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Meetings are held under Chatham House rules, so that opinions expressed may be reported but not attributed. These seminar-style events typically open with short presentations from two experts, one of which is usually a member of the LSE faculty, followed by open discussion among the group.

In these write-ups, issues raised in the discussions are collected into an essay including references to relevant research and exploring some questions in more depth. The authors are encouraged to elaborate and reflect, so they should not be read as an unvarnished record of the discussion.



Europe for the Many? Realising left-wing reforms in the European Union

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1. Introduction: Europe and the Left

The question of Europe has challenged left-wing parties for several decades now. From the French Socialists under François Mitterrand in the 1980s to the British Labour Party under Jeremy Corbyn today, left-wing parties throughout Europe have hotly debated whether the European Union (EU) is the quintessence of unmitigated globalised capitalism that puts profit over people, or our best defence against it.

This debate has acquired a nearly existential importance in recent years, as mainstream left-wing parties across Europe, from Germany to France, to the Netherlands and Greece, have seen their vote shares plummet. Remarkably, in the wake of the financial crisis in June 2009, the share of MEPs that the social democratic group managed to elect in the European Parliament stood at just 25%: it was the worst result for the social democrats in the history of European elections – the manifestation of a real pan-European swing against the centre-left¹ –, and one that the social democrats practically failed to alter in the 2014 European elections. And while in the past, it was the social democrats' generally pro-EU stance that was attacked from the radical right, the last two years have seen the emergence of electorally effective alternatives to social democracy at the staunchly Europhile end of the spectrum, such as Macron's *En Marche* in France and the Greens in Germany. If, as Liesbet Hooghe & Gary Marks suggest, European countries are currently witnessing “the emergence of a transnational cleavage” centred around the issues of European integration and immigration,² then it is more urgent than ever for the European left to convey a clear vision about Europe.

So can the EU deliver on the promise of a “Europe for the Many”? Based on fruitful interventions at the LSE's 16th Continental Breakfast, this report seeks to make a contribution to this ongoing discussion. It addresses four policy areas that are key from a left-wing perspective: macroeconomic policy, local socioeconomic development, public

¹ Simon Hix and Michael Marsh (2011), “Second-order effects plus pan-European political swings: An analysis of European Parliament elections across time”, *Electoral Studies* 30.1, pp. 4-5.

² Liesbet Hooghe and Gary Marks (2018), “Cleavage theory meets Europe's crises: Lipset, Rokkan, and the transnational cleavage”, *Journal of European Public Policy* 25:1, p. 109.

services, and green growth. Underlying the entire report is a dilemma that arose time and again in our discussion at the breakfast meeting, namely whether left-wing parties should push for incremental or radical change in the EU – a topic that we return to in the conclusion.

2. Reforming macroeconomic policy

One of the most fundamental concerns about the EU's institutional framework often expressed in left-wing circles is that the EU treaties entrench and give what is in effect a constitutional status to particular ideas about economic policy, many of which are conservative in nature.³ This is a manifestation of a broader, global phenomenon, which can be described as the encasement of free markets beyond the reach of regulatory democracy.

The design of the EU's Economic and Monetary Union (EMU) can be seen as a case in point.⁴ Although in the context of the recurrent currency crises of the 1980s and early 1990s, EMU was originally widely seen as the best defence at the disposal of countries with “weak” currencies against the growing influence of financial speculators on their economies,⁵ the eventual design of EMU in the Maastricht Treaty privileged the economic goals of price stability and fiscal discipline to an extent that left progressives across Europe disillusioned.⁶ Monetary policy in the newly-formed Euro Area would be shaped by the European Central Bank (ECB), “the most independent Central Bank in the world” by design,⁷ which was mandated by the Treaty to regard “price stability” as its “primary objective”.⁸ Moreover, the monetary union would not be complemented with an ambitious economic union that would include an EU fiscal capacity to cushion asymmetric shocks in particular member-states; instead, the treaty emphasised national fiscal discipline, a goal that was enshrined in the convergence criteria that member-states had to meet in order to qualify for Eurozone membership, and that was later reaffirmed in the Stability and Growth Pact adopted in 1997.⁹

