that is united economically as well as politically.

The political and economic costs of the failure of the euro would be enormous, particularly for Germany. Our exports profit as no other country from the European internal market. No single individual member state, no matter how big or small, will be able to survive alone in the face of global competition. Europeans have to act together. The way out of the euro crisis will cost money and courage. Therefore we as Greens support the current rescue measures for states in serious difficulties and as a result we are fighting for a strong economic European Union with binding agreements to co-ordinate and support budgetary, economic and financial policies and where necessary also to impose penalties.

And therefore we consistently consider the European perspective when we make our own political suggestions. We as Greens hold the enormous disparities within the eurozone largely responsible for the crisis. Reducing these disparities is therefore a basic prerequisite to solving it.

The social and ecological restructuring of the economy

The most pressing reason for changing our economy is climate change. If mankind is to succeed in limiting global warming to below 2 degrees centigrade, then the industrial countries need to reduce over 90% of their greenhouse gas emissions by 2050. Whether CO₂ is emitted in Germany, China or the USA is completely irrelevant to the atmosphere. Therefore we need a global framework that regulates the emission of greenhouse gases. It would be wrong to stand idly by while international negotiations are



floundering. The developed countries, especially in the field of climate policy, have a historic responsibility to lead the way. We need a climate policy of varying speeds. That does not mean that the battle for an international climate agreement should be relinquished. But in the absence of such an agreement lack of action must not determine the agenda. Europe must act as a pioneer in the field of climate change and increase its objectives in unconditionally reducing its emissions to 30% by 2020. But above all Europe must be the driving force in switching to 100% renewables and efficient technologies.

However, it is not simply a question of climate change. It is more the fact that we are coming up against a number of ecological limitations: the over-exploitation of natural resources such as water, soil, forests or fish stocks or the overuse of finite resources such as fossil fuels (oil, gas, tar sands), metals or minerals.

For industry in Germany this represents huge challenges but also new fields of activity. The Federal Republic is a successful industrial country. The economy in this country has a high degree of vertical manufacture, a substantial technical edge and a good mixture of flexible small businesses, dynamic and strong medium-sized businesses as well as globally operating corporations. Green policies want to safeguard this success which is at risk by doing nothing. We are faced with the task now of rigorously organising the transformation to a low carbon and resource-saving economic system. Only then can the consequences of climate change be limited. And it is the only way that Germany can continue to be successful as a globally competitive industrial country.

In the meantime there are many examples of what is to be gained if this path is followed. With the Renewable Energies Act (EEG) Germany made a timely start in promoting these new technologies. Today the producers of wind power, biogas and solar systems export throughout the whole world and soon 400,000 people will owe their jobs and wages to the renewable energy sector.

During the transformation, however, it is not only a question of the ecological modernisation of the economy. We are also focusing on social renewal.

Those who want a presence in the world markets of the future must proceed with courage today. Our economy has all the prerequisites to face up to this challenge. Many entrepreneurs are aware of this. In this they are far ahead of the parties who claim to speak for the economy. We look upon these entrepreneurs as our partners as well as the associations of industry and business who also wish to follow us down this route. We are certain of one thing. The German economy is ready to tackle ecological reconstruction. We want to motivate them along this path and also judge them by their promises.

During the transformation, however, it is not only a question of the ecological modernisation of the economy. We are also focusing on social renewal. Overcoming social division and achieving the participation of all is not only an act of justice. It is also economically necessary, in order to make the conversion to a sustainable economic system possible. The massive disparity of wealth and income has contributed significantly to an inflated financial sector and has therefore rendered our economic system more unjust but also more unstable.

One of the reasons for the macro-economic imbalances in the eurozone – as even the International Monetary Fund criticises in its latest report – is the weak domestic demand in Germany directly due to the enormous increase of the low wage sector and stagnating wages. The skills shortage facing the German economy has its origins in the fact that our education system jeopardises the future prospects of many children instead of promoting them and that the potential of women and migrants is not sufficiently exploited. (...)

The transformation of our economy will be a project lasting several years. Even greater then is the importance of reliable long-term goals and frameworks which provide security for companies when making innovation and investment decisions.

Therefore we as Greens want the necessary climate protection targets – 40% emissions reduction by 2020, 95% by 2050 – to be legally enshrined in a climate protection law and the Government to commit itself to increased efforts in climate protection in the case of deviating from the target path. At present it can be seen in North Rhine Westphalia¹ that only the Greens guarantee a clear regulatory framework in the form of a climate protection law. In spite of great political and economic resistance initially, a first climate change bill was introduced there with binding CO₂ reduction targets.

¹ The German Greens are the largest party in this important (17 million inhabitants) German state.

Ecological fiscal reform: tackling incorrect prices

The idea of ecological fiscal reform is simple: prices must tell the ecological truth. Those who produce and consume in an environmentally friendly way should pay less than those who pollute the environment and climate. Our goal continues to be increasing the proportion of ecological taxes in the total tax revenue. In recent years, however, this has even decreased. We want to reverse this trend.

It seems consistent to reduce environmentally harmful subsidies and tax breaks such as for fuel, electricity and heating energy but also to adjust the conditions pertaining to the awarding and tendering process for public authority contracts. As far as it is legally possible we want to abolish the anti-social privileges for huge gas-guzzling company cars. We want to put an end to coal subsidies and do away with exceptions for mining royalties in respect of all domestic mineral resources such as gravel, sand, brown coal and gas. (...)

Strengthening SMEs

This way out of the crisis is only possible with highly productive small to medium sized enterprises (SMEs). Nevertheless the black-yellow coalition pursues a policy whereby these are only an appendage to big business. However, this does not do justice to their special role. The economic success of Germany is mainly due to strong small to medium sized businesses. Without its strong SME sector Germany's economy would have shrunk considerably more, would have had higher unemployment and would not have returned to the growth path so quickly.

The blue-collar worker is becoming green

The share of manufacturing industry despite the shift to the service industry and a knowledge-based society is still 24% of the total gross value creation with a turnover of more than 16 billion euros annually and with a workforce of six million.

The transition to a low carbon, resource efficient economy must above all involve the industrial structures. They still account for a third of CO₂ emissions and there is still great potential for energy savings and efficiency gains. This transition process is nothing less than a third industrial revolution. The first industrial revolution brought the transition from the agrarian to the industrial society. The second industrial revolution intensified and mechanised production. Today it is time for a third industrial revolution in which the people, the environment and the climate are central.



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Developing new sustainable life-styles is not a task that can be delegated to politics, nor should politics claim to be able to solve it alone.

Green industrial policy means the ecological reconstruction of the productive economy rather than leaving it the way it is. We do not rely on cementing the old structures; we want to make the economy fit for the future in all sectors. (...) Singling out industries into good or bad is pointless. We want to give impetus to industrial production as a whole to renew itself from the perspective of energy and material efficiency and to promote pioneering technologies – whether it is renewable energy, the car, chemical or manufacturing industry. (...)

Advent of the service and knowledge-based society

With the Green New Deal we are promoting not only ecological modernisation but we also have our sights set on a gradual shift of our values to a humane and ecological economy. By investing in education and a modernisation of the social security system and by means of an honest social labour market we will create jobs which reflect the quality of a social state: in the health-care sector and in education. (...)

Technology alone is not enough

Ecological transformation is not a project that is only directed at the economy but is one that concerns us all, the whole society. Transforming the traffic problem will take more than the green car – it requires at least just as much traffic avoidance by state development planning (...) and the shift of traffic from road to rail. The change in agriculture will not only strengthen organic farming but will

also have to include a change in our dietary habits. And a more careful use of our finite resources will require not only more efficient use of resources but also a farewell to the throwaway society. Basically it is a question of how we will consume, move or feed ourselves in the future.

We all enjoy life-styles today that can neither be sustained nor adopted by the 7 or soon to be 10 billion world population. Prevailing customer behaviour combined with unbridled economic growth cancels out any gains made through efficiency and economising as a result of the rebound effect. Developing new sustainable life-styles is not a task that can be delegated to politics, nor should politics claim to be able to solve it alone. At the same time, however, it is much too easy to impose the responsibility on each individual alone as structural barriers make it all too often virtually impossible for people to sustain themselves alone. Policy can and must therefore support this process through consumer information and consumer protection by creating alternatives or by preventing unecological behaviour from actually being rewarded. Ultimately the task remains to develop sustainable life-styles, a task both social and civic. It is our own decision how we live.

Close the financial casino

We need the dynamism and the power of innovation of functioning markets to overcome the challenges of climate change and to combat global poverty.

The great transformation of the economy requires substantial investment that the public sector cannot shoulder alone. We need more capital that still circulates around the globe to be injected into these socially useful areas. Green investment rather than speculation – that is our goal.

With these financial casino conditions as they are ecological restructuring will not progress. It is therefore time to create an effective regulatory framework for the global economy which will put the markets at the service of social and ecological development. We want to introduce a European financial sales tax which will involve the finance sector in the financing of welfare and put a break on speculation. (...) We want banks to focus above all on the financing of a real economic, sustainable development. We want to effectively limit the size of banks. (...) Therefore we are calling for a significant increase in liquidity and capital requirements according to the size of the bank. We need a debt brake for banks, that is to say an unweighted minimum threshold for shareholders' equity. The idea is to prevent banks with too little equity from increasing their returns as this leads to increased systemic risk *i.e.* the danger of financial crises.

Financing ecological restructuring

Investment usually flows to where (high) profits are to be expected. In the absence of a political framework which penalizes the perpetrators of climate and environmental destruction investments

in unsustainable areas are often more profitable than sustainable ones. For example 100 billion dollars are easily available for the development of Canadian oil sand. On the other hand investments in profitable efficiency measures fail due to necessary bank loans.

This trend is reinforced even further due to the wrong kind of subsidies – the countries of the world persist in spending 500 billion dollars on environmentally harmful subsidies. However investment in the great transformation is lacking not only due to the absence of a framework at the macro level. Sustained investment from the investors' point of view brings more risk and problems. Therefore we need fiscal strategy and planning. Here public investment and development banks like the European Investment Bank, state owned investment banks or the KfW² can have an important role to play. Thanks to government guarantees they can refinance themselves on favourable terms on the private capital market. These banks have to become more green-orientated and take a key role in the ecological transformation. In addition, political policies must try to reduce the risk for investment in ecological change. As well as regulatory measures there need to be new financial products that meet the specific investment risks of ecological transformation. In the first instance private participants are required here. But state guarantees and support could also be necessary. At European level we as Greens support the proposal of the EU Commission for the introduction of project bonds – above all we want to use this instrument

² KfW banking group is a German government-owned development bank. Its name originally comes from Kreditanstalt für Wiederaufbau, meaning *Reconstruction Credit Institute*.

for the financing of projects relating to ecological restructuring (e.g. the development of trans-European networks). Good financing conditions are essential for green investment in companies. We need the banks operating in their proper function, that is to say the financing of real investments in the implementation of green investment projects. (...)

We also need a return to long-term corporate development. As long as the rage for short-term high yields prevails, long-term sustained investments in climate protection and sustainable modes of production suffer. Responsible investment is different. It takes ecological, social and ethical aspects of investment decisions into consideration. Information requirements for asset managers and companies should enable investors to invest in accordance with social, ethical and ecological criteria. Public funds, as for example in the form of statutory pension provisions, funds of the federal employment agency or pension funds in public ownership should only be allowed to be invested according to established sustainability criteria.

A just transformation

The inequality of income and wealth distribution in Germany has been growing for decades without interruption. The global financial crisis has made the situation even worse: Whilst the temporary losses of the wealthy have long since been over-compensated, the low and middle income earners have borne the main burden of the crisis. The growing inequality of income and wealth is also an economic problem. It is

the deeper cause of our debt-based economic model.

Therefore with the Green New Deal we are striving for a “new social balance” in society that seeks justice regarding opportunity and distribution. This requires a reform of the distribution systems, extensive investment in education and deep reforms of our economic policies. The distributional effects of a market system, in which increasingly so only a few of the large corporations are paving the way cannot be absorbed by even the best social system. Therefore reforms in the financial and labour market and a consistent competition policy are necessary. We want an equitable distribution of social welfare and the opportunity for each individual to participate. Corporate profit and capital income have risen while wages in real terms have stagnated. We want a fair share for the work force. In the first instance it is the task of union and management to finally agree to higher wage settlements. But politics can do a lot, especially in the struggle against an ever-expanding low-wage sector. It is not a question of indifference of what is produced and how it is produced – neither from a social nor ecological point of view. The ecological transformation can only succeed with a highly motivated and well-qualified work-force. In conjunction with employers and unions we want to create good jobs, jobs which do not cause illness, which give personal satisfaction and motivation and which leave workers time for their families, their private lives, further education or voluntary work and rewards them appropriately. So-called “blue-green alliances”, in other words the strategic alliance

Therefore in addition to ecological modernisation, the social dimension is an essential part of the Green New Deal. That includes government transfers, the strengthening of public institutions, minimum wages, but also the tax system and the labour market policy.

between trade unions and environmental groups as already exist in North America could also play a pioneering role in this process in Europe. Good jobs involve many aspects: more training in the work-place, flexible working-time models as for example through the introduction of life-time working accounts, support in combining children and work or a share of company profits.

But it is not only about a more equitable distribution of income and wealth. If we want to secure Germany's future – economically and socially – we have to ensure that everyone has the chance to participate. In view of the demographic change no-one can be excluded – not those children who currently have no chance in our education system, nor the older workers who continue to be affected by an above-average frequency of unemployment and long-term unemployment, nor women whose equal participation of income and opportunity is far from being enforced. We support a mandatory quota of at least 40% women in supervisory boards and boards of directors of large corporations. We want better opportunities for immigrants, flexible working-time models suited to all life-stages and good training and further education. And it is a question of reacting to social hardship caused by transformation. When we as Greens say, for example, that energy prices are supposed to reflect the ecological truth, that means that prices are more likely to rise. For us it is about fair energy prices, not excessive prices caused by rip-offs, monopolies and speculation. But for many people rising energy prices are a social challenge and sometimes even beyond their means. Our Green answer to rising energy prices is energy efficiency and competition among providers, not through subsidising energy consumption.

If energy prices rise and if energy and mobility are to become a luxury that is prohibitive for considerable parts of society, income and wealth distribution must as a whole become fairer. Therefore in addition to ecological modernisation, the social dimension is an essential part of the Green New Deal. That includes government transfers, the strengthening of public institutions, minimum wages, but also the tax system and the labour market policy. But it is also a question of well-targeted support for households that cannot afford energy efficient refurbishment. For this purpose we want to set up an energy conservation fund to support energy efficient refurbishment in areas with a high proportion of low-income households, to offer power-saving checks to low-income households and give housing subsidies to housing benefit recipients for the energy efficient refurbishment of their accommodation and to make socio-ecological electricity tariffs mandatory for utility providers. We are faced with a daunting task that will not be made any easier by further delay. Alliance 90/Greens invite everyone to take on this challenge together with us and to transform³ our society socially and ecologically ■

Bündnis 90/Die Grünen is the German Green Party, currently the third largest party in German politics. Formed in 1993, they were in Government at Federal level between 1998 and 2005 and have served in a series of State Governments. They are currently led by Claudia Roth and Cem Özdemir.

This text is a summary of a document approved by delegates to the German Greens conference in Kiel on November 27th 2011.

What can Europe learn from Greece?

On the fringes of a Heinrich Böll Foundation conference on the future of Greece inside the Eurozone, a German MP and a Greek MEP discuss with the GEJ how Green cooperation could provide the key to Greece's future within the EU.



Viola van Cramon



Nikos Chrysogelos

On January 23th and 24th, the Heinrich Böll Foundation organised a conference on the future of Greece inside the European Union. "Hellas in der Krise. How can Greece reinvent itself inside Europe?" The economic situation of Greece and the uncertainty about the future of the Eurozone, but also the rejection of the Greek political system by a growing part of the Greek society gave a passionate dimension to the debates held in the crowded headquarters of the Böll Foundation in Berlin. In the fringe of the conference, Nikos Chrysogelos who is now member of the European Parliament for the Green Greeks and Viola von Cramon, member of the Bundestag, debated the lessons of this crisis and how the German and Greek Greens can cooperate in order to develop an alternative long term project.

Green European Journal (GEJ):

Viola and Nikos, you are both coming from two countries which are playing a key role in the current crisis. You are currently working on a green cooperation project between the German and the Greek Greens but before coming to this project, it is interesting to cross your perceptions of the current crisis in your respective countries.

Nikos Chrysogelos (NC): When we talk about the crisis in Greece, there are two options. One is to mention only its fiscal and economic aspects and the other is to consider it in a broader perspective as the crisis of the existing development model. What is at stake here is not only Greece's import/export deficit or the public deficit; it is also the functioning of the Greek society, its values and priorities. Nowadays, there is such a high rate of unemployment (and mainly among young people) that we seem to be pushed back to the sixties, when a lot of Greeks left the country to find a job in other European countries. So we need a completely different policy to change the economy, the public administration and to develop social cohesion. But it is not only a Greek problem. It is also a European problem: part of the cause of the problem in Greece is the Eurozone model.

