

# EUROPEAN THINK TANK MEETING ON INEQUALITIES IN EUROPE

## REPORT

ORGANISED BY FRIEDRICH-EBERT-STIFTUNG BUDAPEST OFFICE AND  
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### Introduction and general outline

Following up on the success of the international think tank meeting on the state of the European left-wing parties in November 2014, the Friedrich Ebert Stiftung Budapest and Policy solution launched yet another meeting on the subject of Inequalities in Europe on the 10<sup>th</sup> and 11<sup>th</sup> of June 2015. The two-day conference stems from two major issues. Firstly the apparent lack of cooperation between progressive thinkers, policy advisors and think tanks and secondly the ongoing crisis of Social Democracy all over Europe. In the aftermath of the economic crisis in 2008, “Social Europe” has vanished almost entirely from the political agenda, regardless of the growing social issues and inequalities. Instead, populism and radicalism have taken its place. However, inequality continues to play a predominant role in all national debates, being an issue where joint thinking about best practices and potential solutions is most pressing and useful according to previous discussions. Therefore, the main objective of the meeting was the debate of how to put “Social Europe” back on the daily agenda and tackle the multilayered issue of inequalities in Europe while discussing both policies and politics.

After a short introduction round and a welcome speech by **Jan Niklas Engels**, director of FES Budapest, **Tamás Boros**, co-director and head of strategy of Policy Solutions, introduced a detailed analysis of the electoral success of populist and extremist parties in Europe based on inequality measurements. The second panel’s programme consisted of the presentation of the previously submitted position papers of all discussants with regards to the very roots of inequality in Europe, policy recommendations and the crisis of Social Democracy. The latter topic was further explored throughout the third panel in which political journalist and author **Werner Perger** outlined the crisis and tried to answer the question of how to “break the cycle of being ‘doomed’”, followed by a vivid and productive discussion. The second day started with the formation of two working groups to not only exchange views and ideas, but to furthermore come up with policy recommendations for the respective most urgent subject of inequality. Extended breaks throughout both workshop days provided the participants with sufficient time for a deeper discussion and networking opportunities.

### Study findings and discussion: Inequality and populism in Europe

Tamás Boros started with a brief outline of the current crisis and the inability of left-wing parties to provide alternative strategies. To satisfy the peoples’ needs, populist parties have

emerged all over Europe and have been particularly successful in the crisis-ridden Mediterranean countries (e.g. Syriza in Greece, Five Star Movement in Italy, Front National in France).

The Policy Solutions study thus starts from the hypothesis that populist and/or extremist parties have been better able to capitalize the crisis and seeks to find out the correlation between growing inequality and the rise of populists and/or extremists. It focuses mainly on the results of the election of the European Parliament in 2014 and relates the electoral success of populist parties to the Gini coefficient. The study shows that the Mediterranean region sees mainly populist movements from the (far-)left, often accompanied by a total collapse of the established system, whereas the northern regions face the emergence of right-wing parties and a shift in emphasis in the prevailing system. Central Europe is a patchwork in terms of the results of populists. With regard to inequality, the averages within the EU countries did not change significantly over the years, however, the location of a country correlates highly with its inequality data and “culturally” close countries display similar numbers in inequality. In conclusion, out of the ten countries with the highest popularity of populist parties, seven also top the list with the highest inequalities in the EU and the list of countries with the most significant GDP-loss. Moreover, five out of the ten countries with the highest increase of popularity of populist parties can also be found on both GDP-loss and highest inequality-list.

**Carles Manera (Spain)**, Professor of Economic History & Institutions at the University of the Balearic Islands, demanded a further distinction between left and right parties, but Boros explained that the political orientation was irrelevant to the study. Populist was understood in terms of “anti-establishment” and the calculation of the peoples’ interests and fears. Perger requested to know, whether populism was necessarily a bad thing, to which Boros replied that there are plenty of examples that right-wing populism ended in disaster, whereas the outcome of a left-populist government cannot be assessed yet, since Syriza in Greece is the first example. He added that it would be interesting to explore the role of countries like Portugal, Ireland or Slovenia in further studies, which also represent crisis-ridden country, yet no populist movement has emerged so far. On a national level, **Martin Muránsky (Slovakia)**, Executive Director of think tank ASA, suggested to take the behaviour of non-voters into account. **János Molnár**, scientific researcher at FES, reminded the discussants to try and explore inequality by means of populism and not just focus on the latter. **Matthias Ecke (Germany)**, a political scientist who works as an advisor to the minister of Economy and Labour Affairs of the Region of Saxony, concluded that the very roots of populism must be taken into account, especially since it impedes to address the issue of inequality with moderate and rational arguments. However, he was skeptical about the comparability of the respective movements, since populist parties usually appeal to national issues and discourses.