As Kathleen McNamara has argued powerfully in *The Currency of Ideas*, in the context of the economic difficulties that many European countries were experiencing since the late 1970s, these choices at least partly reflected “a convergence in policy preferences among European elites” around the monetarist paradigm of macroeconomic policy, whereby Keynesian demand management had come to be seen as an ineffective tool to

³ E.g. see Jeremy Smith and John Weeks (2017), “Bringing democratic choice to Europe’s economic governance: The EU Treaty changes we need, and why we need them”, report published by the Rosa-Luxemburg-Stiftung Brussels Office and Policy Research in Macroeconomics (PRIME), available at: https://www.rosalux.eu/fileadmin/user_upload/Publications/2017/Democratic-choice-to-Europe.pdf

⁴ Smith and Weeks (2017), p. 6.

⁵ Simon Hix and Bjørn Høyland (2011), *The Political System of the European Union*, Basingstoke: Palgrave Macmillan, p. 252; Waltraud Schelkle (2018), *The Political Economy of Monetary Solidarity*, Oxford: Oxford University Press, p. 13.

⁶ For instance, Moravcsik reports that the then Commission President and former Socialist French Finance Minister Jacques Delors, saw many of his proposals for EMU rejected by the member-states in Maastricht, and later “lamented that the ‘budgetarists’ have won”. Andrew Moravcsik (1998), *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, London and New York: Routledge, p. 446.

⁷ Mark Pollack (2005), “Theorizing the European Union: International Organization, Domestic Polity or Experiment in New Governance?” *Annual Review of Political Science* 8, pp. 377-378.

⁸ Hix and Høyland (2011), p. 251.

⁹ Moravcsik (1998), p. 442.

promote growth.¹⁰ The emphasis on monetary stability as a way of ensuring the undistorted operation of the price mechanism, and on fiscal discipline as a way to assign liability to individual member-states for their own economic policy choices, was also very much in line with ordo-liberal economic philosophy as developed by Walter Eucken and the Freiburg school.¹¹ The question that arises is, what happens when the consensus around the ideational underpinnings of EMU as it was designed in Maastricht unravels, as a result of political change, economic crisis, or a combination of the two? Given the embeddedness of some of these ideas in the EU's treaties, is there scope of change, short of a radical treaty reform?

Interestingly, and contrary to popular belief, the EMU's architecture did in fact change during the Eurozone crisis. Perhaps most notably, the no-bailout clause of the Treaty of Maastricht, which stated that no member-state was under an obligation to assume the debt of another member-state, became defunct in practice when five EU member-states were bailed out through the series of emergency funds that were created since 2010.¹² In fact, the European Stability Mechanism (ESM), which was set up as a permanent institution in 2012, created "for the first time a permanent capacity for fiscal risk sharing if a member-state government is in distress".¹³ Moreover, under the presidency of Mario Draghi, the European Central Bank (ECB) moved away from a narrow conception of its role as being solely that of the guarantor of price stability, and played a crucial part in the eventual recovery of the Euro Area. Despite the prohibition of monetary financing of EU member-states in the Treaty of Maastricht, the ECB started purchasing member-state government bonds in the secondary bond market through its Outright Monetary Transactions (OMT) programme in 2012, and engaged in quantitative easing in 2015.¹⁴ According to Waltraud Schelkle, these examples demonstrate that "there is no *finalité* in monetary integration": the EMU's institutional architecture is constantly evolving.¹⁵

It is of course true that these developments came hand-in-hand with an unprecedented level of conditionality for debtor member-states, including requirements not only for structural reforms, but also for austerity and privatisation. Moreover, the Fiscal Compact signed by EU member-states in 2012 not only reaffirmed their commitment to fiscal discipline, but it also created a constitutional requirement for member-states to hold a balanced budget over the economic cycle.¹⁶ At the same time, more ambitious proposals for creating a fiscal stabilisation mechanism that would enable member-states to smooth their business cycle even when their public finances are not in such a grave state that a resort to the European Stability Mechanism is required, such as the much-discussed [proposal](#) for a European Unemployment Benefit Scheme,¹⁷ appear politically unattainable at the moment.

