



# EUROPE AND THE GOOD SOCIETY

AFTER THE CRASH

Thorben Albrecht and Neal Lawson

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In 2009 Jon Cruddas and Andrea Nahles published a short pamphlet, *Building the Good Society*<sup>1</sup> and with the support of Compass and the Friedrich Ebert Foundation it has been debated across Europe. A study by Gottingen University cites this Good Society debate as the most influential current in European Social Democracy.<sup>2</sup>

Three years later we are in the middle of an extraordinary economic crisis. It is no routine period of bust from which the economies of Europe will automatically return to boom. This is a systemic crisis of a form of capitalism that has broken free of society and democracy. **Financialised capital has shaken off any responsibility not just to society but the wider productive economy.** Europe is now paying the price in lost output, lost jobs and lost hope. What is the response of social democracy to these epochal times?

In *Building the Good Society*, we began from the premise that we must transform both the substance and the style of social democracy. We rejected the now widely discredited accommodation with global capital that was too uncritically embraced by the New Middle politics of the SPD and even more so by the Third Way of New Labour. We held out the vision of a better kind of life and society, one in which we all had the chance to live richer and more meaningful lives. A society in which notions of community, solidarity, self-management and

the time to do the things we love and be with the people we love – rather than individualism, anxiety and loss of control – become the defining features of a world that is more equal, sustainable and democratic. We said then that the emerging crisis was “a moment full of opportunities and promise: to revitalize our common purpose and fulfil the European dream of freedom and equality for all” .

Three years on social democracy has yet to meet that challenge. **While the objective economic failure of neo-liberalism is now clear for all to see, the subjective hold of free market capitalism on the culture and psyche of Europe feels as frustratingly strong as ever.** In part that is because European social democrats have yet to win national elections in enough countries across Europe but mostly because they have yet to develop a policy agenda which allows them to successfully re-anchor capital to the societies and democracies to which they (can and) must be held to account.

In our own countries, under Sigmar Gabriel in Germany and Ed Miliband in Britain, real progress is being made that paves the way for a ‘responsible capitalism’ to be socially constructed. If the election success for the left in France under Francois Hollande can be built on with success in Germany by the SPD this time next year and for Labour in May 2015,

straddled by convincing advances in the European elections in 2014, then the electoral framework will be in place to rebuild a new Europe. But being in office is not the same as being in power. Being in power demands both a sense of direction and a means of getting there. The politics of a good society provide us with a route map and a new way for social democrats to do politics to help deliver a better society.

While we aspire to majority government in both our countries we know that the forces of neo-liberalism are so strong that even social democratic victories at the polls are insufficient to act as the necessary countervailing forces to the financial, media and cultural forces that want capital to remain free of society and democracy. So we seek a new alliance of ideas, forces, organisations and sections of society who will benefit from a good society. It will be an alliance of labour and all who earn their living through different kinds of work, of productive capital and small business. It will bring in environmentalists who want to conserve the planet just as it will engage the millions of people across Europe who want to conserve and sustain structures of society and ways of being that uphold the notion of the common good.

Such a plural formation must be open, trusting, respectful and more than anything, democratic, if it is to become a sustainable and powerful force that allows a broader and

deeper post neo-liberal majority to take form. So our own parties have to change, open up and out and shift away from the more technocratic and sometimes rather elitist practice of believing the party and the party alone can deliver a social democracy from above.

A crisis of capitalism always means a crisis for social democracy. For the central aim of social democracy is to ensure that capitalism helps sustain society by effectively regulating and channelling it in a way that works fairly for all. If social democracy fails in this task, then capitalism always over-reaches itself and ends in economic and social crisis. As we have now seen, the greater the power markets are given the bigger the crisis it results in and the more they distort social life and relationships. **The problem was not too much government or state but not enough of the right kind of government action and state intervention.** Instead of believing that the free market could be left to its own devices and all social democrats had to worry about was the government distribution of resources, we are going to have to ensure not only that capital is once more made to be productive but that wealth is created fairly and therefore sustainably.

This is a long and complex task for which we must prepare our parties and start a debate with the electorate. Neither



the post war settlement nor the neo-liberal order were ushered in with one agenda emanating from one place, a Europe based on the principles and values of a good society certainly won't be either. At the same time the contours of a new agenda can now be set out that will help re-anchor capital to the societies it is meant to serve. A new agenda for social democracy would have the following features:

First, it would base economic recovery on wages policies that recognised the now obvious link between demand and fairness. Europe is struggling in part because there is no effective demand in the economy. Wealth has systemically been engineered to rise to the top where it is used for financial speculation rather than spending on goods and services. Not only is it morally right that wealth, which is socially created, is more equally distributed through higher wages but an increase in the spending power of those who will actually go out and spend (therefore creating income and jobs for others) will help kick-start a European recovery. Europe should therefore move towards a continent wide minimum wage, based on the respective average income. Companies are refusing to invest, not because wages are too high, but because demand is too low.