GEJ: Yes, but just to come back on my first question, about the perception of the people in Greece, how do they perceive the role of Europe in this crisis and of the European institutions? Do they consider it (Europe?) as a solution or as a problem?

NC: The fiscal crisis in Greece has been transformed into a deep economic and social crisis. On the one hand this is due to the serious structural problems of the Greek economy overall, the characteristics of the Greek political system and the inefficient policies that all governments in the past decades have applied. On the other hand, it is also due to the fundamental, structural problems of the eurozone as a whole and the absence of European leadership that could have recognized earlier on that the

“But my experience is that when we discuss our proposals with the social partners, people from NGO’s and the civil society, they see that we are offering a different perspective”.

Nikos Chrysogelos

Greek crisis is part of a larger eurozone crisis and then envisioned and applied an effective European strategy for addressing this crisis with an emphasis on southern countries. Instead, the recipe of the troika (European Commission, ECB and IMF) was proven to be inefficient and instead of helping address the fiscal crisis, it managed to transform it into a deep economic and social crisis. Consequently, most of the Greeks just see the results of the current policies: there seems to be no future for the young people and for the unemployed. They do not understand why they should accept it. But if you want to reform the society, the society must be part of the solution. If the people are against the reforms, the reforms will fail. Hence, a majority of the society is angry against the Greek political system and against the European policy.

GEJ: What is the Green alternative and how is it perceived ?

NC: The Greens propose to develop the dialogue with the society and to draw an alternative plan in which the entire society will participate. This plan should contain fiscal measures, of course, but it should also drastically change the economy towards the direction of sustainability. For example, we can change the construction industry by investing in the reduction of energy consumption and we can also invigorate the cities by promoting ecological landscaping inside the cities. The same change of direction is needed for energy, transport and tourism. For the moment, the Greens are not yet sufficiently established in the society. We have nine regional councillors and we participate in some local councils in big cities

like Athens or Thessaloniki. But my experience is that when we discuss our proposals with the social partners, people from NGO’s and the civil society, they see that we are offering a different perspective. On the other hand, it is true that what the Troika proposes does not agree with our direction. And many of the people say “good ideas, but how can we change the situation?” So we need tools to promote our ideas in the daily life.

GEJ: Viola, as a member of the German Bundestag, you have been several times in Greece. How do you see the perception of the situation there and in Germany, for example in your own constituency?

Viola von Cramon (VvC): We need, as Nikos rightly said, a more positive image of Europe. After two years of the crisis the Greek/German relations are, to put it mildly, not in the best state. Partly because the German government acted too little, too low and too late. In my constituency in Germany, I try to address this debate. It is my role as a Deputy. In conversations with citizens, I often explain my viewpoint, why Greece belongs to the European Union and to the Eurozone. As Greens, whether from Greece or Germany, we are always trying to work from the grassroots level, with the people’s participation. In the beginning of November 2011, I have been travelling with a Bundestag delegation to Athens, just as Prime Minister Papandreou proposed a referendum on a new austerity package. On that evening we had a very interesting panel discussion organised by the Greek Greens with the mayor of Athens. It was a very intense moment. Everybody was completely



nervous and stuck to the television. We were afraid that nobody would show up, and finally it was pretty crowded and we debated almost three hours. People were really interested in listening and getting involved in order to improve the quality of life in their city. The newly elected Mayor of Athens, who participated in the debate, was absolutely open to new ideas. There is not more activism in municipal politics in Germany than in Greece, but it is harder to make a difference due to lack of the local political structures. So we need together to find ways to give more power to the people and more power to the municipalities.

GEJ: You have been working on a common program for the Greek and German Greens, can you explain it?

VvC: In the Green Group of the Bundestag, we published a position paper for a “new impetus for German-Greek collaboration”.¹ It is a matter of personal engagement and solidarity with Greece: My colleague Hans-Josef Fell for example does work closely with energy experts in Greece in order to promote renewable and decentralised energy production. We are also working on common proposals to strengthen sustainable tourism. We want to deepen municipal partnerships between Germany and Greece on various topics, varying from education and cultural exchange to practical questions like waste management. We are still at the point of collecting ideas, putting them together and trying to find people to cooperate with.

NC: As a new member of the European Parliament starting February 2012, I am organising a meeting between local and regional councillors for sharing experiences on establishing social and community enterprises that will develop and utilise renewable energy systems. With our Green regional councillors, even if we only have one or two councillors per region, we can influence the strategies for regional development by proposing alternatives. It will be a long term process but it will work because we are almost the only political group to present alternative solutions and the people accept them very well.

¹ www.violavoncramon.de

“There is a great deal of frustration about the high social costs of the austerity packages, especially for the weakest parts of the population”.

Viola von Cramon

VvC: The Greek Greens have a good chance to gain more influence in this situation. In Eastern Germany, we faced a similar situation after German re-unification. In the beginning, we were quite isolated. But nowadays we are nearly represented on all levels of parliament across Eastern Germany. So the prospects for Green approaches have improved very much over time and the same thing will happen to you.

NC: We do not have only a short term strategy. We also have a long term strategy. We hope that if we (the Greek Greens) work in a better, more efficient way, we will be able to influence the society. Most of the Greek people do not know the Greens. But when they discuss with us, they are ready to cooperate with us, like we already cooperate with farmers, trade unions, social groups, NGOs. Nevertheless, we still are a small party.

GEJ: But you are not identified as being part of the system?

NC: No, we are identified as being outside the system.

GEJ: Is it a disadvantage or an advantage?

NC: For the moment, it is not a disadvantage (laughter).

VvC: That is true. Most of the politicians in the national parliament seem so far away from what is really going on in the rest of Europe and within their own society. They just see their own position; their own seat that will probably be gone after the next election. At first a lot of people in Greece were committed to the structural reforms, but that changed after the third reform package. There is a great deal of frustration about the high social costs of the austerity packages, especially for the weakest parts of the population.

GEJ: What is the evolution in the civil society?

NC: There are new groups that are very active. For example, there have been demonstrations for the rights of bicyclists in Athens which gathered between ten and twenty thousand cyclists. They are not only defending the right to move without a car. They are defending another way of life. There are also examples of new solidarities, for example in some social health centres with volunteers who support people who are not able to pay money for their healthcare. It is not well developed, it is not structured and it is not yet represented at the political level, because, as Viola said, the politicians are distant from the real, everyday life of the people. As Greens, we propose to develop alternative social infrastructures in order to improve the quality of life for the people who just have €700 to live in Athens, which is practically impossible. Instead of raising the wages or the social allocations which is also nearly impossible, we propose to focus on upgrading social and public infrastructures in transport or in health for example.

GEJ: But this is precisely not happening today because there are cuts, for example in the rail transportation system.

NC: ... also in the health system ... everywhere. But this is really the wrong policy because we need to develop an efficient public sector in order to give to the people the opportunity to survive and have a decent quality of life without a lot of money.

GEJ: On the other hand there are too many people working in the public sector because of clientalism.

NC: Yes, but not in an efficient way. It is a quite bureaucratic system. There are a lot of doctors working for the administration and there are a lot of islands without doctors ... That is the reason why we want to develop a social sector that will cooperate with a more efficient public sector and with a private sector working in a clearer legal framework, without black market-type interconnections.

GEJ: One of the conclusions of this conference organised by the Böll Foundation is that the changes needed are deep and will take a lot of time and new commitments from both sides: Greece and Europe. Don't we need something like a strategic contract between the European Union and Greece?

VvC: There was a fundamental mistake in the structural reforms package by the troika programme from the very first moment on, because it was designed on wrong assumptions. Everyone thought Greece only had a debt problem, that could be gone within three years. Of course this does not work. After realizing that this was unrealistic, the IMF should have switched to a more long term perspective. Behind the scenes, the German government discovered that very quickly. But it was not willing to communicate it to the European institutions and to our public. They should have communicated this more transparently by saying that supporting Greece would take more time and money and could only be achieved by a common long term agreement.

NC: I totally agree with Viola. All of Europe has to learn from the Greek crisis. This is the most important ... it is not only the result of the cumulative errors of the Greek policies; it is also the result of the Eurozone model. But we have to develop a longer term vision for Greece for 2020 and 2030. And then we should discuss it and develop a closer European cooperation. Of course, in Greece we have to change the issues that are connected with our values, with our way of functioning, with our way of doing politics, with our way of developing our economy. But European and other countries have to learn from this experience and develop their own long term strategy.

“What we need is a combination of the good “traditional” values of solidarity and social interest with a green modernisation”.

Nikos Chrysogelos

VvC: Let me add that the question of “conventional” growth as such is not the key issue. What we need is sustainable growth: we don’t need more roads or bridges. I really dislike thinking about the fact, how many billions of euros from taxpayers from across Europe went into Greece and didn’t have really sufficient positive long term effects. Instead the EU should support education and universities, which is a more knowledge based economy approach. We should also need a more participatory approach in supporting Greece, which means that *e.g.* we need to work with NGOs in figuring out how to get energy decentralised.

NC: The biggest danger is that even now in Greece the key issue remains growth, at any cost, and if there are investments, they are mostly on new highways ... There are €5bn of investments, for the highways, and €1.5bn for the security system. This is crazy. With €6.5bn we could establish and finance local companies to involve young people and give them new perspectives, new opportunities, new hope.

GEJ: Last question: we can summarise the current situation of Greece as a kind of struggle for modernisation. Shouldn’t we think that some resistances against this project are rooted in the rejection of a model that is less than ever in state of improving the well-being of the majority of the people than the “archaic” society that modernisation was supposed to replace successfully. On the other hand Greece is currently facing a “degrowth” period with its very bitter consequences ...

VvC: This is a very important debate. We want growth, but we don’t want growth at any price ...

NC: What we need is a combination of the good “traditional” values of solidarity and social interest with a green modernisation. We may not come back to the old traditions, but we should look for a new combination of solidarity, modernisation and of course green innovation ■

Viola van Cramon is a member of the German Bundestag for Bündnis 90/Die Grünen. She is a member of the Committee for European Affairs, the central forum for the Bundestag’s participation in European affairs.

Nikos Chrysogelos is, since February 2012, a member of the European Parliament for the Greek Green Party. He is also a member of many environmental NGOs and is a Green regional councillor in the South Aegean Region.



Ricardo Paes
Mamede

Causes, consequences, and ways out of the crisis: a perspective from EU's periphery

Portuguese economist Ricardo Paes Mamede, examines the structural issues at the heart of the eurozone crisis as it affects Portugal. As the austerity path fails to provide a lasting, or even immediate, solution, Mamede discusses alternative measures to maintain Portuguese stability within the Eurozone system and support sustainable economic development.

... once we consider the main aspects that ultimately led to the growing reluctance of private investors to lend to national governments, we may find ourselves questioning the appropriateness of the general austerity approach ...

The crisis as a result of misgovernment?

The public debate in Europe about the current crisis is still dominated by the view that we are witnessing the results of systematic and prolonged misgovernment in the “crisis countries”. According to this view, the adoption of financially unsustainable public and private decisions over the years, together with the repeated postponement of “structural reforms” lie at the roots of the growing reluctance of private investors to buy the sovereign bonds of some European countries. The depletion of external sources of funding in a context of high levels of indebtedness of domestic agents eventually resulted in the inevitable need for financial aid from international institutions, which was necessarily accompanied by a set of demanding conditions for adjustment. Despite the high economic and social costs of adjustment in the short- and medium-term, the dominant view about the origins of the crisis holds that the rebalancing of public and private balance sheets fostered by the adjustment programs, and the “structural reforms” adopted in this context, will restore confidence in the crisis economies, giving rise to a new period of economic growth and enhanced social welfare.

Within this view on the origins and ways out of crisis, the role of the European rules and institutions is typically left unquestioned. True, it is now widely recognised that the recurrent ambiguity, hesitation, and difficulty in reaching agreements between the major European governments and institutions since 2008 have increased the levels of uncertainty among already nervous financial investors, leading to the

worsening of the sovereign debt crisis in the euro zone. In this sense, it is now hardly disputed that the EU is ill-prepared to deal with extreme situations such as the current one. However, this consensus regarding the need to adjust the policy instruments to deal with huge crises at the EU level should not be confounded with the identification of the causes that led to the crisis on the first hand.

According to the dominant view, the current crisis results from the inability of national agents – in particular, governments – in the EU’s periphery to make the right decisions in the framework of the prevailing EU rules and institutions; the only pitfall of the latter has been their incapacity to impose stronger discipline on national governments. In short, it is assumed that with essentially the same EU rules and institutions – complemented by a more stringent control of fiscal management by the Member States – the outcome could have been substantially different.

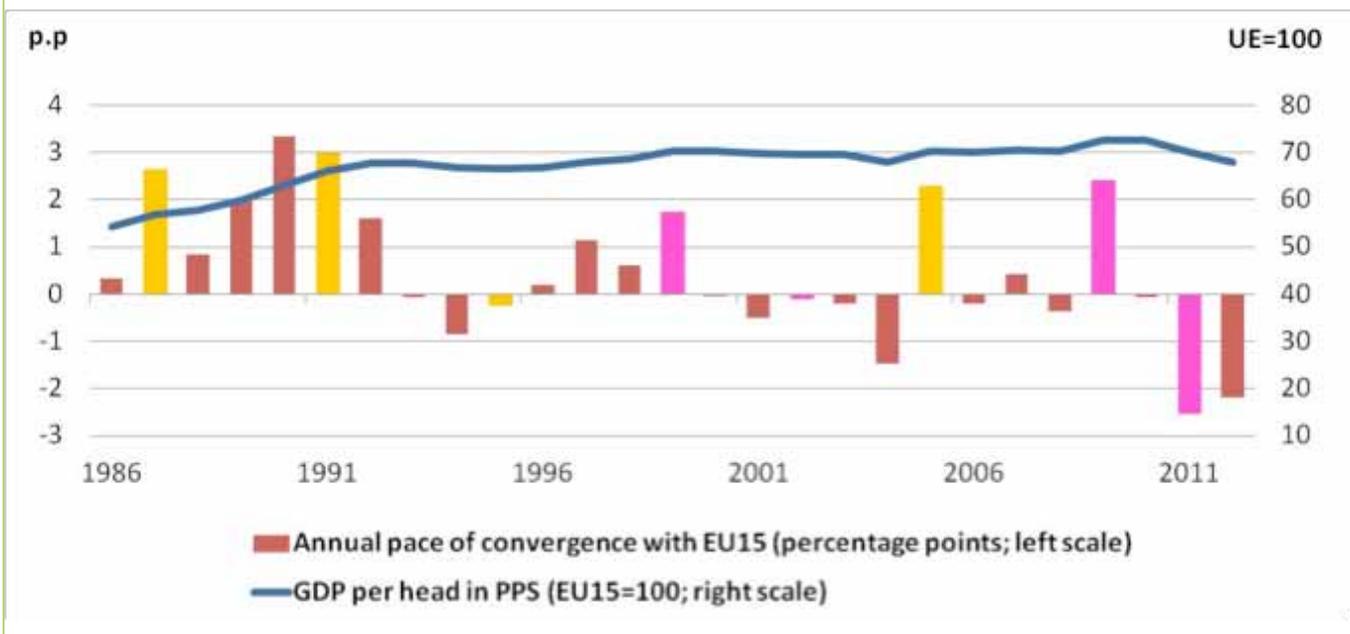
While it is impossible to exclude the misconduct of national governments from the explanation of the sovereign debt crisis in the euro zone, a closer look on how the crisis economies have evolved, and on the policies which were put in place in recent years, may lead one to question the simplicity of the dominant narrative. And once we consider the main aspects that ultimately led to the growing reluctance of private investors to lend to national governments, we may find ourselves questioning the appropriateness of the general austerity approach that has been adopted in the EU as the way out of the crisis.

This paper takes a closer look at the causes of the dismal performance of the Portuguese economy in the last decade, emphasising some crucial structural problems which have limited the capacity of adjustment in the face of successive external shocks. Once we consider these aspects, it becomes less obvious that the austerity approach can promote a sustainable way out of the crisis. Alternative approaches to deal with the crisis while promoting economic, social and environmental sustainability across the EU are discussed in the conclusions.

Dismal growth and its structural causes

The poor performance of the Portuguese economy is not a recent phenomenon. In the first half decade that followed the country's accession to the EEC in 1986, average incomes converged at a fast pace with those of the EU (*Figure 1*). However, even though economic growth remained generally positive until the turn of the millennium, real convergence with the EU average was virtually absent since 1992 – and has been reversed on several occasions after 2001. In 2012 the Portuguese GDP per capita (in purchasing power parities) in proportion to the EU15 average is expected to be identical to that of 20 years earlier (*i.e.*, about 68%).

Figure 1 - Evolution of the gap in GDP per capita (PPP) between Portugal and the EU15 since 1986



Since 1992, the pace of convergence with the EU15 has only been above one percentage point in four years – 1997, 1999, 2005, and 2009. Three out of these were years in which general elections took place, and the remaining one corresponds to the year preceding the Lisbon Universal Exhibition (Expo 98), a major event for which huge amounts of public and private resources were mobilised. In other words, in the few periods after 1992 in which there was significant convergence with EU15 income levels, this appears to have been achieved largely on the basis of arbitrary stimulus to domestic demand through public spending; this is especially true after the entry into force of the euro, in 1999.¹

To some extent, the data presented above appear to support the prevailing view on the origins of the Portuguese crisis: in particular, the graph suggests that electoral considerations (and other motives, often unrelated to the promotion of economic, social, and environmental development) have been at the basis of fiscal practices which eventually proved to be unsustainable. However, the tendency for the periods of convergence to coincide with election years is only one of the main messages that can be extracted from Figure 1. Even more striking is the near absence of real convergence of the Portuguese economy with the EU average since 1992 – and particularly after 1999 – excluding very occasional moments.