¹⁰ Kathleen McNamara (1998), *The Currency of Ideas: Monetary Politics in the European Union*, Ithaca; London: Cornell University Press, p. 6.

¹¹ Harald Hagemann (2017), "Ordoliberalism, the Social-Market Economy, and Keynesianism in Germany, 1945-1974", in Roger E. Backhouse, Bradley W. Bateman, Tamotsu Nishizawa, and Dieter Plehwe (eds.), *Liberalism and the Welfare State: Economists and Arguments for the Welfare State*, Oxford: Oxford University Press, pp. 60-61.

¹² Schelkle (2018), p. 18.

¹³ Schelkle (2018), p. 18.

¹⁴ Kenneth Dyson (2017), "Playing for High Stakes: The Eurozone Crisis", in Desmond Dinan, Neil Nugent and William Paterson (eds.), *The European Union in Crisis*, London: Palgrave, pp. 67-68.

¹⁵ Schelkle (2018), p. 19.

¹⁶ Dyson (2017), p. 66.

¹⁷ For example, see European Commission (January 2017), "A European Unemployment Benefit Scheme: The rationale and the challenges ahead", report written by Miroslav Beblavý, Gabriele Marconi and Ilaria Maselli, available at:

The member-states' apparent reluctance to move ahead with such a reform is related to concerns in creditor states that an EU-level unemployment benefit scheme would generate moral hazard in the form of perverse incentives for member-states to avoid implementing reforms to tackle unemployment at home.¹⁸ In turn, these concerns point to a more fundamental issue, namely the profound challenge of forging political alliances for reform in an entity such as the EU, which is not *single, homogeneous democracy*, but a *union of democracies* where the democratic will of one people is often at odds with the democratic will of other peoples. In such a context, if an agreement for progressive reform is going to be forged, the concerns of voters in the creditor states will somehow have to be addressed,¹⁹ and the argument will have to be won within a broad European alliance, rather than from the relative isolation within which the UK Brexit debate is usually conducted. The Portuguese Prime Minister António Costa can be seen as a good example of a socialist politician who is currently working discreetly but persistently in that direction, building his credibility by supporting the EMU's rules on fiscal discipline, while pushing for the adoption of a formula of “ordoliberalism at home; Keynesianism on the European scale”.²⁰

3. Promoting local socioeconomic development

If reforming the direction of macroeconomic policy is an issue that must be tackled primarily at the European level, this is not necessarily true for another policy aim that is at the core of the Left's agenda, namely the aim of fostering socioeconomic development particularly in areas that have suffered from industrial decline, where there is a feeling of being left behind by an economic model that relies heavily on linkages with global markets. This goal is becoming more pressing than ever in light of recent electoral outcomes. While different groups of people voted Leave in the 2016 referendum for very different reasons, scholars such as Will Jennings²¹ and Andrés Rodríguez-Pose²² have shown that one of the most notable spatial dimensions of the vote was that places that have experienced a high relative socioeconomic decline in recent decades, such as Britain's deindustrialised towns in the north, were much more likely to vote Leave than areas with strong global links, such as most major cities. The Brexit vote therefore acts as a reminder of the urgency of addressing the needs of communities that have suffered not only from structural economic change, but also from decades of “political negligence”,²³ in what is a divided country.

The concern is that while those communities managed to find a voice by voting Leave, they will now get the wrong medicine in the form of Brexit. Let's take the example

<https://ec.europa.eu/social/BlobServlet?docId=16884&langId=en>. See also Italian Ministry of Economy and Finance (February 2016), “A shared European policy strategy for growth, jobs, and stability”, report available at: <https://piie.com/system/files/documents/padoan20160422.pdf>.