## **Why inequality matters**

Equipped with a common base for a vibrant discussion, the participants briefly presented their own position papers that outlined their perception of the topic of inequality on a national as well as the European level as well as policy recommendations. All discussants agreed that inequality is currently not a priority topic in Europe, even though it has significantly increased since the neoliberal turn in the 1980s and remains one of the most pressing European, if not global, issues to date. The key statements of each paper shall be briefly outlined below.

**Manera** advocated a new investment plan based on a progressive taxation and fiscal policy that allows more public investment. He specifically stressed the investment in human capital, focused mainly on young people (aged 18 to 30) and those workers who have been most affected by the crisis (aged 40 to 55).

**Ecke** presented three key topics that should be more actively addressed, namely regional inequalities, taxation of inheritances and an improvement in child care facilities for service employees. He strongly advocated a European tax harmonisation.

Co-director and head of research of Policy Solutions, **András Bíró-Nagy (Hungary)**, endorsed Ecke's proposal and specifically addressed the imbalances between the EU member states. He suggested a more extensive EU-funding to better support the poorest regions. Furthermore, the EU should be given more tools to effectively handle crises.

**Muránsky** agreed strongly with all previous speakers. Likewise, he suggested a common tax policy and emphasized once more the importance of the EU for smaller countries like Slovakia.

Author and PhD candidate in innovation studies, **Antti Alaja (Finland)** also voiced the need for a common progressive tax policy to end "the economic and social straightjacket" of austerity in the Eurozone. Moreover, he put two more pressing topics on the agenda: inequalities in life expectancy and health as well as inequalities between typical and atypical employees.

**Thilo Scholle (Germany)**, lawyer and director of Denkwerk Demokratie, expressed the need to further define the role of the European Union and find a new "European narrative", since only a common vision presents a stable base for common policies. He also advocated an alternative measurement of inequality, since the GDP does not adequately cover the whole phenomenon and stressed the fact that social democracy needs to find a new strategy to gain trust and make politics more comprehensible to the public. Furthermore, he underlined the existence of a great plenty of progressive ideas, but also the severe inability of political agents to put them together. However, he strongly advised against a common taxation model, since this would presuppose the same needs and initial situation in each EU member state.

Finally, **Miroslav Jašurek (Czech Republic)**, Deputy Director of the Advisory Unit to the Prime minister, addressed the topic of inequality in access to decision making, which further fuels populism as a quick and understandable alternative to traditional politics. He likewise suggested a change of the tax system.

Engels briefly summarised the discussion. As most speakers attempted to see the crisis as a chance for Social democracy and suggested to „take the bull by the horns”, he advised against too much enthusiasm, since the success of the European Integration model is currently at its lowest point. However, he also quoted Martin Schulz, who reminded all progressive thinkers that Europe is a work in progress and compared to 50 years ago, this progress is already amazing. The current recession is therefore not a backlash, but simply a new challenge. Molnár argued that new strategies and models are needed to tackle the crisis, since most theories date back to the 1980s and exclude the concepts globalisation and open economies. He warned that moving forward without solving fundamental issues in the first place is not an option for a long-term project like the EU. Boros however added that for the last 15 years, the EU has been a conservative elitist project which naturally spared no thought about a social model. It is therefore time to move on and take a step forward. He nevertheless warned that policies cannot simply be copy-pasted in all countries due to cultural differences.

## **On the crisis of social democracy**

Social democracy is no longer the engine of political progress and has been caught in a downwards spiral since the 1970s - with this stirring thesis, Werner A. Perger opened up the debate on the “doom” of social democracy. According to the renowned journalist, the decline began right at the height of the Golden Era of social democracy and the era of Willy Brandt. Facing communism as a new threat from the East, a war of ideas started and neoliberalism emerged as the winner of the debate in the early 1980s. The era of Margaret Thatcher and Ronald Reagan began and the capitalist turn was inevitable, even for the 15 social democratic governments in Europe at the time. They were forced to try and form a consensus between the work force and the business leaders. Slowly, the social democrats lost their appeal of being a power that protects the middle and lower class. When the crisis hit in 2008, they were unable to present a cohesive alternative strategy to conservative austerity and failed to seize the chance to regain their classic territories. Instead, populist and extremist parties emerged and filled the vacant spot of a true “people’s party”, whereas the social democrats realized that they played a significant role in the crash, allowing neoliberalism to rule unchallenged. At the same time, conservative parties began to adopt a more moderate strategy and covered established social topics, which in conclusion lead to the ultimate identity crisis of social democracy all over Europe.

In the following discussion Jašurek raised the question whether social democrats should gain inspiration from or even „social-democratise” current populist movements. Perger denied that, yet stated that social democrats need to rearrange themselves with an altered reality and are in need of a new culture of cooperation, especially in countries where the formation of coalitions is not yet customary (e.g. Spain). Furthermore, he suggested the recollection of the very origins of the “worker’s party” and urged political agents to “go local and create movement (having been a movement, not a party once)”, “to reconnect with people” and “do legwork”. His previous statement that social democrats have lost this tradition and radical parties like the German right-wing party NPD now fill this spot evoked harsh criticism from Ecke, who warned all participants not to “make a caricature of ourselves”. He further illustrated that despite the obvious crisis of social democratic parties, there are still plenty of social initiatives carried out and high numbers of support (measured in party membership) all over Europe and especially in Germany.