While the economic performance of the country could have been somewhat different had the conduct of fiscal policies been less arbitrary, it is not reasonable to abstract from other deeper aspects underlining such performance. Despite all the controversies surrounding this discussion, there is broad consensus regarding the importance of three areas of structural weakness, which are inseparable from the dismal performance of the Portuguese economy in recent decades. Such structural weaknesses are: (i) the education level of the labor force, (ii) the profile of economic specialisation, and (iii) the peripheral position of the Portuguese economy in relation to the main European and world markets.

When Portugal joined the EEC in 1986 the proportion of working-age adults who had completed secondary education was less than 20% (while the European average was already close to 60%). This stunning figure is, to a large extent, an inheritance of nearly half century of conservative dictatorship (ending in 1974), which deliberately underinvested in general education. Overcoming this depressing legacy in education levels has become a main concern for public policy in the last two decades, leading to significant improvements in several areas. Notwithstanding, Portugal still has one of the lowest levels of education attainment in the OECD. Long-lasting habits of families' underinvestment in education, largely explained by the high levels of poverty and inequality in the country, have contributed to prevent a drastic reduction in the rate

¹ In the second half of the 1990s, another relevant factor accounting for the convergence episodes was the substantial decrease in real interest rates, related with the anticipation of the euro (more on this below).

of early school drop-outs, slowing down the pace of convergence with more advanced economies in education levels until today.

There are several implications of low education levels, both in terms of economic performance and of social progress. In particular, huge gaps in education are both a cause and a consequence of the second domain of structural weaknesses mentioned above – the specialisation profile of the Portuguese economy. At the time of joining the EEC, the Portuguese economic fabric was characterised by a huge weight of primary sector activities and low value added, low technology intensive manufacturing industries. The industrialisation of the country had been driven, since the early 1960s, by successive waves of foreign direct investment (FDI), which was driven by – and helped to deepen – such specialisation profile. At first, membership of the EEC and the prospects of a unified European market made the Portuguese industrial tradition (and the corresponding low wages) even more attractive to international corporations. However, with the rapid advance of the globalisation of production it became increasingly difficult to maintain the competitiveness of the Portuguese economy on the basis of low labour costs.

Moreover, the process leading to the Economic and Monetary Union, which started in the late 1980s, has been characterised by the priority given to stabilising the exchange rates within the EU (as a part of the so-called “nominal convergence” criteria). In practice, this led to an appreciation of the escudo (the former national currency) against the basket of relevant

currencies by nearly 35% between 1986 and 1999. In other words, the increasing exposure to world competition was concurrent to a substantial increase in the exchange rate, both developments leading to a gradual erosion of competitiveness in the traditional sectors of the Portuguese industry.

At that time, many believed that the increasing difficulties in competing on the basis of price would constitute an incentive for the structure of the Portuguese economy to shift towards more sophisticated and promising activities. However, this restructuring path faced two crucial obstacles: first, the unavailability of qualified resources suitable for a rapid development of the most advanced, internationally competitive activities; second, the prevalence of several incentives for investors to target other types of (not so promising) activities.

In fact, on one hand, an overvalued currency contributed to ward off investors from tradable sectors. Moreover, such evolution in the exchange rates was paralleled by two other significant developments: the privatisation of large state companies (partly as result of EU rules) which were strongly oriented to the domestic market; and the sharp reduction in real interest rates since the mid-1990s (as a result of the aforementioned ‘nominal convergence’, in anticipation of the EMU). These three factors combined encouraged the channeling of an increasing share of resources to non-tradable activities – namely, financial services, transports, energy, telecommunications, construction, retail and distribution – to the detriment of investment in

tradable goods' industries, postponing the expansion and upgrading of the Portuguese export sector.

Thus, the traditional specialisation of the Portuguese economy – based on low value added, low tech activities – remained virtually unchanged until the start of the euro.² These industries would be faced with three significant shocks in the subsequent period: (i) the entry of China into the WTO (and the related EU/China trade and investment agreements); (ii) the EU enlargement to the East; and (iii) the strong euro appreciation against the dollar between 2001 and 2008. The first two events have increased significantly the exposure of Portuguese industry to foreign competition (given the large overlap of export structures between the Portuguese and the emergent economies of Asia and Eastern Europe), while the euro's appreciation against the dollar eroded the price competitiveness of national exports (for which price is still a decisive performance factor).

In this context, the peripheral position of the Portuguese economy to the main EU markets – the third structural weakness mentioned above – became even more pronounced (as reflected, in particular, by the growing loss of attractiveness of FDI to the benefit of the enlargement countries).

Given the structural weaknesses and international developments aforementioned, the prevailing view, which holds that the present condition

of the Portuguese economy is due to internal misgovernment, deserves consideration. It is difficult to sustain that Portugal would have been able to adjust smoothly – on the basis of the policy instruments available at the national level – to those developments. On the other hand, it is hard to ignore the relevance of the rules and decisions taken at the EU level in shaping such developments as: the process leading to the single currency (implying a lengthy period of currency appreciation, coupled with the abrupt reduction of real interest rates); the management of monetary policy within the Euro (which assigns the highest priority to controlling inflation and neglects the exchange rate developments); international agreements on foreign trade and investment, and the EU enlargement to the East (the benefits and costs of which are asymmetrically distributed among Member States). In other words, at the very least one has to recognise that the distribution of the gains and losses of EU's developments and policy options in the last two decades were not especially favorable to a country like Portugal (and to countries with similar structural characteristics).

National misconduct put in perspective

The erosion of public finances and external accounts, as well as the increasing reluctance of foreign investors to finance Portuguese public and private entities, are first and foremost a result of a long period of dismal growth. This, as the discussion above

2 In the meantime, the primary sector – in particular, agriculture and fisheries – has registered a dramatic contraction, as a result of the low levels of productivity and the rules of Common Agriculture and Fishery policies, which created incentives for a drastic reduction in these sectors' productive capacity.

At this juncture, one should ask: is there a place for national misgovernment in the explanation of the current state of affairs?



suggests, is largely explained by the combination of historical structural weaknesses and international developments – part of which are directly associated with crucial dimensions of the European integration process and with decisions taken at the EU level. At this juncture, one should ask: is there a place for national misgovernment in the explanation of the current state of affairs?

Surely, it is possible to identify several decisions taken at the national level that contributed to jeopardise a sustainable growth path of the Portuguese economy. *Figure 1* already presented some evidence suggesting that public finances in Portugal may not have been managed in the most appropriate fashion. Although the tendency for governments to put forward expansionary fiscal policies in anticipation of general elections is far from being a specific Portuguese phenomenon, this does not mean that

such practices are without consequences. More generally, one should ask whether greater restraint in the management of public finances, as well as other economic policy measures, could and should have been put in place in order to prevent the present crisis. Three topics often arise in the context of such discussion: the over-indebtedness by both public and private entities; the excessive generosity of welfare systems and wage increases; and the absence of “structural reforms” at the level of labour markets, product markets, and regulatory framework for business activity.

The issue of indebtedness is closely associated with the evolution of the real interest rate in the second half of the 1990s, in the anticipation of the euro and as a result of the priority attached at the EU level during in this period to “nominal convergence”. In the case of Portugal, the drop in real long-term interests rates was rather dramatic, falling from an average of 4,8% in 1993-1996 to 1,8% in 1997-2000. This had a huge impact on public and private decisions, since economic agents were now able to obtain a substantially higher volume of credit without increasing significantly their future financial obligations. Accordingly, public and private (firms and families’) investment increased at a fast pace during this period, feeding – and being fed by – economic growth.

In fact, the increase in domestic investment was concurrent to a period of low oil prices and favourable exchange rate developments (with the appreciation of the dollar against the euro), all of which had a positive impact on economic activity. Thus, after the GDP contraction in 1993 (in the wider

By the turn of the millennium, the Portuguese economy and society were in seemingly promising conditions – and the participation in the founding group of the euro area was just another expression of this optimist outlook.

context of the crisis of the European Monetary System), the Portuguese economy regained momentum, growing at an annual average of 4,6% between 1995 and 2000.

The good pupil of the European class

Such economic growth was to some extent translated into long-awaited improvements in social welfare. For example, between 1990 and 2000, the minimum old age pension increased from €163 to €202, while the minimum unemployment allowances increased from €257 to €334 (all values at 2006 prices), while access to health and education services by the population at large has improved substantially. When the decade drew to a close, government expenditures as a percentage of GDP had grown to 41,1% (from 38,5%) – still below the EU15 average of 44,9%, but much closer than in 1990.

Notwithstanding the increase in social expenditures, public accounts seemed at the time to remain in a healthy shape. In fact, national public debt decreased by more than 10 percentage points of GDP in the second half of the 1990, from 59,2% in 1995 to 48,5% in 2000. In other words, while the underdeveloped Portuguese welfare system has witnessed some convergence (albeit modest) towards EU standards during this period, the rapid pace of economic growth and the low levels of real interest rates allowed this to be compatible with a positive evolution of public finances.

In sum, by the turn of the millennium, the Portuguese economy and society were in seemingly promising conditions – and the participation in the founding group of the euro area was just another expression of this optimist outlook.

However, the evolution of the Portuguese economy was rather different afterwards, with GDP growth between 2000 and 2005 dropping to an annual average of 0,8%. A number of events account for this dramatic change of course. Soon after the inception of the euro, in reaction to what appeared to be signs of overheating in the euro zone, the ECB started to tighten its monetary policy, leading the Euribor 6-month rate (which is used as reference to most bank credits) to nearly double from its lowest 1999 value, reaching 5,2% in late 2000. Given the high rates of public and private investment in the preceding years, essentially financed through bank credit, the steep increase in the interest rates had a significant impact in the levels of available income and, consequently, in domestic demand. In the meantime, the busting of the “dot.com bubble” (starting in March 2000 and lasting through 2001) triggered the first international economic crisis of the new millennium. These two events are largely accountable for the increase of the Portuguese public deficit to 4,3% of GDP in 2001, making Portugal the first country in the euro area to break the Stability and Growth Pact's (SGP) 3% limit. In the following couple of years, the Portuguese authorities were committed to comply with the SGP rules, following pro-cyclical, contractionary fiscal policies, which led to a 1% drop in GDP in 2003 – starting a decade-long period of divergence in average incomes with the EU.

While the levels of public and private indebtedness looked relatively sustainable during the second half of the 1990s (when GDP was growing at an average annual rate of nearly 5%), a sequence of years of dreary GDP growth translated into rising debt ratios of firms and families, increasingly translated into lower investment – and, consequently, even lower growth. By this time, the Portuguese economy was facing the consequences of the aforementioned combination of structural weaknesses and international developments. In particular, the growing competition from Asian emerging economies (partly as a result of the agreements reached by the EU in the WTO and other forums) has had a substantial impact in a number of traditional industries (namely, textiles, wearing apparel, footwear, wood and paper, metal products and non-metallic minerals), which were responsible for a significant part of the manufacturing work force. Moreover, anticipating the EU's Eastern enlargement in 2004, a number of multinational firms (especially in the automotive and related industries) have de-located their productive capacity to some of the new member states (taking advantage of lower wages, higher educational levels, and the geographical proximity to the main European markets).

External shocks at the start of the new millennium

In short, steep increases in the interest rates (after a prolonged period of public and private investment), international crisis, pro-cyclical (restrictive) fiscal policies, increasingly fierce competition from emerging economies, and a loss of policy instruments to address such problems: this was the context in which the Portuguese economy entered the new

millennium. When subsequent external shocks hit the international economy – namely the successive increases in ECB's interest rates in 2005-2008, the substantial appreciation of the euro against the dollar in 2007-2008, the peak in oil and commodity prices in 2008 and, finally, the Great Recession – Portugal was still going through an adjustment process characterised by low economic growth, rising unemployment rates (from nearly full-employment in 2000 – 3,9% – up to 7,7% in 2006) and, largely as a consequence, a steady rise in the public debt ratio (which surpassed the euro zone average for the first time in 2006, reaching 63,9% of the GDP). During the first decade of the new millennium, several policy measures were adopted aiming to address the structural weaknesses of the Portuguese economy, its competitiveness problems, and the mounting challenges to the sustainability of public finances. For example: one of the most ambitious pension reforms in the EU was adopted in 2006 (which included a so-called 'sustainability factor' linking the minimum retirement age to life expectancy was introduced); the number of public servants has decreased continuously since 2005 and the public sector wages have grown systematically below inflation since 2001, contributing to the decrease in the public wage bill; European structural funds were redirected from physical infrastructure towards education and training (with Portugal presenting the EU's highest per capital level of the ESF in the programming period of EU's Cohesion Policy, 2007-2013), and to support firm investments in tradable activities; one of the most generous tax schemes to induce private R&D among the

OECD levels has contributed to a fast growth of corporate R&D (fostering the structural change of the economy); the substantial investment in e-government has put Portugal among the most advanced countries in the world concerning the de-materialisation of public services; the national renewable energies program led to one of the highest rates in Europe of renewables as a source of energy in consumption. As late as 2008, these and other policy initiatives were being praised by international organisations – including the European Commission, the OECD, and the IMF – as pointing in the right direction.

Other policy domains, often deemed relevant to tackling the problems of the Portuguese economy, did not merit the same degree of development, according to the institutions just mentioned. One point in case has been the labour market rules and developments. On one hand, labour market legislation has been considered too restrictive, namely in what concerns the formal conditions for, and the costs of, dismissals. On the other hand, the evolution of unit labour costs has been singled out as a source of loss in competitiveness for Portuguese exports. Both these aspects, however, should be put in perspective.

The prevalence of a dual labour market – characterised by the contrast between workers with regular contracts (benefiting from formal arrangements regarding social security, promotions, job protection, etc.) and those with more informal job arrangements (in which the benefits of regular

contracts are nearly absent) – is often presented as a sign of inadequate labour market regulations. In the last two decades, the proportion of the Portuguese labour force working under “atypical” job arrangements has been growing steadily, a fact that is often presented in support of the need to change labour market institutions in Portugal. Regardless of the validity of this thesis – which is met with considerable criticism in the public debate – one should ask whether the supposed imperfection in labour market rules have had a significant impact on competitiveness.

In fact, it is hard to see that labour market institutions in Portugal have created significant negative incentives for investments and job creation. As mentioned above, by the turn of the century, Portugal was experiencing near full-employment, in contrast to many European countries. This seems to suggest that the Portuguese labour market institutions are far from being conducive to persistent unemployment. The steady growth in unemployment afterwards has been largely a result of an increasingly adverse macroeconomic context, as has been discussed above.

In the context of this discussion, it is often argued that wage developments were highly detrimental to Portuguese competitiveness. This echoes the widely spread idea of wage profligacy in the EU's periphery as a source of the current crisis, which is typically illustrated through the more rapid increase of real unit labour costs (RULC) in these countries with regard to the EU average (see *Figure 2*).

Especially in the case of Germany, wage repression as an instrument to improve competitiveness has resulted in an even sharper decrease in the wage share of income, with obvious delirious impacts on intra-EU trade imbalances.

Figure 2 – Real Unit Labour Costs (2000=100)

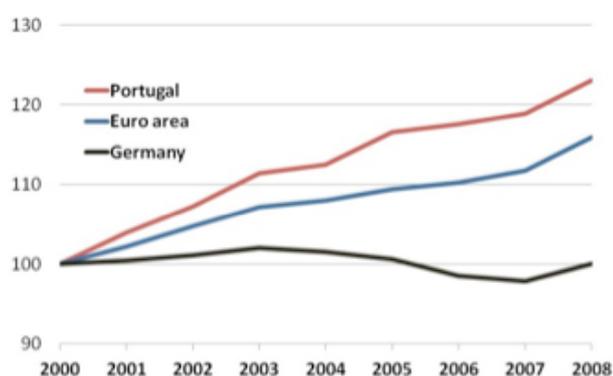
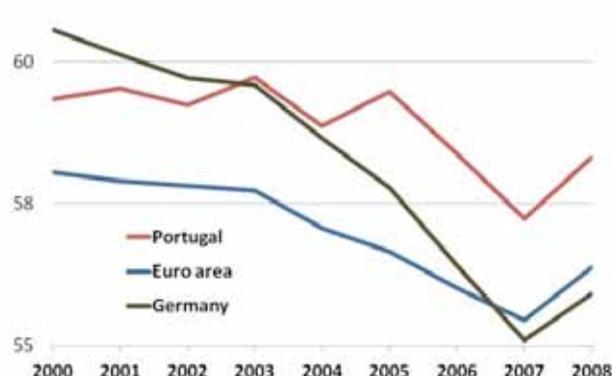


Figure 3 – Adjusted wage share of income (%)



One should note, however, that RULC measures the nominal average wage per unit of production. This means that the growth of RULC does not necessarily mean that *real* wages are rising faster than real product per hour worked – or that the share of wages in national income is increasing. In fact, the opposite is often true, as was the case in Portugal and in the EU as a whole, from 2000 to 2008 (Figure 3).