¹⁸ European Commission (January 2017), pp. 17-18.

¹⁹ On this subject, see also Claudia Sternberg, Kira Gartzou-Katsouyanni and Kalypso Nicolaïdis (2018), *The Greco-German Affair in the Euro Crisis: Mutual Recognition Lost?* London: Palgrave Pivot.

²⁰ Eunice Goes (13/6/2018), “Portugal's eurozone reform proposals can renew social democracy”, Open Democracy, available at: <https://www.opendemocracy.net/en/can-europe-make-it/portugal-s-eurozone-reform-proposals-can-renew-social-democracy/>

²¹ Will Jennings (October 2017), “Cities and towns: The 2017 general election and the social divisions of place: Part I”, New Economics Foundation, available at: <https://neweconomics.org/uploads/files/FINAL-CITIES-AND-TOWNS.pdf>.

²² The Geography of EU Discontent Lewis Dijkstra, Hugo Poelman and Andrés Rodríguez-Pose https://ec.europa.eu/regional_policy/sources/docgener/work/2018_02_geog_discontent.pdf

²³ Anand Menon and Alan Wager (2018), “Brexit and British politics”, in *Brexit and Public Opinion*, report published by The UK in a Changing Europe research institute at King's College London, available at: <http://ukandeu.ac.uk/wp-content/uploads/2018/01/Public-Opinion.pdf>.

of Mansfield, a formerly major and productive centre of coal mining in Nottinghamshire, which has faced a protracted period of relative economic decline since the late 1980s, and which voted 70.9% Leave. The Leave vote and the reaction of the local community against the arrival of Eastern European immigrants in the town in the early 2000s, can at least partly be understood as an aspect of a broader reaction against the spread in the area of a type of business model that relies on low-skilled, low-paid labour recruited on zero-hour contracts via agencies. However, Brexit in itself will solve none of the underlying structural problems of Mansfield's economy, and may actually exacerbate some of the challenges that high value-added firms and public services face in the area, especially by reducing their ability to find skilled workers. Furthermore, while an increase in the barriers to the free movement of people is likely to disrupt the kind of low-value-added business model that the locals seem to have reacted against, it is by no means certain that after Brexit, a better type of business model would take its place – or anything at all. Brexit will also signify the loss of the area's EU funding, which currently subsidises precisely the types of activities that can promote development along a higher value-added path, such as training and start-up support programmes.²⁴ Finally, at a more general level, quantitative impact assessments of the local-level effects of both “soft” and “hard” Brexit scenarios, such as the [one](#) conducted by the LSE's Centre for Economic Performance, predict that economic activity in local authorities throughout the country will be affected negatively by the increase in trade barriers with the EU that will result from Brexit.²⁵

Given that the UK is a net contributor to the EU budget, in theory British governments would have the means to replace and even expand and improve the EU's regional development programmes after Brexit – and indeed, scholars of regional development have strongly encouraged a cross-party consensus to that direction, given evidence that EU programmes provided a mechanism for dampening the forces of economic divergence within the UK in the past.²⁶ However, in practice, the historical reluctance of successive British governments to fund stable, long-term regional development programmes involving local stakeholders in the planning and implementation stages – perhaps with the exception of the establishment of the nine Regional Development Agencies under Tony Blair – creates reasons for serious concern. In fact, the government's recent [announcement](#) of the £1.6 billion Stronger Towns Fund to reward Leave-voting Labour constituencies if Theresa May's Brexit deal passed from Parliament, was an alarming illustration of what the UK's regional development policy may look like after Brexit: a series of short-term responses to immediate political problems, not a long-term strategy for achieving a set of well-defined, equitable socioeconomic goals at local level. While the EU's funding programmes must themselves become better at involving local civil society in defining local priorities and at addressing needs that are truly central for local communities, at least EU membership provides a framework for ensuring that some type of consistent development policy for disadvantaged regions remains in place.