As a final remark, Engels added a few crucial suggestions that could help finding a coherent and effective strategy: Next to finding convincing answers to new challenges and the focus on the European vision, a vivid party culture, strategic alliances, stable leadership and enough room for maneuvering are necessary to establish a credible and resilient party. This will in turn lead to a convincing record throughout governing periods and thus form a solid base for social democracy in Europe.

## **Working group findings and discussion**

The first working group chose a general approach in identifying the major issues and eventually developing six policy recommendations. They saw the two major issues in the lack of private investment and thus the need for public spending, as well as the increasing abolishment of progressive taxes in favour of flat taxes, both resulting in less investment in human capital. The most pressing venture is therefore the introduction of an EU-wide social minimum guaranteed for everyone, including an unemployment benefit with an adequate minimum time of benefit

receiving and a system of minimum wages based on the percentage average wage in each respective country. As a third pillar, an improved (early) childcare and elderly care system were introduced. To fund the necessary expenses, the group fostered the idea of (re-)introducing progressive taxation on labour income and capital revenue as well as a corporate tax based on the location of production. They furthermore supported a wealth and inheritance taxation above a certain threshold. Upon the question of the respective addressee, the group argued that most competences lie at national level; however, EU-competence should be amplified to guarantee better coordination and cooperation.

The second working group chose a different approach by brainstorming and mapping out different levels of inequality. They perceived imbalances in wealth to be the most aggravating one, eventually causing or worsening a bunch of other inequality issues. The source of inequality in wealth is to be seen in low capital taxation as opposed to labour taxation as well as tax evasion within EU member states. Therefore, the group recommended a corporate taxation system for all EU countries to decrease the level of tax evasion, introduce obligatory public spending to foster especially social projects and ultimately create an EU budget by means of an additional common tax, since the aforementioned regulations are impossible to introduce on a national level only. In both cases however, the question remained how to introduce these recommendations to policy makers and ultimately convince the population of their prospects of success. Ecke stated that there are already tentative steps taken in various countries which will extend and eventually spill over. However, a satisfying proposal was not submitted.

Furthermore, Engels critically observed that while both groups developed very similar ideas, they focused on classical issues, whereas others (e.g. digital divide or gender inequality) remained untouched. Scholle and Boros objected that social democrats focus on too many issues and slowly subduct themselves from the classical key topic “capital vs. labour”, leading to an increased approval of populist parties. They stressed the necessity of a cohesive political agenda focused on social issues.

## **On the future necessity of think tank meetings**

With regard to further proceedings based on the new findings, Engels noted the general lack of interest in both the participation of progressive agents in think tank meetings and the will of policy makers to include think tank findings in their decision making process. Molnár stated however, that the latter can be blamed on progressive thinkers, too, since they seem to be unable to close the distance to decision makers and fail to thoroughly publish their conclusions and recommendations. As a result, this think tank meeting will be followed by the publication of a policy recommendation. Furthermore, Perger suggested not only a transnational learning and coordination process, but rather a common monitoring strategy based on follow-up events and regular exchanges. This would likely “keep the ball rolling” and create the necessary movement in an otherwise slackened progressive discussion. He praised the present dialogue launched by the Friedrich Ebert Stiftung and encouraged all participants to further engage in think tank meetings such as this one. Alaja added that inequality became an agenda issue in Finland only through intensive think tank work, which provides an empowering example for the necessity of further round table discussions.

## **Critical remarks and conclusion**

In a final round of critical remarks, all discussants adverted to the unfavourable lack of heterogeneity with regards to the all white male participants. However, as Engels had pointed out earlier, female progressive thinkers had been invited as well, but could not attend eventually. It was also criticised that as the result of lacking expertise on more specific subtopics of inequality, the discussion remained fairly superficial and general at times, requiring more input and concrete data. Nonetheless, the invitation of progressive agents on a mainly national level was highly acclaimed. In addition, the participants praised the pool of well-prepared position papers that provided the necessary common background as well as respective national perspectives about the topic of inequality.

Summing up the results, as most position papers had already suggested, a reformed progressive tax policy constitutes the key to a more equal Europe and was recommended by both working groups. Correspondingly, nearly all papers suggested a new taxation and fiscal policy as well as amplifying the competences of the European Union by means of a more extensive funding and a larger budget to successfully handle economic crises and tackle the inequality of transnational and regional inequalities by enhancing public spending in fields such as health care and education. Subsequently, the introduction of a “social minimum” in Europe needs to be prioritised, since it would help to reduce several inequalities connected to wealth. In conclusion, the common goal is a deeper integration in terms of European fiscal and social politics and it remains the task of future meeting to develop strategies for implementing those ideas into the policy making process and to address obstacles for progressive strategies more intensively.

**Summary by Annika Thöt**

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