In other words, over this period (especially after 2005) real compensation per employee in Portugal has grown below productivity, leading to a gradual decrease in the wage share of aggregate income (in spite of an increase in total employment during the period). While this was insufficient to solve the problem of the Portuguese trade deficit with regard to EU, the source of that problem seems to reside less on the excessive wage growth in Portugal than to an insufficient wage growth in the center. Especially in the case of Germany, wage repression

as an instrument to improve competitiveness has resulted in an even sharper decrease in the wage share of income, with obvious delirious impacts on intra-EU trade imbalances.

The Portuguese adjustment program and its shortcomings

With a record of dismal GDP growth since 2000, a rapid increase in public debt after 2008 (as a result of the international crisis and the counter-cyclical measures undertaken in line with the European Economic Recovery Plan), and high levels of indebtedness of both firms and families, the Portuguese economy was particular vulnerable to the speculative attacks against sovereign bonds in the euro zone, which started in late 2009. Following Greece in early 2010 and Ireland later that year, Portugal submitted a request for financial help to the European Financial Stability Facility (EFSF) in April 2011. The Memorandum of Understanding

between the Portuguese Government and the troika composed by the European Commission, the European Central Bank and the International Monetary Fund – which fixed the terms of the adjustment program that would accompany the EFSF's loan – fixed as main objectives the rebalancing of Portuguese public finances (by reducing public deficit from 9,8% of the GDP in 2010 to under 3% in 2013) and the adoption of a number of measures to strengthen the competitiveness of the Portuguese economy.

In general, the adjustment program that is being implemented in Portugal since May 2011 does not represent a dramatic break with the recent past with regard to the measures related with public finances. As was partly mentioned before, several policy initiatives in this field have been adopted in previous years, including: reducing the number of civil servants and their real wages; reducing the number of public agencies and managers; cutting back social expenditures (*e.g.*, by fixing an upper limit to non-contributive social benefits, eliminating special pension arrangements for specific groups of civil servants, changing the rules of unemployment allowances, fixing limits to expenditures within the national healthcare system, or introducing the means-testing principle in a wide set of non-contributive social benefits); downsizing public investment programs; privatising state-owned firms (continuing a trend that has been present in virtually every year in the last two decades); decreasing tax benefits for household expenditures with education and healthcare; decreasing tax benefits for higher

pensions; increasing the VAT rate (now at 23%); increasing the maximum marginal rate in personal income tax (now at 45%); introducing a new tax on stock market capital gains; extending the base of social security contributions to previously excluded forms of compensation; among others. Concerning these domains, the Portuguese adjustment program essentially emphasises the need to proceed with the implementation of the measures already in place and, in some cases, to reinforce some of them (for example, imposing stricter limits to social benefits, greater cuts in public investment, and a stricter control of the budgetary process at all levels – central and local administration, quasi-public agencies and state-owned firms).

From adjustment to contraction

As expected, such austerity measures will lead to a steep decrease in economic activity and employment. For 2012, the Portuguese government expects a drop in GDP of 2,8% (after -1,8% in 2011) and an increase in the unemployment rate of 13,4% (more recent forecasts by the OECD and the European Commission are even drearier). Underlying the drop in GDP are: the strongest decrease in private consumption in recent decades (-4,8%); a substantial drop in public consumption (-6,2%); and an even more pronounced reduction in investment (-9,5%), after three consecutive years of negative growth and a decade of nearly paralysis in investment activity.

The contractionary implications of the adjustment program, in the context of a decelerating European economy (largely due to the austerity programs

The shortcomings of such deflationary approach to economic recovery in the present context can hardly go without notice.

being adopted in other EU countries), have already led to the need to adopt new measures in the fiscal area – the most relevant of which was a cut of nearly 12% in civil servants' wages (adding to an average cut of 5% that had been previously decided). The fact that the government had to introduce an additional, and substantial, cut of civil servants wages is not only a sign that the recessive impact of the austerity measures is greater than initially expected – it also suggests that the possibility to obtain significant improvements of the budgetary situation by cutting down superfluous expenditures, or by increasing revenues from unexplored sources, is entering into rapid decreasing returns.

In other words, given the measures that were already in place (some of which for several years), the Portuguese adjustment program seems to be mostly about forcing the reduction of the public deficit in the short term (in order to meet the goals set at the EU level), rather than radically changing fiscal management practices in the country. The aim to achieve a drastic reduction of the deficit is leading to a deep recession, which makes it even more difficult to achieve the desired goals in the fiscal front.

The capacity to achieve the deficit targets seems now to depend on a rapid return of the Portuguese economy to a growth trajectory. This, however, at the present juncture appears to be ever more distant. The adjustment program does not include any significant measures to counter the recessionary implications of expenditure cuts and tax increases. During the adjustment period all sources of growth are expected to come from net exports – and several

elements of the adjustment program address the need to improve the competitive performance of the Portuguese economy.

The adjustment program's underlying strategy to improve the competitiveness of Portuguese exports emphasises two dimensions: product market regulation and labour market legislation. In what concerns the former, Portugal has a generally positive record in complying with EU's competition laws and European Commission's recommendations. Still, the relatively high prices in some regulated markets (notably, the energy markets, which were highly intervened, partly as a result of the renewable energies' policy) signal that there may be room for increasing competitiveness by improving regulation.

Difficult changes to labour laws

Notwithstanding, most efforts in the realm of the so-called 'structural reforms' have been directed towards the labour market legislation. Among the first measures adopted under the adjustment program were the reduction in the maximum duration of unemployment benefit (from 36 to 18 months), and the substantial cut in severance payments in case of worker dismissal (from 30 to 10 days per year of tenure). More recently, the normal weekly working hours in the private sector were increased from 40 to 42,5. Together with the steep increase in unemployment, these (and possible future) changes in the labour market legislation are expected to improve the cost competitiveness of the Portuguese economy, by fostering a substantial drop in real wages.

The shortcomings of such deflationary approach to economic recovery in the present context can hardly go without notice. First, and most obvious, the idea of putting all the weight of demand on net exports is now facing the dreary prospects of low growth in EU economies (which account for nearly $\frac{3}{4}$ of Portuguese exports); these prospects will tend to aggravate as most countries adopt austerity as the strategy to regain competitiveness – leaving very few outlets for any country's exports. Second, even if the international conditions were more favourable, the increase in net exports would have to be rather impressive in order to compensate for the drop in internal demand (which accounts for about $\frac{3}{4}$ of Portuguese GDP). Third, a substantial increase in exports would require huge investments by exporting firms – and this faces the hurdles of high indebtedness and severe constraints in access to credit by Portuguese firms under the present conditions. Fourth, for the increase in exports to have a significant impact, real wages would have to be cut down even further (a nominal drop of 30% to 40% is often pointed out as a requirement for rebalancing the current account, other things being equal), which means that the internal recession would be even more severe. Fifth, while tax increases and social benefits have been designed in order to mitigate the negative impacts on families in the lowest income groups, poverty and social inequality are expected to increase significantly – this in a country that has already one of the worse performances among developed countries in these domains. An even sharper approach to internal devaluation faces the risks of major social and political disruptions, which

could jeopardise the efforts being made in the fiscal front. Finally, even if one takes for granted that some of the “structural reforms” included in the adjustment program may have a positive impact in the competitive performance of Portuguese exports (*e.g.*, better regulation of product markets, improvements in the budgetary process, greater flexibility in the labour market), it is hard to miss the fact that the program leaves largely untouched – and, to some extent, it contributes to worsen – some of the most relevant structural weaknesses of the Portuguese economy (which were discussed in section 2).

Adjustments undermining competitiveness

In fact, by cutting expenditures in education and social assistance the adjustment program will almost unavoidably make the fight against early school dropouts (in which important successes were obtained in recent years) even harder. With regard to the specialisation profile of the Portuguese economy (which, as we have seen, has been a core reason behind slow economic growth in the last decade), while the adjustment program may foster a greater weight of tradable activities (due both to the shrinking of the domestic market and to greater competition in regulated industries), the strong squeeze in real wages constitutes an incentive for firms to seek competitiveness through low labour costs, instead of searching for more advanced productive assets. Finally, the postponement of investments in important transport infrastructures (namely, with the aim of expanding the capacity of international airports and improving railway connections with the main European markets) will

not help to curb the competitive weakness related to Portugal's geographic position.

Conclusion: sustainable ways out of the crisis

Summit after summit, EU leaders show an unconditional adherence to the view that the current crisis in euro area has its roots on the lack of fiscal discipline, especially among the peripheral countries. Because institutions and policy practices are never perfect, and given that anecdotal evidence of serious misconduct by national governments abound, such dominant view has been hard to contradict. In this context it becomes easier to gather wide acceptance around the notion that the solution to the crisis lies at reinforcing fiscal discipline at the continental level.

However, any serious attempt to identify the origins of the current crisis should go beyond such simplistic approaches. While it is not possible to exclude misconduct by successive governments from the list of factors that led to the Portuguese sovereign debt crisis, ignoring the role of a combination of structural weakness of the Portuguese economy and society with a sequence of external shocks – largely induced by EU level institutions and decisions – would be either patently misplaced. What is worse, the policy remedies that logically follow from such simplistic view risk missing some of the most relevant obstacles that have to be overcome in order to bring the European economies and societies back to a sustainable path.



In fact, this paper tried to show that most of the measures included in the Portuguese adjustment program were already in place before the market costs of financing became unbearable. In other words, contrarily to what is often believed, Portugal has been following closely (and with considerable success) several elements of the reform agenda that has become nearly consensual among the EC, the OECD or the IMF; notwithstanding, its economic and social outlook for the coming years is rather gloomy. In an international context characterised by persisting troubles in financial markets and slow growth, Portugal's commitment to bring down the public deficit to 3% of the GDP by 2013 will have to be achieved through additional tax increases, severe cuts in civil servants' wages, and substantial cuts in social expenditures. Beyond the social problems and the political instability it fosters, this strongly pro-cyclical fiscal strategy risks being self-defeating due to strongly negative impacts of fiscal austerity on public finances.

In other words, austerity risks destroying the basic pillars of a decent society, while having, at best, indeterminate impacts on fiscal balances.

It would be unfair to suggest that the Portuguese adjustment program does not go beyond imposing a highly pro-cyclical approach to fiscal management, the consequences and risks of which – social, political and economic – are too evident. In fact, the program is expected to foster reforms that should help to improve the performance of the Portuguese economy in the future, such as a stricter control of the budgetary process or a better regulation of some product markets. However, the analysis of the program – and conjunction with that of the decisions being taken at the EU level – leads to the conclusion that reducing the labour costs constitutes the core ingredient of the underlying strategy to overcome the current crisis.

As we have seen, the changes in the labour market included in the adjustment program (namely reducing the costs and conditions for dismissals, as well as the duration and the amounts of unemployment benefits) together with the increasing rates of unemployment (largely related to fiscal austerity), are expected to result in decreasing unit labour costs, which are expected to improve the price-competitiveness of the Portuguese economy.

However, as an increasing number of EU countries revert to austerity – and, in many cases, to the same type of policies targeting reduction in the labour costs – the success of such a strategy, in terms of economic growth and fiscal sustainability, becomes less certain. On the contrary, the impacts of such strategy on the erosion of public services (health, education, social assistance, etc.) and the increase in inequality

(with the continued reduction in the wage share of income and the increase in poverty rates) are hardly avoidable. In other words, austerity risks destroying the basic pillars of a decent society, while having, at best, indeterminate impacts on fiscal balances.

More importantly, by demanding a substantial cut in public investment (after years of negative growth in this variable), the adjustment program will jeopardise the efforts that have been made in recent years in order to ameliorate some of the most obstructive weaknesses for the development of the Portuguese economy and society (such as low education levels, high poverty and inequality, low sophistication of the productive structure, and the peripheral position of the Portuguese territory).

In sum the EU is not merely facing a problem of lack of mechanisms to prevent the self-fulfilling prophecies of financial speculators or the need to reinforce fiscal discipline. The EU economies urgently need to return to a sustainable growth path (a *sine qua non* condition for solving the fiscal crisis), as well as to find ways to deal with differences in economic and social structures among Member States (that lie at the roots of the current crisis).

There is room for institutional reforms at the EU level that would reduce the risks of financial instability, support economic recovery, and promote growth and social justice, without jeopardising the need for sustainable public finances. Such reforms at the EU level include: coordination of wage setting, budgetary rules which are able to accommodate asymmetric developments in business cycles,

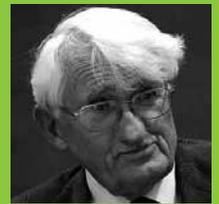
corporate tax harmonisation, and the introduction of financial instruments that help to prevent speculative attacks on sovereign debt of member states.

In the short run, the EU should adopt a strategy that would match the call for a greater control of fiscal management with the need to re-launch economic growth through intelligent investment. For example, excluding national co-financing of EU Cohesion Policy from fiscal targets, conditional to the strict alignment with Europe 2020 strategy, would: (1) contribute to a counter-cyclical response to economic slowdown and social crisis; (2) foster investments that would help to address structural weaknesses of the EU's periphery, making them more competitive and, simultaneously, promoting a sustainable path to economic growth (e.g., investments in energy efficiency, trans-European transport networks, electric mobility); and (3) assure that adequate mechanisms for policy monitoring and evaluation would be in place, in order to maximise the impacts of public interventions on sustainable development, while minimising the misuse of public resources.

Without going beyond the austerity route, the EU economy will be condemned to a prolonged period of slow growth, high unemployment, growing inequality, gradual destruction of the welfare state, and the recurrent postponement of the investments that are necessary to promote sustainable development and to overcome the most relevant structural sources of lack of competitiveness in some peripheral countries – leaving largely untouched the factors that led to the current crisis ■

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For a more democratic Europe



Jürgen Habermas

In the short term, the crisis requires all our attention. But the political actors should not forget the structural defects of the monetary union. These will not be repaired without adequate political union. The European Union is missing the necessary competences for the harmonisation of the national economies whose competitiveness vary radically.

On the threshold between economic and political unification of Europe, politics seems to hold its breath and to play low profile.

The reinforced pact for Europe just reinforces an existing failing: non-binding agreements between heads of government are either without effect or not democratic. Therefore they should be replaced by an institutionalised decision making process whose legitimacy could not be challenged.

The German federal government is the accelerator of a movement of dissociation that affects Europe in its entirety. It has ignored for too long the only possible constructive solution that even the *Frankfurter Allgemeine Zeitung* has depicted with the laconic formula "more Europe". The governments are distraught and paralysed by the dilemma between the imperatives of the big banks and of the credit rating agencies and the fear of losing their legitimacy in the eyes of their frustrated citizens. Brainless "incrementalism" betrays the lack of a broader perspective.

Since the end of "embedded capitalism" and since the globalised markets escape political control, it becomes more and more difficult for all members of the OECD to stimulate economic growth and to insure a fair income distribution and social security to a majority of their people. This problem was defused by the acceptance of inflation after the freeing of the exchange rates. But this expensive strategy forced the government to use the loophole of financing their public budget through increased debts.

Since 2008, the financial crisis has frozen the mechanism of imposing public debt on future generations. And in-between we do not see how we could in the long term reconcile the austerity

policies – that are not easy to impose on the Member-state level – with the maintenance of a sustainable social state.

The youth uprisings form a warning of the threats to the social peace. At least they allowed recognising, in these circumstances, that the real challenge lies in the imbalances between the market imperatives and the regulative power of politics. Inside the Eurozone the expected economic governance should give new strength to the discredited "growth and stability" pact.

The discourse about an "executive federalism" of a new kind mirror the fear of the political elites to transform the European project, until now practiced behind closed doors, in a noisy, public and argued struggle of opinions, forcing us to roll up our sleeves. Considering the seriousness of the problems, one should expect that the politicians would finally put the European cards on the table in order to enlighten the people in an assertive way about the short term costs and the real use *i.e.*, the historic meaning of the European project.

They should overcome their fear of the opinion polls and trust the power of conviction of good arguments. Instead, they team up with populism that they themselves fostered by obscuring a complex and unpopular issue. On the threshold between economic and political unification of Europe, politics seems to hold its breath and play a low profile. Why this paralysis? It is a vision stuck in the 19th century that imposes the well-known answer of the demos: a European demos would not exist; that is the reason

why a political union would be founded on quicksand. I would propose another interpretation: the persistent political fragmentation in the world and in Europe is in contradiction with the systemic growth of a global multicultural society and it blocks every advance in the constitutional and jurisdictional civilisation of the relations on the social and state levels.

Considering that until now the political elites had a monopoly on the construction of the European Union, there was a dangerous asymmetry between the democratic participation of the peoples in the wins of their governments on the far stage of Brussels and the indifference or even more, the complete lack of participation to the decisions taken in the Parliament in Strasbourg. This observation does not imply a substantialisation of the "peoples". Only right wing populism keeps on projecting the caricature of great national subjects closed to one another and blocking all the attempts to form a common will beyond the national borders. After fifty years of labour migrations, the European peoples, considering their growing ethnic, linguistic and religious pluralism cannot be imagined as homogenous cultural units. The internet has weakened all borders.