In addition a European wide floor on wages would take the pressure off governments to make cash transfers for

struggling families and would also reduce incentives for economic migration. In countries like Britain with a minimum wage already, pressure needs to build for a Living Wage.<sup>3</sup>

Second, finance capital has to be put in its place as a servant of the rest of the economy and society. Otherwise it fails to invest in the real economy and instead creates asset bubbles, like the sub-prime mortgage market, which destabilise the whole economy. At this moment there is not one bank in the whole of Europe that would survive without the direct or indirect support of the public sector. **Banks cannot be too big to fail and every encouragement should be given to their investment in production and not just speculation.** We would therefore call for the earliest possible split between the retail function of banks and the investment function, not through ring fencing but complete separation. Conducted across Europe this would put all banks on an equal footing and help avoid the contagion of losses built up in risky trading feeding into the real economy. In addition we would like to see the implementation of a global, and if not, European, Financial Transaction Tax on all speculative investments, both to discourage damaging and risky trading and to establish funds for social and public investment. Finally, we want to see a European wide bank bailout scheme developed so that the banks insure themselves

against the risk of going under and don't have to rely totally on public funds for recapitalisation as a consequence of the risky commercial decisions they decide to take.

Third, **we have to end the practice of Europe being the arena for a race to the bottom when it comes to taxes.**

Instead we need to create a level playing field in which companies and individuals have certainty, governments can't be blackmailed through the fear of flight and the public have access to decent vital service because there is a sufficient and fair tax base to draw funding from. Two areas for reform stand out, corporation tax and tax avoidance. Europe should look to harmonise levels of corporation tax so that every firm knows what it is expected to pay and no country can simply undercut others in a senseless race to the bottom. Second, we have to deal with the issue of tax havens and the ability of companies and individuals to avoid, sometimes totally, the duty they have to pay for a society that has helped make them rich. This requires three things; firstly companies must be required to account on a country-by-country basis so we know who is and is not paying tax, and where. Secondly, we need countries to automatically exchange information between them about the income of people who earn in one place (often a tax haven) and live elsewhere - this will shatter tax haven secrecy. Thirdly, we need really effective company

and trust registers in every country so we know precisely who owns what. Only then can we be sure tax is properly charged.

The challenge is to create a virtuous cycle in which policies that can have a meaningful effect on people's lives, like those outlined above, increase the level of trust in politics at a national and European level. Then further policy demands can be pushed for and with them the deeper democratisation of political and economic decisions at both nation state and European levels. Along the way parties like ours can share ideas and learn from each other's successes; such as the implementation of a minimum wage in the UK and environmental taxes in Germany.

We do not pretend that any of this will be easy. The appetite for Europe is not strong amongst our electorate. Different histories and traditions can divide us but can also make us stronger if we can learn to live together in part as Europeans. National interest can stand in the way of cooperation, but nation after nation is being picked off by the financial markets and corporate interest. We believe that a strong relationship between the progressive forces of Britain and Germany can strengthen a social Europe and work against the conservative cherry-picking and the corporate domination of politics that threaten to pull apart

the European Union. A strong relationship between the SPD and Labour will help to counter euro-scepticism and inward looking nationalism in the UK and provide a bulwark against the political and economic dominance of Germany.

We need each other. The founders of the post war vision of Europe trusted that economic freedom would lead to social and political justice. It hasn't worked out that way. Policies for social and political justice must now come first.

**Germany and Britain have a particular responsibility to work together to create a balanced Europe in which no country dominates and no countries are left far behind.** The politics of a good society can give social democracy a sense of direction and momentum to a better Europe. In Britain and Germany and then across the continent we will work together to build a good society.

**Thorben Albrecht** is Head of the Policy & Strategy Department in the Executive Committee of the Social Democratic Party in Germany (SPD). Previously he was Head of Andrea Nahles' office during the time when the original *Building the Good Society* paper was drafted and published. Thorben writes in a personal capacity.

**Neal Lawson** is Chair of the good society pressure group Compass and worked with Jon Cruddas and Andrea Nahles on the original *Building the Good Society* paper.

- 1 J Cruddas and A Nahles, *Building the Good Society: the project of the democratic left*, Compass, 2009, <http://compassonline.org.uk/publications/>
- 2 M Micus and F Butzlaff, *Formulierung von Zukunftsbildern einer besseren Gesellschaft? Politische Visionen und programmatische Leitideen der europäischen Sozialdemokratie*, 2012, Göttinger Institut für Demokratieforschung
- 3 A Living Wage is the income people need to earn to support themselves and their families at a minimum acceptable level. See <http://www.minimumincomestandard.org/index.htm> for further details.







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