²⁴ Kira Gartzou-Katsouyanni, Jose Javier Olivas Osuna, Josh De Lyon, Kuba Jablonowski, Max Kiefel, Diane Bolet, Alexandra Bulat and Mary Kaldor (September 2018), “Understanding Brexit Impacts at a Local Level: Mansfield case study”, report published by the Conflict And Civil Society Research Unit of the LSE, available at: <http://www.lse.ac.uk/international-development/Assets/Documents/ccs-research-unit/current-projects/10.18-Brexit-Report-%E2%80%93-Mansfield-final.pdf>

²⁵ Swati Dhingra, Stephen Machin and Henry G. Overman (July 2017), “The Local Economic Effects of Brexit”, CEP Brexit Analysis No. 10, Centre for Economic Performance, London School of Economics, available at: <http://cep.lse.ac.uk/pubs/download/brexit10.pdf>

²⁶ Marco di Cataldo and Vassilis Monastiriotis (2018), “Regional needs, regional targeting and regional growth: an assessment of EU Cohesion Policy in UK regions”, *Regional Studies*, p. 11.

But can any type of regional development policy within the EU's free-market framework ever be enough to provide declining regions with the boost that they need in order to catch up with other parts of the country? And more particularly, are the EU's current rules on state aid compatible with adopting effective policies to address regional inequality? One hears a range of views on this question within the British Left. On the one hand, some argue that the EU's state aid rules must be reformed in order to be compatible with a left-wing policy for regional development. One reform proposal is to introduce an exemption from current state aid rules in the EU's treaty, which would allow governments to provide companies with subsidies for up to five years, "in so far as such aid is required in order to compensate for severe economic disadvantages or impacts caused by industrial, sectoral or other major structural change or by sharp economic fluctuations or disturbances (including those resulting from any impact of trade with third countries)."²⁷ On the other hand, others argue that the British debate on state aid often underestimates the extent to which the EU's state aid rules serve to limit the practice of corporate welfare in European countries, thereby stopping "private capital capturing governments to enrich itself at society's expense" – something that happens a lot more often in the US, which doesn't have an equivalent framework for state aid rules.²⁸ Indeed, to take an example from close to my home, paradoxically it was the EU's state aid rules that recently stopped Greece's SYRIZA-led coalition government from extending the lease of the Athens Airport to the German Fraport company for 20 years for the originally-agreed price of €484 million. [Finding that](#) "a private operator would not have accepted such an offer, and therefore [that] the extension of the concession on these terms would have constituted state aid", the European Commission forced the Greek government to increase the price of the lease to €1.1 billion.²⁹ Having said that, given that there is an ongoing debate about state aid rules also in Germany, where there is concern about the ability of European companies to rival Chinese competition, reforming the EU's state aid rules may not be an impossibility in the future.

Finally, whether some reform of the EU's state aid rules is required from a left-wing perspective or not, the British Left should support ongoing EU efforts to address "the gaping hole in the present system" – namely that "states remain able to offer enticements through undercutting other states on corporate profit tax rates"³⁰ – and ask that initiatives such as the Anti-Tax Avoidance Directive that recently became effective in UK law, or the Commission's [proposal](#) for a Common Consolidated Corporate Tax Base, become even bolder in terms of ensuring that companies operating in the EU pay their fair share of tax.

4. Improving public services

Linked to the more general question of adopting policies to foster local and regional socioeconomic development is the question of improving the provision of public services, an issue of utmost importance for citizens' daily livelihoods. A promising way to think about this issue is to look for allies among European cities that are pioneers in the domain of public service provision, learn from their experience, and seek to understand

²⁷ Jeremy Smith and John Weeks (2017), p. 37.