In the territorial states characterised by great spaces and complex interrelations, it was first necessary to install a common life world, and let the civil society feed it with a flux of communications and ideas. Hence, this can only occur on the base of a shared political culture that should remain quite vague. But as the national peoples (informed by the media) become more and more aware of the influence of

the EU on their daily lives, their interest to use their democratic rights as citizens of the EU will also grow.

This factor became tangible in the crisis of the euro. The crisis forces the Council to take reluctantly decisions that could have different consequences on the national budgets. Since May 8th, it has crossed a threshold by taking decisions with potential changes on debt and with statements of intention with the aim of harmonisation in all fields of competition (in economical, fiscal, social, cultural policies).

Problems of distribution appear beyond this threshold, because as moving from a "negative" integration towards a "positive" integration, the emphasis moves from an output legitimisation to an input legitimisation. Thus, it would be in the logic of this evolution that nationals, who should face changes of distribution across borders, as citizens of the European Union, want to influence democratically what their heads of government negotiate or decide in a legal and political grey zone.

Instead, we notice the governments using delaying tactics and, from the national audiences, a growing populist rejection of the European project. This self-destructive behavior can be explained by the fact that the political elites and the media do not dare articulate the reasonable conclusions of this constitutional project. The pressure of the markets has imposed the conviction that when the euro currency was introduced, an economic blind spot had been missed. The European Union can assert itself only if it receives the necessary competences

for guaranteeing, at least in the heart of Europe, *i.e.* among the members of the Eurozone, a convergence of the economic and social developments.

All the participants know that this “strengthened cooperation” is not possible in the frame of the existing treaties. The consequence of this common “economic government”, complacently dear to the heart of the German government, would mean that the central requirement of the competitiveness of all countries of the European Economic Community would reach far beyond the financial and economic policies to the very heart of the budgetary competences of the national parliaments.

If the current treaties may not be blatantly broken, this reform could only occur through another transfer of competences from the Member States to the Union. Angela Merkel and Nicolas Sarkozy have concluded a compromise between the German economic liberalism and the French “etatism” that has a completely different meaning. If I am right, they try to strengthen the federalism of the governments implicit in the Lisbon Treaty in an intergovernmental domination of the Council which is against the Treaty. Such a regime would transfer the markets imperatives to the national budgets without any specific democratic legitimisation.

In this prospect, arrangements would be concluded in opacity and without juridical form, and they should be imposed by threats and pressures on the national governments dispossessed of their powers. By acting like this, the heads of governments would transform

the European project into the contrary of its original objective: the first supranational democratically legitimated community would turn into a kind of effective and hidden exercise of post-democratic domination. The alternative relies in the resolute continuation of the democratic legislation of the EU. Citizens’ solidarity cannot be developed inside Europe, when between the Member States, *i.e.* at the potential breakpoints, the social inequalities between rich and poor nations are reinforced.

The Union must guarantee what the Basic Law of the German Federal Republic constitution calls (art. 106, section 2) : the “uniformity of living standards”. This homogeneity only refers to an estimation of life situations that should be socially acceptable and not to the leveling of cultural differences. Now, a political integration based on social well-being is necessary for protecting the national pluralism and the cultural wealth of the biotope of “old Europe” from the leveling of an ever continuing globalisation ■

This text is an excerpt of the conference given by Jürgen Habermas at the University Paris-Descartes in the frame of a colloquium organised by the team PHILÉPOL (philosophie, épistémologie et politique) directed by the philosopher Yves Charles Zarka. The full text is edited in French in the January Edition of the revue Cités (PUF).

Jürgen Habermas is a German sociologist and philosopher. See Finlayson, Habermas: A very short introduction, Oxford University Press, 2004

Visions for the future of Europe



In advance of a meeting on the future of European being organised by the German Greens in February 2012, Green members of the German Bundestag and members of the European Parliament discuss possible solutions to the Eurozone crisis, and what political changes are needed to secure the Union's future.

The European Union is at a crossroad. In many Member States, the financial crisis has turned into an economic crisis. The indicators for Germany equally suggest a recession. The debt crisis – heavily indebted banks, budgets and states – and an ever growing mass unemployment endanger solidarity in Europe. The Eurocrisis has thus become the biggest challenge for a common Europe.

Today we have to assert: the Treaty of Lisbon has not taken European integration far enough to equip the EU to deal with the challenges of globalisation and the risk posed by uncoordinated national policies. The EU is not strong enough, and cannot act swiftly enough, to deal with the present crisis. At the same time, we are seeing that the democratic legitimacy of the European institutions – despite significant progress – is regarded as weak. The crisis response is alienating the public, for instead of being democratic, it is yet again being decided by governments behind closed doors.

This is about more than a currency. The European Union is the response to an increasingly globalised world. Only with a Europe that is capable of acting can globalisation be constructed politically. Only a unified Europe that is capable of acting will be able to help fight the crisis in the world – from the poverty and hunger crisis to climate change.

This is why we have to strengthen this Europe. We need more Europe.

Europe now needs to find the courage to transfer more powers to the European Union in the fields of economic, financial, budgetary and fiscal policy. It must find the courage to create a more social Europe, with more powers and democracy for the European institutions. We see very clearly that the Member States already lack the capacities to develop convincing structures of their own in response to the crisis. And this Europe is more than a compromise between the governments of its Member States.

It is the birth defect of this “new fiscal policy pact” that it does not transcend the logic of a Europe of its governments. Instead of strong, democratically legitimised European institutions, it opts for intergovernmental cooperation.

In reality this pact is subordinate to Union Law and does not achieve the binding character it claims to possess. Furthermore, it still has to be ratified by Member States and implemented into the respective constitutions – and it remains doubtful if this can actually be achieved. Once again, the orientation towards a Europe of governments is taking revenge.

Concerning its content, the pact remains far behind the mere necessities. Europe needs solid state finances. But this will not be achieved solely through debt brakes in the constitutions and supposedly automatic sanctions. Solid budgets and debt reductions will not be achieved solely through simultaneous saving of all Member States. With regard to the recession, we need a European build-up and investment program. Only if consolidation is joined with sustainable growth will Europe be able to transcend the debt crisis...

All types of reinforced cooperation have to remain open to all Member States, including the states whose currency is not the euro.



The European Union must now learn from this and set up a Convention, with a limited thematic agenda, in order to address these weaknesses in its integration process. In doing so, the heads of state and government must not repeat the mistakes made in the Treaty of Lisbon and prepare the Treaty amendments behind closed doors. Instead, Europe must have the confidence to debate the Treaty changes publicly, prior to the general revision procedure, in a Convention that includes the social partners and civil society. Immediate and effective measures have to remain feasible, but they have to be designed in a way as to make a subsequent integration into the EU treaties possible. All types of reinforced cooperation have to remain open to all

Member States, including the states whose currency is not the euro.

As the Greens in the Bundestag and the European Parliament, we want to debate openly about the future of the European Union and offer a forum for ideas and thinking about framing of future Treaty amendments. To that end, we wish to initiate an open debate with civil society and interested persons, and invite warmly to our blog: www.gruenes-blog.de/zukunftdereu. This process will conclude with a Green Convention on the Future of the European Union, to be held in Berlin on 24th February 2012, in which the results of this process will be discussed in detail and translated into concrete proposals.

Economy

In the past, governments primarily conducted their economic policies within the national arena. There has been a currency union, but no common financial and economic policy. This created dangerous imbalances within the EU. The crisis has aggravated the differences in economic structure and competitiveness between Eurozone countries. The EU lacks credible mechanisms to combat economic and fiscal policy imbalances. We have to develop the currency union into an economic union.

We present the following hypotheses for debate:

- economic imbalances – surpluses and deficits – within the Eurozone must be avoided, the EU Member States must coordinate their economic and financial policies, and there must be safeguards so

that Member States' entire expenditure is funded primarily from revenue, not debt;

- competitiveness must be aligned and wage development in the Member States coordinated;
- the EU needs rights to intervene in order to prevent economies from drifting apart, and must require all Member States to pursue sustainable economic course in accordance with the decisions jointly adopted (including EU 2020);
- the progressive development of a more European fiscal policy is needed;
- a modern growth strategy, in line with the concepts of the Green New Deal, must set the economy on a new, sustainable and socially equitable course that is combined with distributional justice.

Budget and taxes

The present measures aimed at ensuring compliance with deficit and debt criteria have been largely ineffective. Economic imbalances cannot be tackled through mere savings.

The EU lacks credible debt reduction mechanisms as an effective and early response to excessive debt. The introduction of levies on assets EU-wide could make a genuine financial contribution to reducing Member States' sovereign debt, based on major assets and very high incomes. A long-term crisis response mechanism must ensure that debt crises of the type we are experiencing today can no longer occur. Therefore, we quickly need a sufficiently equipped bailout fund that is capable of acting – the European Stability Mechanism (ESM).

The present situation – an internal market with low tax harmonisation – not only contributes to the structural underfinancing of many public budgets,

but also has devastating environmental and social consequences, for example is tax avoidance by major companies is not prevented. Therefore, the dangerous tax competition within the EU must end and greater harmonisation of the tax system has to be achieved.

We present the following hypotheses for debate:

- the European Commission, as the guardian of the Treaties, must be able to take action against violations of the rules set out in the Stability and Growth Pact;
- its decisions can only be stopped through a qualified majority of Council and Parliament;
- the EU Member States' budget policies must be better coordinated and compliance with the deficit and debt criteria enforced; social and ecological balance must be retained during austerity measures;
- procedures are required which include governments and parliaments of all member states;
- a banking licence for the ESM is needed in order to assure its capacity of acting;
- Common European Bonds (Eurobonds) can help to break the spiral of banking and sovereign debt crises;
- in order to reduce debt, the concept by the German advisory board of economic experts of introducing a "redemption fund" should be implemented. European states would put that part of their sovereign debt into it that exceeds 60% of their yearly economic performance;
- tax bases and tax rates must be harmonised. Also for direct taxes, majoritarian decisions have to replace the principle of unanimity in order to prevent blockading tactics from inhibiting sensible harmonisation.

Minimum standards for workers' rights must be established, along with the principle of "equal pay for equal work at the same time", which must apply throughout the EU.

Finances

The structures in the financial market give certain players the power to jeopardise the entire system. The international financial markets are anything but financial sustainable and crisis-proof. With the introduction of Basel II, banks were permitted to inflate artificially their equity capital ratio for regulatory purposes, which the actual equity capital ratio, and hence the capacity to absorb losses, has dramatically decreased. The fragmented bank bailout packages, which were restricted to the national level, were inefficient and actually deepened the crisis. There are perverse incentives to take short-term action – both in respect of banks' equity capital cushion against risk, and in relation to bonus payments. The bailout policies applied to date have simply created larger and larger banks that are even more difficult to wind up and that are capitalising on their sheer size in order to exercise political influence.

We present the following hypotheses for debate:

- the financial markets should be more efficiently regulated and supervised;
- a European financial transaction tax must be introduced;
- a European Monetary fund could create clear rules for financial emergencies;
- a debt brake for banks, in the form of an absolute lower limit for equity capital, must be introduced as the basis for calculating a bank's overall risk;
- mechanisms have to be created that put private bail-in over public bail-out;
- a European bank restructuring fund must be establishing, to be replenished with a European banking levy;

- national crisis management and wind-up competences must be transferred to a European banking wind-up authority, including harmonised wind-up, break-up and insolvency rules;
- a European rating agency must be created to ensure more competition.

Social Affairs

At present, competition in the internal market is cross-border, whereas social security often stops at national borders. This imbalance between the scope of economic and social rules must be removed. This is the only way to ensure citizens' acceptance of the European Union. European-wide minimum standards and regulatory corridors should prevent social standards from falling victim to location-based competition.

We present the following hypotheses for debate:

- more "social Europe" is urgently needed;
- a "social progress clause" must be incorporated into the EU Treaties in order to ensure that social protection and workers' rights in the European Union have the same status as free movement of services and the internal market;
- minimum standards for workers' rights must be established, along with the principle of "equal pay for equal work at the same time", which must apply throughout the EU;
- we need more coordination in the field of social security, and we must ensure that there is no competition to drive down social standards to the lowest possible level, and that social security systems are compatible;

When far-reaching decisions are only ever negotiated between Heads of State and government and the general public is presented with a fait accompli, politics puts citizen's support for the European project at risk.

- national characteristics of general interest services must be protected to a greater extent; these services must be excluded from the internal market in order to ensure that sectors that contribute particularly to national, regional or local public welfare are protected from European competition;
- We need more coordination so that citizens of the EU can exercise their rights to make use of their achievements, such as education and vocational qualifications, or can benefit from social insurance across borders.

Democracy

Beyond the question of whether the German constitution might set clear limits to further integration that can only be overcome if the "German people in a free decision" ratifies a new constitution (Article 146 of the German basic law), a democratisation of the European Union is certainly necessary. When far-reaching decisions are only ever negotiated between Heads of State and government and the general public is presented with a fait accompli, politics puts citizen's support for the European project at risk. Until now, the intergovernmental aspect has driven the European integration process to an excessive degree. It is essential to make the political process at European level more visible and transparent. The low turnout at the European elections and the failed referenda on the Constitution in France, the Netherlands and Ireland show that democracy is urgently needed in the European processes. For that reason, the European institutions – particularly the European Parliament and the European Commission – must be strengthened.

We present the following hypotheses for debate

- a European Convention, with the participation of the social partners and civil society, should generally discuss the requisite amendments to the EU Treaties in public, before the general revision procedure set out in the Treaty is initiated;
- the European Commission and the European Parliament should be given more powers in the field of economic, social and tax policy;
- a European Economic and Finance Minister with more powers will play a key role and have appropriate rights of intervention in regulating and monitoring economic and budget policy; this Commissioner should be elected in a separate vote by the European Parliament and can be voted out of office on an individual basis. This Commissioner should chair the Euro Group and the Council of Finance Ministers, and thus take account of the Member States' role in an economic and solidarity union;
- the European Parliament should have its own right of initiative in respect of legislation relating to the economic, solidarity-based Union as part of the codecision procedure;
- the European dimension of the European elections must be increased, e.g. with transnational lists of candidates standing for election to the European Parliament ■

The above text was written by German Green members of the German Bundestag and the European Parliament

What's going on in Hungary?



Kristóf Szombati

As Hungarian Prime Minister Victor Orbán's government continues to receive international and domestic criticism for its undemocratic "reforms", LMP co-founder Kristóf Szombati discusses whether they mark a return of nationalist ideology to Europe, and how the Hungarian opposition is responding.*

* This text is based on an article written for Heinrich Böll Foundation Prague which can be found at: <http://bit.ly/ycVLa3>

After a period of slumber my country has again made the headlines of Western newspapers and television channels. Whereas in the 90s Hungary was celebrated for its quick adoption of neoliberal political and economic reforms, Western European audiences are today confronted with troubling news emerging from a country, which was hitherto seen as the most eminent pupil of the West. Commentators have often tended to frame the last sixteen months' momentous political events as instances of a de-democratisation process driven by the excesses of a power-hungry leader and his henchmen in Parliament. Although there is undoubtedly an element of truth to this picture, the familiar tableau, which relies on misplaced, often orientalist images (depicting the continent's Eastern confines as an ever-boiling cauldron of aggressive majority-ethnic nationalisms) clouds more than it reveals. Viktor Orbán's attempt to install a system of "majoritarian democracy" cannot simply be dismissed as a self-interested move aimed at cementing his party's power. Clearly, the Prime Minister would like to preserve his position for as long as possible and, as described below, has pushed through a number of alarming reforms since he came to power in the spring of 2010. But his government's actions, as I will argue, also suggest that the current dismantling of the system of checks-and-balances is not an end in itself, but rather one element of a broader, extremely ambitious political project, which may be summarised thus: Overcoming Hungary's triple (political, economic and social) crisis by introducing a crude majoritarian rule, "re-embedding" an underperforming economy and stifling deep-seated antagonism through the freezing of social boundaries and the strengthening of

institutions (re)producing nationalist ideology and patriotic sentiment.

In what follows I hope to reveal some of the links between these different moves, concentrating on the political-economic nexus. My main point is not to demonstrate that the new ruling elite, to put it bluntly, is not up to the task (although I do wish to stress that it has seriously underestimated the obstacles it has to face). It is rather to suggest that the Orbán government's assault on the Hungarian Third Republic is not some kind of irrational "frenzy", but rather a calculated response to the severe crisis of legitimacy, which has come to dominate Hungarian politics during its own "lost decade" (2000-2010). The "unorthodox" reforms put forward by the ruling party (Fidesz) and its Christian democratic ally are implemented in a country where the lower and middle classes are not only "squeezed", but facing impoverishment; where Europeanisation has become a synonym for privatisation and market capture, not modernisation (as in other parts of the European periphery); and last but not least where discourses of social solidarity and post-nationalism have come to be associated with a corrupt "luxury left".

Some of the examples you will come across below will appear far-fetched: A right-wing government's attempt to tap into anti-capitalistic sensibilities and to dismantle the democratic edifice may appear implausible in Western Europe – even if these no longer come as a surprise in the context of a downwardly mobile middle class and its continuous dependence on a nepotistic and corruption-ridden state. There is, however, an uncanny presence of

features, which betray the existence of tendencies common to both East and West. Perhaps most notable is the way in which both Eastern and Western European leaders have returned to the rhetoric of the “national interest above all” in the context of an economic crisis threatening to destroy wealth and employment and the disappearance of federalism (whose most fervent post-Socialist proponent, Vaclav Havel, has just left the scene) from the continent’s ideological landscape. This suggests that Viktor Orbán’s regime is but one of the manifestations of the current “sovereignist” moment – whose ending we do not see. It is precisely because of this that Hungary’s ill-conceived and painful social experiment should be scrutinised in other corners of Europe.

In what follows I analyse the country’s predicament after the new Constitution came into force on the 1st of January 2012 and, looking optimistically ahead, spell out some of the dilemmas faced by the nascent democratic opposition. The information provided here will obviously quickly become outdated. But keep in mind the deeper forces behind them, which, alas, are here to stay.



The end of democracy as we know it

Hungary’s new Fundamental Law¹ (which was adopted without a referendum or the support of parties in opposition, and attracted criticism from the Council of Europe,² the European Parliament³ and the United States⁴) came into force on the 1st of January 2012. Although the text itself is scary enough, the government also had last minute surprises. In the last week of 2011 members of the ruling coalition – despite warnings from their fellow MPs⁵ and the country’s international partners – passed

1 In a previous article I argued that the new Constitution (officially called the Fundamental Law) has weakened the system of checks-and-balances – giving Fidesz control over all political institutions for a period of 6 to 12 years – and tied the hands of future governments in crucial domains (such as tax and family policy). I also noted that the text deliberately undermines the country’s republican heritage, harking back to a period when Hungarian society was held together by nationalist ideology and ethnic resentment.

My article on the Constitution can be downloaded here: <http://boell.cz/web/52-972.html>

The text’s official English translation can be consulted here: <http://bit.ly/yFpF8M>

2 See: <http://bit.ly/yYpoM>

3 See: <http://bit.ly/wMjT0e>

4 See: <http://1.usa.gov/xRXxXs>

5 On 23 December MPs and activists of the greens (LMP) chained themselves to the entrance of the Hungarian Parliament to prevent members of the majority from entering the House and passing the bills in question. The boycott – which ended when police took MPs and activists shortly into custody – was followed by a demonstration in front of the Parliament.

This has effectively silenced an already cornered opposition, leaving it no other choice but to mobilise the (wo)man of the street.

a number of bills which break the pillars of the liberal democratic edifice, erected just two decades ago to replace an authoritarian system of rule. Fidesz passed an electoral law which may prevent the current opposition from obtaining a majority in parliament even if it commands slightly more than 50% of the popular vote.⁶ The ruling party has also prepared the ground for a scenario in which it would be forced into opposition by cementing its flagship economic policy, the flat tax – which, by the way, has already failed⁷ – into the so-called stability law which can only be changed with a two-thirds majority. This anti-democratic piece of legislation will tie the hands of all future governments, which do not command a supermajority. If this were not enough, the ruling coalition has also parachuted loyal foot soldiers into the last independent state institution (the National Bank), threatening to wrest control from its “rogue” president whom Fidesz accuses of acting against the interests of the nation.⁸ Orbán’s followers did not forget the icing on the wonderful

Christmas cake they were preparing for the leader who appears more and more to be running a one-man show. Through one stroke of the pen, the right-wing majority changed the Parliament’s law-enacting procedure, which will henceforth allow two-thirds of MPs to introduce amendments without debating them in parliament. This has effectively silenced an already cornered opposition, leaving it no other choice but to mobilise the (wo)man of the street.

Although for the Constitution’s architects the 2nd of January was supposed to be a day of joy and celebration – marked by a grandiose reception at the National Gallery and a gala concert in the National Opera – the cameras of state media outlets portrayed a tired and gloomy-looking Viktor Orbán whose words most probably stifled the excitement of the sons and daughters of the glorious “national revolution” born in the polling booths on 11 April 2010. Far from claiming victory, the Prime Minister told his followers that the revolution had only begun

6 The ruling majority has redrawn the boundaries of the electoral districts in a way that clearly benefits Fidesz. Left-of-center districts are larger in size than average (i.e. they have more residents) and there is proportionally less of them than there used to be. The electoral map’s designers have also attempted to push former swing districts right by diluting them through the import of traditionally right-wing constituencies (e.g. by merging city centers with villages). The tests run by the Patriotism and Progress Public Policy Foundation on the last three elections (2002, 2006 and 2010) using the new district boundaries show that Fidesz would have won all three elections, including the two they actually lost. Their analysis can be consulted here: <http://bit.ly/whcTPs>

7 From January onwards a “temporary contribution” will be levied on gross monthly incomes of more than 202,000 forints (€650) to compensate those worse off under the 16 percent flat rate. The government was forced to make this embarrassing move after it became clear that the flat tax had led to huge revenue drops in the state budget and left low-earning employees with less net income. By now it has also become clear that the tax reform’s main objective has also not been accomplished: Hungary’s GDP will grow by app. 1.5% in 2011, that is half as fast as the government predicted. And experts expect the economy to sink into recession in 2012, with growth estimated between -0.5% and -1.5%. (This was no surprise for economic analysts who had warned Orbán that the so-called crisis taxes – introduced to compensate for the €2 billion revenue drop – would bring the economy to a halt.) See also Policy Solution’s relevant summaries: <http://bit.ly/zZJcQn>
<http://bit.ly/Ait68g>

8 The Monetary Council’s unexpected decision (on 24 January) to maintain the Bank’s interest rate at 7% was seen as influenced by the government (which has appointed 4 of the Council’s 7 members).



and that Europe and Hungary can only be saved if we are prepared to renew ourselves by embracing the cultural heritage which underpinned our economic prosperity: the sanctity of marriage and family life, and the spiritual energies that bind person to person in the church of the national community.

Ten steps forward, then one back

As the ruling coalition prayed hard for renewal inside, approximately fifty thousand Hungarian citizens gathered outside the National Opera (the scene of the gala concert) to decry the burial of the republic and the slide into authoritarian rule. Not only was this the largest protest since Fidesz' landslide victory a year and a half ago, it was also the first time that opposition groups – citizens' movements and political parties – joined forces to rally against a regime which has undermined democratic rights and marginalised the country, alienating key international partners

such as the European Union and the United States. Protesters are aware that the fundamental changes contained in the new Constitution and the cardinal laws complementing it have been pushed through despite serious warnings from abroad. On 17 January, after letters sent by President José Manuel Barroso, Vice-President Viviane Reding (Commissioner for Justice, Fundamental Rights and Citizenship) and Vice-President Olli Rehn (Commissioner for Economic and Monetary Affairs and the Euro) the European Commission launched accelerated infringement proceedings against Hungary over the independence of the National Bank and the Data Protection Authority, as well as over measures affecting the judiciary.⁹ President Barroso also made clear that the Hungarian government's non-compliance would present an obstacle to the re-opening of talks between the EU, the IMF and Hungary on the provision of a financial safety net, which had become necessary after Standard and Poor's and Moody's Investors Service downgraded the country's sovereign credit rating to below investment grade in December. The U.S. administration also sent clear signals through its ambassador, the Deputy Assistant Secretary of State and Hillary Clinton herself, expressing concern over the dismantling of democratic rights and institutions, the new law regulating churches, and the Media Council's recent decision to withdraw the license from the last radio station providing a forum for critical voices.¹⁰ And the Foreign Ministers of France and Austria (the two countries whose companies suffered most

9 See: <http://bit.ly/AkGCbv>

10 See: <http://bit.ly/x1Y6jV> <http://econ.st/x5GACb>

from the crisis taxes imposed by the new Hungarian government) also made clear that Prime Minister Orbán had lost their sympathy.

The intensity of foreign pressure forced an initially defiant Orbán to hastily put an end to the economic “freedom struggle”, which Economic Minister György Matolcsy announced last year.¹¹ In the debate held in the European Parliament on 18 January Hungary’s Prime Minister announced his willingness to change or withdraw the laws requested by the European Commission. Both politicians and markets reacted positively, praising his “return to common sense”. I for myself do not see much reason to celebrate. For one thing, we do not know exactly what kind of concessions the Hungarian government is ready to make. While the commitment to changing the law on the National Bank may actually help to preserve a good deal of its autonomy, I personally doubt that the changes to legislation pertaining to the judiciary will be more than cosmetic. In other words, the key pillars of Orbán’s “System of National Cooperation”¹² – the one-party Constitution and the apparatchiks parachuted into key positions; the powerful Media Council and the centralised production of news content; the new election law; the flat tax; and the curtailed social rights - will probably remain intact. I suspect that Orbán calculated well in advance that he would at one point have to make certain

concessions to his European partners. Be this as it may, the government’s willingness to compromise looks severely limited. György Matolcsy recently made clear that the government will do everything to keep the flat tax in place. More importantly, three days after the Prime Minister spoke in the European Parliament a right-wing journalist and a media tycoon (known for their anti-Semitic inclination and closeness to Orbán) organised a massive pro-government demonstration in the capital. The more than one hundred thousand protesters and their anti-European slogans contained two important messages directed at Brussels: That the government still enjoys far-reaching support, and that the groups in power may no longer refrain from playing the Eurosceptic card in the future if they deem it necessary.

The hoped-for fruits of a costly game

The outcome of this struggle and its domestic consequences are difficult to foresee. What is clear, however, is that the country will have to pay the price of increasing isolation. Just to mention one thing: There are already rumours that Hungary will receive significantly less cohesion funds between 2014 and 2020, which would make it one of the big losers of the European Union’s new budgetary cycle. So why is Orbán, who has been portrayed as one of Eastern Europe’s best tacticians, pursuing such a costly strategy?

11 See the Economist’s recent article for a summary: <http://econ.st/zk0JD9>

12 This is the official – rather Orwellian – name that Orbán has given his regime.

By now it has become quite clear what the Prime Minister meant when a few days before the elections of April 2010 he pronounced the enigmatic words: "Small majority, small change – Big majority, big change".

Behind the scenes, some pundits have voiced their concern that the Prime Minister may have lost touch with reality. Granting that the Prime Minister may not fully grasp the risks of some of his ill-prepared moves – such as the nationalisation of the private pension funds, which has undercut citizens' as well as investors' confidence in the rule of law - it is difficult to believe that he does not understand the fundamental implications of the political game he is playing. This is particularly true given the fact that many of his former allies - and even some of his current colleagues – have come forward to remind him of the consequences of the country's isolation.¹³

What drives Orbán, if not insanity? For one thing, he can be more-or-less sure that his government's "unorthodox" reforms will not entail dire and irreversible counter-measures from European partners. Although the left-wing parties in the European Parliament (predictably) voiced their concern that the Commission's infringement procedures would not be enough to prevent Hungary from sliding into authoritarianism, only Luxemburg's Foreign Minister went as far as calling for the initiation of a procedure based on Article 7 of the Lisbon Treaty against the renegade country.¹⁴ The complexity of

the procedure (which could lead to the suspension of Hungary's voting rights) and the ill-fated Austrian precedent make the prospect of serious sanctions being imposed on Hungary highly unlikely. But there must be other sorts of calculations behind the Prime Minister's moves. He may in fact believe that the current moment – in which both Europe's leaders and Member States are preoccupied with "their own" crisis – is auspicious to push through reforms, which may otherwise be impossible to accomplish.

But just what are these reforms and why are they so contested? By now it has become quite clear what the Prime Minister meant when a few days before the elections of April 2010 he pronounced the enigmatic words: "Small majority, small change – Big majority, big change". His "revolution", contrarily to what many foreign spectators believe, has not been confined to the domain of the polity - that is the set of relations linking citizen to state and citizens to each other. What Orbán's frequent allusions to the sovereignty of nation and state actually conceal is an orchestrated attempt at strengthening the positions of certain strategic local companies (such as the oil company MOL, OTP Bank, the construction company Közgép and the commercial chain CBA) through

13 For instance, a number of mainstream economists have publicly warned him that laying hands on the National Bank's currency reserves could have disastrous consequences.

14 The procedure is meant to determine whether there is a risk of a serious breach by Hungary of fundamental democratic values enshrined in Article 2 of the Lisbon treaty. The latter states that "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. These values are common to the Member States in a society in which pluralism, non-discrimination, tolerance, justice, solidarity and equality between women and men prevail." Article 7 can be consulted here: <http://bit.ly/AAMhBK>

diverse moves, including the buying of shares,¹⁵ the establishment of monopolies,¹⁶ the opening of new markets abroad,¹⁷ and the preferential awarding of state contracts. These were accompanied by the imposition of Europe's highest bank-levy and a weighty solidarity tax, which disproportionately affected foreign-owned (mostly Austrian) banks and companies (such as French Cora and Auchan, British Tesco, and German E.on and Deutsche Telekom). Taken together, these moves spell out an overarching strategy whose goal is to enlarge the economic niche of the "national bourgeoisie" and diminish the weight and power of multinational capital.

Naturally, both Viktor Orbán and György Matolcsy claim that their policies are geared at safeguarding the interests of ordinary Hungarians. However, other measures recently implemented by the government throw this into doubt. Take for instance the recent resignation of Under-Secretary József Ángyán, the author of an ambitious reform aimed at redirecting CAP funds towards small farmers and sustainable rural development. Although his green reform strategy was the government's most refined policy proposal, Orbán, under the influence of the agribusiness lobby, refused to endorse it. This warrants the assumption that under the guise of

economic nationalism the Orbán-Matolcsy tandem is in reality seeking to obtain the backing of the Hungarian bourgeoisie in order to stabilise its power. But that is just one part of the picture. Take a look at the newly adopted higher education reform, which introduced substantial tuition fees and will thereby totally block the already narrow channels of social mobility. Or the drastic cuts in social expenditure, the reducing of the length of unemployment benefit to 90 days, and the new employer-friendly labour code – changes, which are bound to hurt the working poor. These measures reveal thinly veiled class preferences, making the government's claim to defend the "interest of Hungarians" sound rather unconvincing – not only to me, but to the one and a half million voters who say they voted for Fidesz in 2010, but would not support the party if an election was held this Sunday.

Even those who understand the Orbán government's ambitious goals have a hard time explaining why all these measures had to be so hastily and harshly imposed. The answer appears to be the flat tax (Fidesz' only concrete campaign pledge, which it cannot renounce without alienating its core middle-class support base), the introduction of which triggered a financial avalanche. When, at the end

15 On 24 May Prime Minister Viktor Orbán announced that Hungary reached agreement with the Russian oil company Surgutneftegas over buying 21.2% of shares in MOL. This is the culmination of the government's efforts that took many months as one of the government's objectives in the economic policy was to extend the state's control of the largest Hungarian energy company.

16 The government recently announced a proposal to establish a state monopoly over the sale of tobacco products, which may only be sold from the 1st of January 2013 in kiosks holding a license issued by the Minister of the Economy, György Matolcsy. The monopoly would allow the government to cash in extra money from the sale of licenses; it also cleverly shuts out multinational commercial chains from the tobacco market, while privileging Hungarian franchises (such as CBA), which entertain close relations with the government.

17 From September 2011, the financial aid provided by the Hungarian state to ethnic Magyar families in Romania (destined to cover the costs of children's' tuition) will be transferred through OTP Bank's Romanian subsidiaries.

The democratic opposition's key problem, besides the fact that it is disunited, can be summed up shortly: electoral apathy.

of the summer of 2010, Orbán realised that the European Commission would not tolerate a higher budgetary deficit than the 3.8% promised by Gordon Bajnai's caretaker government, he and Matolcsy set out on a path of daunting improvisations. Since the Prime Minister wanted at all costs to preserve his party's and his own popularity, he decided to impose draconian taxes on foreign companies, and to severely cut spending on social benefits and public services. This, in turn, led to a depreciation of the national currency,¹⁸ a slowing of growth,¹⁹ and a substantial increase in the Hungarian bonds' interest rate.²⁰ The main reason behind the turning away from Hungarian money and assets is that investors (as well as the Commission, which recently proposed to move to the next stage of the Excessive Deficit Procedure initiated against the country in 2004) fear that the government will not be able to close the one and a half billion euro hole punched in the budget by the flat tax – and that this will lead to another debt spiral and, ultimately, bankruptcy. The obvious solution would be to reinstate a dual or triple rate income tax. Since this appears politically unfeasible the only alternative is the reinforcement of austerity measures, which are bound to exacerbate social tensions and further erode Fidesz' support. All in all, the situation looks more and more like Catch 22.