²⁸ Ewan McGaughey (December 2018), "EU law empowers a big Green New Deal and state aid rules stop corporate welfare", LSE British Politics and Policy blog, available at: <https://blogs.lse.ac.uk/politicsandpolicy/state-aid-rules-brexite/>

²⁹ European Commission press release (12/12/18), "State aid: Commission finds no aid in €1.1 billion extension of Athens International Airport concession", available at: http://europa.eu/rapid/press-release_IP-18-6785_en.htm

³⁰ Jeremy Smith and John Weeks (2017), p. 35.

what policies can be adopted at the EU level in order to foster those cities' efforts and encourage the adoption of similar policies in other cities. This strategy appears to be grounded and realistic, but at the same time it has a visionary element, as it brings policy-makers closer than ever to citizens and their communities, who become actively involved in the process of policy design.

Vienna is widely recognised as one of Europe's best-performing cities in terms of the quality of its public services, and this is one of the reasons why the city "effortlessly tops the world's most liveable city surveys".³¹ With nearly two-thirds of Vienna's citizens living in municipal or publicly-subsidised housing, resulting in an abundance of affordable, high-quality housing throughout Vienna that Londoners could only dream of, the city's public housing programme can arguably be characterised as its flagship achievement – but public housing also goes hand-in-hand with a remarkable offering in terms of public utilities, public transportation, and a range of city-level policies to protect the environment and create green spaces. In the spirit of the suggestion to learn from the best-performing European cities in the domain of public services, I conducted a short interview with Michaela Kauer, head of the Brussels office of the City of Vienna, who was kind enough to share her insights based on Vienna's experience.

Public housing and the integrative approach to public service provision in Vienna: An interview with Michaela Kauer, head of the Brussels Office of the City of Vienna

- *Ms. Kauer, thank you very much for agreeing to have this conversation with me. I would like to start our conversation with a question about Vienna's housing policy. How does Vienna manage to offer such a good deal to its citizens in terms of affordable, high-quality housing?*
- **The short version of the answer is, you need 100 years' time, and you need to have a very clear political will to do it.** Housing markets are always characterised by classic market failures. This is why the municipal housing programme was launched 100 years ago. Just to give you the numbers, today 220,000 apartments in Vienna are owned by the city. The first big programme was set up between the two World Wars – they constructed about 40,000 apartments at the time – and it was financed with a tax that was taken from the rich and was redistributed to finance municipal infrastructure, including the housing programme. Today we have 500,000 people living in those apartments. Adding to that, we have about 180,000-200,000 apartments in cooperative housing. These are private housing companies which are not for profit, or for very limited profit, and they get subsidised from the city via a special tax that we have in Austria, the *Wohnbausteuer* (Housing Construction Tax). Altogether, this means that nearly two-thirds of the Viennese population live in some form of publicly-funded or municipal housing.

But the policy also affects the private sector. The Social Democrats have been in power in Vienna since nearly 100 years. This was only interrupted by the two fascisms – the Austro-fascism and the Nazi regime of the

³¹ Michael Fitzpatrick (12/12/17), "What could Vienna's low-cost housing policy teach the UK?", *The Guardian*, available at: <https://www.theguardian.com/society/2017/dec/12/vienna-housing-policy-uk-rent-controls>

Germans – and in these years, everything stopped obviously. But after World War Two, the Social Democrats immediately gained power again in Vienna, and continued. You can imagine that there was a lot of destruction, so they said OK, if we give taxpayers' money to private landlords to reconstruct their buildings, we will bind conditions to that. Many of the beautiful old buildings that you can still see today were renovated with public assistance – state aid – and this meant we could attach conditions: we could say, if you renovate, there has to be tenants' protection, you have to take in some people from our waiting lists on the municipal housing company, etc.

- *Do you have rent controls for private housing in Vienna?*

In the past – more than two decades ago, I believe – we had very strong rent controls. And in fact, they were a little bit too strong for landlords to invest. So there was a deal – it was a political deal – and for certain parts of the private sector we established something which we call now the *Richtwertmiete* (benchmark rent), which says that if the apartments are in a certain condition, and they are in a good area in the city, and they have good public transport, and you have green spaces around, and all these goodies – then you can put certain types of bonus on the private rent. So here we have some issues. **But the point is that we can control rents indirectly, because we have this big stock of publicly-funded housing.** Private landlords can't go beyond certain prices in practice, because tenants have an alternative. In London you do not have an alternative. But in Vienna you do. And we are one of the only cities in the world which continued our construction programme throughout the global financial crisis, during the last ten years. At the moment, we have 14,000 apartments under construction, some privately, but the bigger share with cooperative or public funding.