The dilemmas of the democratic opposition

Facing a government, which is driving in the wrong direction on the highway and with the radio turned off, the opposition seems to be in for an easy ride. In an article²¹ written nine months ago I had signaled that Fidesz' tax reform had already fractured the "historic bloc" (an improbable coalition of the pro-capitalist bourgeoisie, and sections of an economically and socially insecure petty bourgeoisie and proletariat), which had lifted the party to power. Less than a year after the parliamentary election Fidesz lost half a million, mostly working class voters. (The main reason was the ill-prepared introduction of the flat tax, which provoked a drop in wages at the bottom of the workforce). Since then the main governmental party's popularity has further declined: today, only 26% of the total voting population say they would vote for Fidesz. This dramatic turn of the tide has, however, not been paralleled by a comparable strengthening of the parties in opposition. The numbers show that only the far right has substantially benefited from the ruling coalition's problems: Jobbik's support grew from 7-8% to 11-12% in the last twelve months. The Socialist Party's popularity has hovered around 12-14%. Former Prime Minister Gyurcsány's breakaway Democratic Coalition can count on 2-3%. The Greens (LMP) meanwhile

18 When Viktor Orbán came to power the Swiss franc was worth 195 forints. One and a half years later the franc's price reached a staggering 260 forints (before climbing back to 243 after Orbán's positive reaction to the Commission's requests). N.B.: The exchange rate of the Swiss franc is critical because there are 1 million Hungarian citizens who held loans in this currency. (The government's recent scheme allowed approximately 100.000 middle-class citizens to pay back these loans at a fixed and significantly lower exchange rate.)

19 See footnote 8.

20 The interest rate of 10-year government bonds went through the 10% ceiling in the first days of January.

21 See: <http://boell.cz/web/52-967.html>

have managed to stabilise their support around 4% among the total population. If we only look at those who can name their preferred party, we see the following: Fidesz still leads by approximately 40%, the democratic parties are at 35%, whereas Jobbik has climbed close to 20%. The democratic opposition's key problem, besides the fact that it is disunited, can be summed up shortly: electoral apathy. In December 2011 only 40% of voting age Hungarians said they would surely turn out to vote, while 40% said they have no preferred party. In other words, these parties have not yet found a way to reach out to voters who have grown disillusioned with the government.²²

This turning away from politics rather than towards the opposition is one of the reasons why the ruling coalition felt that it could push through almost any reform it wanted without having to consult anyone. Fidesz could also count on docile media outlets to limit discontent and lay blame on the Socialist Party and the "comprador elite" (as well as foreign speculators) for the economic woes experienced by the country. But the latest protests indicate that this is no longer enough to keep the most disgruntled segment of society off the street. The fifty thousand people who showed up at the demonstration held on the 2nd of January come mainly from the ranks of the capital's educated middle-class whose commitment to democracy comes from a personal (or family) history of involvement in the events of

1989/90. Most of them never sympathised with Orbán. More importantly, they have little connection to social groups living outside Budapest, without whom the "System of National Cooperation" cannot be democratically dismantled. This does not mean that the protests are insignificant. On the one hand, they have provided an avenue for voicing concerns, which had not been heard for twenty years, thereby bringing educated young people closer to the world of democratic politics.²³ On the other hand, and perhaps even more importantly, they have brought together a weak and fragmented opposition – the burgeoning pro-democracy movement (led by human rights activists) and left-of-center political parties – and provided it with a common platform: resuscitating the beheaded republic. This is crucial because only a broad democratic alliance stands any chance of defeating both Orbán and the far right. The first-past-the-post electoral system introduced by Fidesz clearly spells out the need for the selection of common democratic candidates at the next elections (normally scheduled for 2014). The Socialist Party's leaders and former Prime Minister Gyurcsány have repeatedly called on left-of-center forces to unite under the umbrella of a "democratic opposition". Their appeals were reinforced by the newly created Solidarity Movement's proposal to reinstate the "Democratic Roundtable", which had guided the constitutional revolution of 1989. Yet, most of the new political players are wary of jumping in bed

22 According to Median's end of the year poll, some 30% of Fidesz' former voters say they would abstain from voting, and only 15% say they would support one of the parties in opposition. For details see: <http://bit.ly/ySKPcq>

23 It is difficult to judge just how many young people recent political events have actually mobilized. It is nonetheless significant that a number of autonomous – and quite radical – protests have been launched by university students in Budapest and other cities (such as Szeged). This is a new phenomenon in Hungary.

with the “old”, heavily discredited left. Gordon Bajnai, who heads the influential Patriotism and Progress Public Policy Foundation and is seen as one of the few people who could successfully challenge Orbán, is understandably not thrilled by the prospect of cooperating with his predecessor, Gyurcsány (widely associated with the brutal repression of the 2006 riots and the Socialist Party’s corruption scandals). The Greens (LMP), who have just rejected to take part in the “Democratic Roundtable”, are also extremely wary of contributing to the rehabilitation of the fallen elite. Both have good reasons to do so. The Socialist party – which had proven to be an incredibly rusty, corrupt piece of machinery while in power – has in no way dealt with its poisonous past and people. If it doesn’t get rid of its tainted power-brokers, such as treasurer László Puch; if it doesn’t commit itself to a transparent system of party-financing; if it continues to act as the barely camouflaged conveyor of economic interests – then there is a good chance that the left-of-centre would lose the next elections anyway. Another problem is that the Socialists, LMP and the Democratic Coalition hold quite different views on such crucial matters as the intervention of the state in the economy, the provision of public services, the priorities of economic development, the reform of the energy sector, and so on. (As a side note it is important to mention that the right-wing

government’s ill-conceived economic policies may have seriously discredited Keynesian policies aimed at spurring economic growth as well as the long-term project of increasing production capacities in key sectors of the national economy.) For the moment it is difficult to see how these forces could develop a common framework for an electoral program, which would allow the country to emerge from its crisis. Finally, as mentioned before, there is the question of faces, best highlighted by the “Gyurcsány problem”. While shutting him and his Democratic Coalition out of the republican platform would be difficult to justify, allowing him too much space is perhaps even worse, for voters would be likely to identify the whole alliance with his arrogant personality and mendacious politics.

If these daunting hurdles are overcome, there still remains the audacious task of mobilising the silent majority which has slipped into apathy and is yet to be convinced that the left-of-centre (after a disastrous eight years in power) is capable of setting the country on a better track. The republican camp may count on the backing of the eight hundred thousand people who hold loans in Swiss francs and have not had access to the government’s recently introduced repayment scheme.²⁴ They will be reminded day after day of the harm that the right-

24 See Bloomberg’s short summary: <http://bit.ly/yYwW3l>

wing government's policies have done to their lives. So will the almost 1 million working poor who have lost out on the tax reform, as well as the unemployed masses waiting at home in vain for the 1 million jobs promised by the government to materialise.²⁵ The big question is whether the dispossessed, frustrated segments of the lower middle and working class who will turn out to vote will opt for more reserved, but also more realistic politics or rather turn to the social demagoguery of Jobbik. This is impossible to tell at the moment. What is sure is that the left, if it wants to strengthen its position, will have to perform the kind of grassroots work, which has made the far right so successful.²⁶ To regain its credibility it will have to tune into popular needs, and make its alternative heard on the ground. One can only hope that democrats will be up to the task and that the not-so-cheerful roller-coaster ride that the country has been taken on will have had a sobering effect on our fellow citizens ■

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25 The government promised to raise the number of jobs by one million in ten years, from 3,789,400 (August 2010) to 4,789,400 (August 2020). According to the Hungarian Central Statistical Office 3,869,900 people were employed between September and November 2011. This means that there were 52,833 less people employed between September and November 2011 than the number that should have materialized by now (based on the assumption of a linear growth trajectory). The employment rate of 15-64 year old men increased by 1% (reaching 62.2%), whereas that of women increased by 0.3% (reaching 51.4%). It is worth noting that this amelioration was mostly due to an increase in the number of unemployed people involved *temporarily* in local governments' public works programs.

26 See my article on the Gyöngyöspata case, which made international headlines in the spring of 2011: <http://www.boell.cz/web/52-989.html>

Europe's identity crisis



Erica Meijers

Discussions on the European Union are regularly punctuated by calls for a shared European identity. It would seem that the European project lacks any significant ingredient of emotional bonding. In the absence of a “European soul”, the existing rational, bureaucratic structure is doomed to remain a distant presence for the citizens of Europe, people of flesh and blood who live in many different traditions and cultures. The EU, if it is to have any prospect of success, will have to embrace a European identity. The question, though, is whether such a thing exists.

I was sitting in a small Lebanese restaurant in Basle talking with Christoph Keller, a Swiss journalist and author. Our subject was the question of what makes us Europeans. One thing, at least, we agreed on: if a European identity exists it is not a simple one. Identity only becomes simple when it is under threat. Some people believe this is indeed the situation now, and are making efforts to establish a simple European identity – for example by the well-tryed means of creating an external enemy. Declaring war on terrorism, on Islamic fundamentalism or on Islam itself, they try to paint a picture in which there is a sharp contrast between an enlightened, rational Europe and an irrational religion rooted in violence. These efforts fail to convince, however. They bear too much resemblance to the long-unmasked dogma that places civilized Europeans and savage barbarians at opposite ends of a scale. Christoph believes that Europe, like America, needs a flag and a constitution if it is ever to have a wide appeal, although he himself cares little for such things. Europe was the cradle of the nation state, but the continent has time and again torn itself asunder because of the resulting nationalism.

Our conclusion was a feeble one. Maybe, we decided, the mere fact that we could spend an evening confabulating about Europe's mutual bond exemplifies what we have in common. But now I would not like to leave it at that.

No more war

The unity of Europe is a long-cherished ideal. Even Napoleon dreamed of bringing it about. The roots of the present political unification of Europe lie, however, in the adage "no more war". The horrors of the World Wars were a dagger blow to the heart of the Enlightenment tradition, which had portrayed Europeans as rational, autonomous citizens standing at the helm of history. The Europe of Reason proved to possess a murky, irrational or even demonic side, that showed early signs in the nationalistic, militant euphoria that undermined the internationalism of the early years of the 20th century, and eventually made itself grimly obvious in Hitler's Final Solution.

After sixty years of relative peace and prosperity, "no more war" seems to have become just a hollow phrase – or so some would claim when yet another discussion flares on that seemingly unreachable European ideal. They conveniently forget that, barely twenty years ago, a part of Europe was again scourged by conflict. The Balkans have of course always been seen as Europe's underbelly, so our self-image of European rationality survived, practically unscathed, the explosion of barbarity that was unleashed by the disintegration of Yugoslavia. Yet at the time the exiles and refugees from the Yugoslavian wars warned us repeatedly that the same thing could happen anywhere in Europe. After all, people in the multicultural, pluralistic Sarajevo continued to believe there was no place for hate or fanaticism in their traditionally tolerant city – until the contrary proved true.

It is not only the dissonance between the ideal of reason and the often highly irrational real world that is at play, but another, equally deeply ingrained, tension is present in Europe.

Few listened to the warnings, but there is reason enough for us to take them seriously. The recrudescence of nationalism and xenophobia in (for example) France and the Netherlands gives us pause for thought. It is not only the dissonance between the ideal of reason and the often highly irrational real world that is at play, but another, equally deeply ingrained, tension is present in Europe. The shaky equilibrium between universality – the ideal of freedom, equality and fraternity for everyone – and particularity – the allegiance people automatically feel with their own surroundings – is teetering.

The uprooted

Few could claim more experience with these opposing forces than those whose country collapsed in a paroxysm of nationalism and hate: the exiles from Hitler's Germany and the refugees from Yugoslavia. The German emigrés of the 1930s, who were mostly Jewish and political refugees, found few willing ears for their warnings about Nazism. The receiving countries looked askance at them, believing them guilty of fouling their own nest, and many relentlessly pushed them back across the border. For years, repudiated refugees drifted without papers from country to country, until they succumbed to their uncertain existence, gained possession of a passport at last by roundabout means and all kinds of guile, or escaped to America.

Their loss of a homeland made them Europeans, like it or not. Emigré cafes in Paris, Prague and Zurich became the scene of vehement debates on the future

of Europe. The experiences and insights of these uprooted individuals might well bring us closer to a European identity than the polished prose of senior European officials and politicians possibly could. After all, the emigré's survival depended on joint action by the countries of Europe against the barbarity taking place in their former homeland, and hence on a shared European ideal.

The chronicler *par excellence* of emigré life in the nineteen thirties was the German author Klaus Mann (1906-1949). He was one of the young intellectuals of the period between the Wars who believed in European culture, which he saw as an antidote to the nationalism that had wreaked so much havoc in 1914-1918. He fled Germany in 1933 because, he explained, he could no longer breathe; besides, the prospect of arrest was more than imaginary for this young homosexual writer.

The Volcano

The plot of Klaus Mann's 1939 novel *Der Vulkan* (The Volcano) unfolds in the German emigré milieu of France, the Netherlands, Czechoslovakia, Switzerland and other countries. In the novel, the actress Marion, who is modelled on Klaus's sister Erika Mann, arrives in Paris and visits a Russian emigrée who yearns still for the Russia of old. Marion does not share his nostalgia: "We are not like those Russian emigrés who fled the Revolution. We left because we care about the future and oppose backsliding. We resist because we do not want Fascism to own the future; we want a different, better Europe for our children."



As to what form that “better future” might take, however, there was little consensus among the emigrés. They included socialists, communists, pacifists and liberals. Some of them were apolitical, and others rejected National Socialism on religious grounds; some hoped for a communist Europe, while others pictured new forms of humanism flourishing. But they all sensed the same responsibility: “We emigrés represent the other Germany. We are the opposition to barbarism,” Marion says. The daily life consequent to this choice is a hard one. Many emigrés are barely able to cope with it. The ultimate emigré nightmare, according to Klaus Mann, goes like this. “You suddenly find yourself somewhere in Germany, and you wonder ‘Why is it so long since I was last here?’ Then it slowly dawns

on you: you are on the run from your enemies. I must behave inconspicuously, you decide, or someone may recognize me. Why is everyone staring at me like that? I have one of those prohibited emigré newspapers sticking from my pocket. Everyone must have noticed it. Where can I go? Oh no, there’s a storm trooper. And there’s another. It’s too late, I’m surrounded.”

Much though the emigrés loathe Hitler’s Germany, many of them feel pangs of nostalgia – although they no longer know for what or for whom. “How fine it must be never to have to wonder where your home is,” the Jewish professor Benjamin Abel thinks in his lonely room in Amsterdam, his gaze wandering to the bottle of sleeping pills on his bedside table. “Where are they waiting for my capacities, and how can I put them to use? You lose all your self-esteem when no one needs you. How fine it must be to be free of all the doubts, disappointments and loneliness. To be delivered from the poisonous brew of hate and nostalgia.” The gifted young poet Martin becomes addicted to heroin and is gradually destroying himself. Time and time again, the emigrés face the news of a suicide among their acquaintances. Marion’s younger sister takes an overdose of sleeping tablets when she learns she is pregnant from an emigré in whose company she felt at ease for the first time. After their one night together, he is carried off by the Swiss police and deported, to vanish forever from her life.

The title of *Der Vulkan* has a dual meaning. It refers both to the menace of National Socialism, to living

on the edge of the collapsing old world, and to the anxieties that grip the uprooted figures of the novel. The precipice in the soul of the emigré meets up with the precipice facing enlightened Europe; the consuming fire in the depths of the mountain that is "civilization" spews destructive lumps of glowing lava into the atmosphere. You must always be alert because you are always in danger. Nothing is certain. Klaus Mann sees it as the end of an era; no one knows if there will still be a future. In the novel, it is Marcel, Marion's French lover, who proclaims the end of the great ideals. Mann has a good reason to choose an intellectual for this task of vilifying the bombastic slogans of the world leaders. Marcel declares democracy dead because it is just another of those Big Words, overused and drained of meaning. He joins the International Brigades fighting the Fascists in Spain, for he now believes in deeds not words. Intellectualism has become repulsive to him. He is prepared to martyr himself for the sins of the forefathers who have let things reach this stage. And he dies in Spain.

Permanent crisis

"L'Europe est finie," wrote the French poet Paul Valéry just after the war. Klaus Mann agrees with him in a trenchant essay, "The ordeal of the European intellectual". Not only had the old Europe literally been destroyed, but the bombing of cities and the mass murder of Jews and other minorities undermined both a lifestyle and faith in the Enlightenment. Mann saw the postwar debates among existentialists, Marxists and nihilists as symptomatic of the general despondency and

disarray of European intellectuals. First published in an American magazine in 1949 under the title "Europe's Search for a New Credo", the essay morbidly concludes by suggesting that a mass suicide of intellectuals is the only way out of the impasse. And shortly after its publication, Mann was to take his own life by an overdose of sleeping pills.

Sixty years after the War, it all sounds familiar: the end of the grand narratives and the hollowness of the Big Words. We have become inured to these things, and we get bored when they come up for discussion yet again – just as we get bored with all the bombastic and abstract discussions about Europe. Klaus Mann, who himself was not untouched by twelve years of exile, genuinely felt pained by the non-arrival of that "different, more humane, Europe" which had buoyed his optimism and that of so many others through the difficult years. Klaus Mann saw the catastrophe of the Third Reich as the outcome of a long development that took in the slow dwindling of credence in the Divine, the Good and the Beautiful, in Civilization and Progress. Had Erasmus, Victor Hugo and Spinoza not believed in them, neither the Renaissance, nor the Reformation nor the French Revolution would have been possible. It was in the later half of the nineteenth century that European intellectuals lost this faith, according to Mann. He saw the disillusionment and guilt that afflicted Nietzsche, Kierkegaard, Baudelaire and Dostoyevsky as forebodes of the present crisis. These were the thinkers who disclosed that Western Man, having always regarded himself as a rational being, was still possessed by demons and driven by irrational,

Mann does not doubt the existence of a European identity, but not as an excuse to flaunt our “enlightened” civilization. His own experience of Europe gives him little reason to do so.

barbarous forces. The Europeans lost their rationality together with their sense of the sacred.

Although there is no doubt much that could still be said about this analysis, my concern for the moment is that Klaus Mann did not see the War as a kind of industrial accident, but as the long-smouldering eruption of Europe's true nature. The sinister forebodings of nineteenth-century pessimists were surpassed by the appalling reality of the twentieth, Mann wrote. He was referring not only to the gas chambers, the bombs and the propaganda, but also the “fiendish tastelessness of commercial entertainment, the cynicism of the ruling cliques and the stupidity of the misguided masses, the cult of high-ranking murders and money makers, the triumph of vulgarity and bigotry, the terror of ignorance ...”. It was impossible to rationalize “the nightmarish world of Auschwitz and the comic strips, of Hollywood films and bacteriological warfare”.

The upshot was that we no longer understand the world; we exist in a permanent state of crisis. In this situation, Klaus Mann's sympathy went to the doubters. He was irritated by those who come up with simple answers and who would like to impose a simple identity. Shutting yourself off in a national identity was not an option; on the contrary, the peoples of Europe belong together, and it was the apocalypse of the First and Second World Wars that forged their sense of continental solidarity. Regional differences still exist but we all “still belong to the same tragic but proud and distinguished clan.”

Klaus Mann's answer to this situation demonstrates not only his dismay and repugnance at the new world, but also his unshaken attachment to the old. He hoped for a movement of despair and disgust. He relished the idea of a wave of suicides among European intellectuals. The best thinkers must follow the examples of Virginia Woolf, Stefan Zweig and Jan Masaryk. That would be the only way to shock the world out of its lethargy. Then, perhaps, they would perceive their true situation. Klaus Mann concludes with Kierkegaard – and these are among the last words he would write before his death – “infinite resignation is the last stage prior to faith.” There is hope in this life, but solely “by virtue of the absurd, not by virtue of human understanding.”

A sense of belonging

The writings of Klaus Mann make at least one thing totally clear. Anyone who hopes to dodge despair and the lava bombs of the Volcano and prefers a simple, palatable conception of Europe as the continent of Enlightenment must have misunderstood the true nature of Europe. Mann does not doubt the existence of a European identity, but not as an excuse to flaunt our “Enlightened” civilization. His own experience of Europe gives him little reason to do so.

Klaus Mann's arguments are corroborated by a much more recent episode of emigration that makes it difficult for us to dismiss his insights as dated and invalid. First screened in 2007, the film *My Friends* by the Amsterdam director Lidija Zelovic who fled Sarajevo in 1992. It follows her on journeys to Canada, Scandinavia and Sarajevo, places where her

childhood friends now live. She is curious about how they are doing and hopes to arrange a reunion on her wedding day. Zelovic is beset by the question of who she is and where she belongs. As in the works of Klaus Mann, Zelovic's films interweave her personal life with politics. Both of them portray the hope and fear of a generation of European emigrés.

My Friends starts with Zelovic telling a joke about a Bosnian who visits Britain for the first time. He drives off the car-ferry and onto the roads of England. The radio warns of a ghost rider on the motorway. "Only one?" he thinks in amazement, "They are all driving on the wrong side here!"

"When did I first get the feeling that everyone was going the wrong way?" Zelovic wonders. "When was it that life became complicated and contradictory? Was it when I realized I didn't know what to believe any more?" Later in the film she says, "It is great to believe in something. I used to believe in Tito and Yugoslavia. It was a kind of religion, although with a different kind of a God. Oh yes, I was good at it. I even believed that everyone I knew believed the same: we were all proud Tito pioneers who would grow up to become communists like our parents. The path was simple and beautiful. My life and that of my friends was alike."

Now, over twenty years later, the life of Zelovic and her friends is far from simple. They live far apart, and despite her visits and journeys she is unable to reconcile their conflicts. Acrimony and distrust have grown between Olja, of Serbian ethnic origins, and

Emina whose background is Bosnian and who lost her mother to a Serbian grenade. Olja feels she is being made a scapegoat, and rejects responsibility for the tragedy of her childhood friend. Jasna has returned to Sarajevo after years in Australia, intent on building up a new life in her native city. All four of them have lost their homes, and the lives of all four have taken different courses because of the war.

Zelovic herself decided to put down new roots in Amsterdam. While she expertly manoeuvres a buggy with her son, now nearly one year old, through the traffic of Overtoom, we talk about estrangement, identity and Europe. Zelovic's tales of discussions among refugees from former Yugoslavia, their difficulties with papers and the despair at ever feeling at home anywhere again, all sound like echoes of Klaus Mann's novel. The same is true of her successive rebuffs by the Dutch, French and Danes: "Are you really a European? What happened to your country has nothing to do with our Enlightened traditions; the Balkans is a backward region where reason has never taken root." But when I ask what Europe means to her, Lidija struggles to explain. "Europe is familiar, it's a place you belong to and where you want to belong. Even if you lost your homeland, a sense of belonging is possible in other European countries."

We arrive together at the same conclusion: the European identity lies in a shared history of mutual conflict. Maybe it is indeed the suffering and failures that bind us, but if so it is because we all interpret them as a dereliction of our own ideal of civilization. Europe is the struggle between reason and unreason,

It is the construction of a simple identity under the pressure of a threat, whether real or imagined, that is dangerous.

between civilization and barbarism, as well as the projection of that barbarism onto others. Europe matters because Europe is always at risk – as it is now, too. There is no reason to yawn with boredom when someone says that Europe's justification lies in the prospect of "no more war"; for Europe has never succeeded in rallying to that banner.

Without identity

The long-ingrained psychoses of Europe, those of self-overestimation and self-idolization, are flaring up again. Klaus Mann described Europe as a tragic but proud tribe. Those who ignore the tragedy are left with nothing but empty, bombastic pride. The latter is evident today in the calls for a clear-cut national identity, which can only take the form of excluding others. This looks more absurd than ever in today's globalized world. However much you sympathize with the longing for a foothold and with the uncertainty that people feel in the current political and economic climate – especially in combination with a worldwide malaise – a new nationalistic myth is extremely dangerous. However, it is no use looking for a rebuttal in the form of an equally strong counter-identity. If we are to do justice to the European soul, we must find a different answer.

I would like to return to the conversation I had with Christoph Keller in Basle. On reflection, it was mistaken to believe that an identity becomes simple only when it is in peril. It is the construction of a simple identity under the pressure of a threat, whether real or imagined, that is dangerous. The conclusion we drew was perhaps not so vapid:

there are no simple answers, but it is in discussion and doubt that the true identity of the Europeans is to be found.

Identity is not something you can establish remotely, by looking back to Europe's past. It only has meaning when it is inchoate and you are part of it yourself. Identity is after all intangible; it is always on the path ahead of you and you never actually get there. As the German Romantic poet Novalis wrote around 1800, "*Wo gehen wir hin? Immer nach Hause.*" (Where are we going? We are forever on our way home.") But nothing is riskier than declaring that you have arrived if that is untrue. Nostalgia does not exist without uprooting. Unrest and uncertainty typify our hard-fought Europe. The cultural philosopher Ton Lemaire declared criticism and doubt as the best things about European culture. Scepticism and incessantly asking what things mean have been at the heart of modern Europeanism since Voltaire, Descartes and Kant.

So it is the emigrés and refugees, the vagrants and the rootless, who represent the soul of Europe. Their experiences must be an ingredient of our thinking about a European identity. And given that, are we not entitled to wonder what right certain political parties have to place so much emphasis on national identity? A party like the Dutch GreenLeft, which opposes the nationalistic tendencies in other leftist parties such as the Socialist Party (SP) and the Labour Party (PvdA), could connect the concept of identity to the "uprooted" members of society and could consider in this light how to give a higher profile to participation in European politics.

It is at least clear that Project Europe is doomed to remain “soulless” as long as it remains solely the province of high-profile politicians who set limits and impose rules. The characters in Klaus Mann’s *Vulkan* hitch their identity to the hope of a better future. After all they have been through, they no longer know who they are, but they do know who they would like to become. In other words, there is no such thing as a European identity, but, if we wish, there can be a shared future for people from differing traditions and cultures, linked by nostalgia and alienation ■

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<http://www.bureaudehelling.nl/>*

Literature and film

Klaus Mann, *Der Vulkan, Roman unter Emigranten*, Reinbek bei Hamburg, 1989.

Klaus Mann, *The Ordeal of the European Intellectuals / Die Heimsuchung des Europäischen Geistes. Ein Literarisches Testament*, München 1989.

Robert Musil, *Das Hilflose Europa*, Munich 1961.
(texts dating from 1920s)

Ton Lemaire, *Twijfel aan Europa? Zijn de intellectuelen de vijanden van de Europese cultuur?*, Baarn 1990.

Pim den Boer, *Europa. De geschiedenis van een idee*, Amsterdam 1997.

Friends. Directed by Lidija Zelovic-Goekjian, production company Pieter van Huystee Film & Zelovics Productions, broadcast on 6 September 2007 by IKON Television.

Editorial Project: greening the debate on the future of Europe

If they really want to take up the challenges that they will face in this century, Europeans need to develop a common public sphere where their differences can meet. By helping to build a green European public space, the Green European Journal aims to make a modest green contribution to this broader project.

In 2007, the Green European Foundation was established in order to promote exchanges and cooperation between the national Green Foundations and, like other European foundations funded by the European Parliament, to foster the involvement of European citizens in the European political system. This project was based on the idea that there is no living democracy without a lively public sphere. Democracy cannot be reduced to the votes cast at the polling booths or to the 'good governance' of elites. Moreover, the aim of democratic debate is not only to reflect the diversity of opinions, but also about an exchange of arguments on issues central to society – arguments, which (if they are well constructed and presented) can help to shape the political imagination and will of citizens. In other words, the organisation of open-ended debates where citizens not only assume their own values and commitments, but are compelled to integrate those of others, is a basic condition for the quality of democracy, both at national and at European level.

A new chapter in the history of Europe

In this uncertain period of European history, building a European democracy appears more necessary than ever. The post-war narrative – the promise of a peaceful and prosperous continent freed from nationalist and totalitarian nightmares – no longer appears convincing to millions of Europeans whose imagination has been swayed by returning nationalist ideologies.

The weakening appeal of the European project is of course not independent from the troubles the continent's citizens are currently facing (with increasing helplessness). It has been said many times, but it is important to remind ourselves that what we are experiencing is not only an economic crisis. We are in fact confronted with the wavering of a model of society based on the idea of limitless growth (of both production and consumption) and on the conviction that the fruits of this growth will trickle down to the bottom of society. We Europeans have not yet found an answer to both ecological and social aspects of this crisis.

Therefore new perspectives are urgently needed and above all, they are needed at the European level. The nation-state is obviously not obsolete, but will not be sufficient to address the challenges presented by global problems and powerful actors outside Europe.

The debt and euro crisis is not only the consequence of an unsustainable economy; it is also the consequence of the lack of democratically legitimated system of governance within Europe.

A European public space where the differences can meet

Inside the traditional European political families, the lack of imagination goes hand in hand with the lack of political courage to seek a real democratic legitimacy for reforms, which is necessary on both the national and European level. The debt and euro crisis is not only the consequence of an unsustainable economy; it is also the consequence of the lack of democratically legitimated system of governance within Europe.

One of the main reasons for this situation is that Europeans are facing the same issues without the possibility of debating them in a common European public sphere. They are missing places where their different sensibilities and expectations can meet and where the bases of European citizenship and solidarity can be formulated.

Like the German philosopher Jürgen Habermas, we believe that “ the real problem is the opening up of national public spheres to one another, so that in Germany, for example, we are informed about the most important discussions in Spain, Greece, Italy, France or Poland – and vice versa”. This is also true within the Green movement.

New responsibilities for the Greens

For the Greens, the time of prophecies is over. The crisis they predicted since the 1970s is here and the ecological emergencies are bigger than ever. They must be prepared to act in the European governments in order to support the emergence of



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a new European governance and in order to reinforce its democratic legitimacy. Their duty is not only to provide efficient answers to the current crisis. It is also to base these answers on an adequate understanding of the current situation and its roots. But if they want to improve their analysis of the crisis and the quality of the solutions they propose, they will need spaces to share their experiences, readings and vision both inside the Green family and beyond, with all progressive political actors in Europe.

On the one hand, we urgently need a new politicisation of the choices that we are facing. Therefore the Greens should help the Europeans to ban the TINA (There is No Alternative) syndrome from their political discourse. But on the other hand, if the Greens want to convince more and more Europeans, their proposals should rely on an accurate assessment of their technical and, above all, political feasibility.

Europe, a goal in itself

If the current context of crisis bears some resemblance with the 70s, there are also big differences.

The growing awareness about the unsustainability of our economic system, the raising demand for a “real democracy” where everybody can participate in the political process looks much like the left-libertarian protests and the new social movements that led to the emergence of political ecology. But there are novel phenomena too: the “indignates” movement shows a radical distrust of all kind of institutions and is – for the moment – completely opposed to the idea of starting “a long march through the institutions”, which led to the creation of Green parties and put them on a reformist trajectory.

Initially, the attitude of the Greens towards Europe was also ambivalent. Their commitment to grassroots democracy stood, at least partly, in contradiction with the institutional development of the European Union. But, as time wore on and as Greens were progressively “tamed” in the national political arena Europe became more and more perceived as an ally in the implementation of more stringent environmental legislation. Lately, it has also come to be perceived as a dam against nationalism (to which the Greens have always been opposed).

The construction of Europe was not often seen as having an intrinsic value, as being a goal in itself. As mentioned, Europe was initially rather identified by the Green family as a source of problems; and later, as a platform where Greens had to combat economic and political players who were opposed to stronger environmental regulation. Now, at the end

of 2011 we Greens are realising that this platform has turned into the common ground of anti-nationalist economic and political forces struggling to save the European project. These changes have not been easy to cope with and Greens should be careful when choosing their allies and designating their enemies today and tomorrow. We certainly need a stronger Europe, but “More Europe!” will not be enough. We need a Europe which is also more fair, sustainable and democratic.

Transnational, diversified and innovative

All this will not come in the form of a “big bang”. It has to be seriously worked on in the European public space that we would like to help develop. In a certain way, we are only beginning to become Europeans, *i.e.* to acknowledge and to confront our national differences and their historical roots. Although they started very early with the creation of a European political force, this is also true for the Greens. Reinforcing their links at a transnational level, giving them the opportunity to meet and to debate are the main reasons for launching a “Green European Journal”.

Its first goal will be to bring together quality articles originally published in national contexts into one European publication. Most of the “green” journals are only published on a national level. Some of them are closely linked to the green foundations; some are completely independent but are also close to the green idea. But one of their main problems is that they remain often completely unknown outside their national contexts, mainly because of language differences. Thus, the first mission of the Green

European Journal (GEJ) will be to offer a place where nationally embedded ideas can meet. Therefore, we will publish english translations of articles which were initially published in other languages.

The GEJ will also seek to represent the diversity of the Green movement. Its editors come from different corners of Europe and bring with them a special intellectual and cultural luggage, which will not only allow the editorial board of the GEJ to provide a voice for traditionally neglected regions (such as Eastern and Southern Europe), but also to create a space for fruitful engagement and dialogue. Our hope is that the group of editors and the national correspondents working with them will in itself turn into a “debating community”, which will become a source of new ideas.

This latter is especially important to us. The GEJ will aim to stimulate the development of new (sometimes controversial) conceptions, and not just to mirror mainstream positions within the green movement. To this end the board will strive to publish contributions from independent academics, intellectual and artists; and it will carefully look to maintain its independence, in order to fulfil its mission.

Networking the Green Journals and building an intellectual community

The GEJ will have three main types of output closely linked and ‘branded’ under the GEJ banner and logo:

1. A Website linked to the GEF site containing the articles and the quarterly editions
2. Occasional articles on ‘hot topics’ distributed via an e-news, with a short summary of the articles.

3. A quarterly online journal containing a selection of papers originally published in national public spheres. Each issue will have two dominant themes: one “major” theme and a “minor” one.

The Green European Journal is a “work in progress”. It will evolve from edition to edition. Like all journals it has to be the result of a collective effort. The Editor-in-Chief and the Editorial Assistant will coordinate the work on the journal and liaise with national correspondents, chasing up contributions and translations. The Editorial Advisory Board will advise on the content of the journal, key themes to be addressed and achieving the necessary balance in each issue. One of our first priorities is to develop a large network of correspondents in the different countries whose role will be to monitor national publications (online and in print) for relevant articles and submit them to the Journal. As mentioned above, the development of this network will be a concrete first step in the construction of a “green European public space”. Their work and reflections should be reflected in the Journal. The Green European Journal wants to help build a living democracy above the borders of the nation-states. By connecting people and ideas throughout Europe, it will seek to give birth to an intellectual community, which will support the Green project in finding its way in this century.

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The Green European Journal editorial board

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