- *How can Vienna afford to own this quantity of public housing, and to subsidise the cooperative housing?*
- Well, it's because it's a historically developed system: **it's a long-term project. Housing is something that you do for thirty, fifty, for ninety-nine years.**

Also in Vienna we have been touched by those global real estate players, whose profit margin is 3-5 years. This is something that we try to control. And now that money is so cheap, and they can borrow from the market rather than accepting loans with conditions from the city, we go a step earlier, and we say ok, let's talk about urban development planning. Like our ancestors who started the housing programme in 1919, we want to have affordable housing all over the city, we don't want to have ghettos and no-go areas – the philosophy is still the same. The challenges are different in some cases, for instance we have had to do a lot of energetic renovation and we had to adapt buildings in response to demographic change. But the social mix continues to be the core aim of our housing policy.

- *And why does Vienna offer municipal and subsidised housing also to middle class families? In England, living in a Council flat tends to carry a negative connotation.*

- Yes, which is absolutely not the case in Vienna. It's not a question of doing things for the poor, it's a question of empowering all people. **The political ideology behind of course is that if you want to have a social mix, you have to care for everybody**, so it's a very holistic view that we have in our policy in Vienna.

For the last three years I've been leading on a project which is called the [EU Urban Partnership on Housing](#) – it's taking place in the framework of the Urban Agenda for the European Union, as part of the [Pact of Amsterdam](#) agreed in the Council in May 2016. The idea behind the Pact of Amsterdam was that the EU has to listen better to the cities, because two-thirds of the EU's population of Europe live in cities, and the cities are affected by EU law all the time. So one of the partnerships developed within this framework was on housing, as we have a big housing crisis in Europe – 82 million cannot afford housing anymore, they live in bad, unhealthy housing. And this is because the market fails, end of the story. And the failure of the market now has reached the middle class. So our approach in Vienna to protect the middle classes by allowing them into broad, affordable housing schemes, was of course very preventive when you look at the developments today.

Affordable housing for the middle class also means less need to commute. Commuting is stolen lifetime, and it's an environmental disaster. In France, for instance, people now commute with the fast trains to Paris from Lille, or Reims, or Nantes, or Bordeaux. And what happens is that prices are skyrocketing in these cities as well – it's like an infectious disease.

- *Is Vienna's public housing programme threatened by EU competition and state aid rules?*
- In our EU housing partnership [we have been working](#) on this issue very much, as EU state aid rules were used by big investors to challenge housing systems in the Netherlands, in France, in Sweden, etc. EU rules forbid state aid if it creates an advantage for a certain company or project, but there is a list of exceptions, which fall under the principle of subsidiarity. So you can give state aid to schools, kindergartens, the promotion of national culture, movies, sports, the justice system, social housing, and the list goes on – because this is a core business of the state. In these areas, competition law does not apply in principle, and this is why we do not have to notify the European Commission for providing state aid. **But interestingly enough, when it comes to social housing, there is an exemption from the exemption: the rule is that you can only give state aid to social housing if it is for very poor and disadvantaged groups of society. We were never in favour of that clause, these seven words, and we've been fighting them ever since.** They create so much legal uncertainty.
- *So this clause hasn't been used to attack Vienna's housing policy, but it could be used, as long as it's there?*
- I don't see that, and I would wish them a lot of fun with us. Because this is something where the Viennese will fight – I mean, over my dead body would they ever succeed.

What we have is very clear and very differentiated offers: until a certain income you can go to municipal housing, beyond that you can go to cooperative housing, and beyond, if you're really rich, or you choose to do

that, you can go to the private sector, fine. Everybody has freedom of choice. But there is a choice, in contrast to many other cities, where there is no choice anymore.

- *I see, very interesting! I now wanted to ask if you could talk a bit about the interaction among the public services that Vienna offers, for instance between housing policy and the policies on public utilities, transport and the environment?*
- When it comes to energy, we have a clear symbiosis between the public energy company and the waste management company, allowing us to use the waste as a raw material to fuel district heating. So we try to limit the amount of waste by using it as a raw material for energy. Obviously, when we do now new construction sites, we try to bring district heating there, as this is an intelligent way to deal with things.

You will find this kind of integrated systems very often in Vienna, and in many other cities – we are not alone in that. As regards transport, for instance – when we start developing a new site, like we did in Aspern Seestadt in the north of Vienna – the first thing we did was that we built the metro. There were no buildings there, nothing – the first thing we put there was the metro. Now I think there are 20,000 people there; and with the metro we avoid having all that private individual traffic in the city. The annual ticket for the Viennese public transport system costs €365, so €1 a day.

Finally, when you talk about environment, you also have to talk about water and green spaces, and clean water is an issue for many cities. So how do we have such high-quality, clean tap water in Vienna? Again, it's a story of 150 year ago, when the mayors of Vienna – at that time of course, they were not democratically elected – but the mayors of Vienna went to the Kaiser and asked to acquire the woods in Lower Austria and Styria, in order to build a viaduct to transport water for the 2 million inhabitants of Vienna. So they got it, which means that today we have a big area in Lower Austria and Styria that is owned by the City of Vienna, and this is where we get our water from. But what happens at the same time – and this is why I was talking about symbiosis and integrative approaches – is that the woods are of course strongly protected. We protect the biodiversity in those woods, because it is there where clean water for the future generations will be created. So this is one of the most illustrative examples.

5. Fostering green growth

To continue on the theme of environmental protection, climate change policy and green growth are both issues that also occupy a central place in current left-wing discussions. A European approach to these questions could be summarised as a call for the Green New Deal to be framed as a European deal, building and expanding on the EU's comparatively ambitious climate change goals, and its environmental legislation that is

“almost universally based on the high standards of the most environmentally advanced member states, such as Denmark, Germany, Sweden, and the Netherlands, rather than on the lower standards of the UK, Ireland, and Southern and Eastern Europe”.³² It is also important to note that even if the EU’s environmental policies are relatively advanced in terms of legislation, they suffer from an implementation problem. This is an area where the Left can ask the EU to do more, addressing the root causes of the implementation deficit, including administrative incapacity, the resistance of groups with vested interests in the continuation of environmentally damaging policies, and the lack of environmental awareness in many parts of Europe.³³ More ambitiously however, a transformative European Green New Deal would involve broader change in a number of neighbouring policy areas at both the national and the EU levels, including transportation, energy, housing, public procurement, and even corporate governance. Crucially, for any such effort to succeed, the goals of environmental protection and social justice would have to be pursued in tandem, involving the citizens as agents of change.

6. Conclusion: Making change happen

This report, like the current discussion within the British Left, has oscillated between suggesting grounded, incremental reforms to the EU’s policy status quo, inspired from best practice within the existing policy framework and based on potential alliances that seem feasible within the current European political setting, and bold, visionary policy changes that would require a radical overhaul of the existing EU policy framework. In the end, should the European Left push for incremental or radical reform? Which of the two has the potential to reverse the Left’s electoral decline and to make a real difference in people’s livelihoods? Can these two visions of reform somehow be combined?

One view is that the Left has contented itself with adopting an incremental, pragmatic approach for too long, and that this stopped it – among other things – from coming up with a convincing response to the global financial crisis. What is needed instead, it is argued, is decisive leadership and a vision for radical change, like the leadership and vision that Roosevelt displayed when he dismantled the system of the Gold Standard almost overnight. Others are wary of such suggestions for radical reform, arguing that real, lived EU politics require the careful construction of pan-European political alliances to build on what works and nudge agendas in a progressive direction. Focusing on such small steps that can deliver material benefits in the present doesn’t necessarily imply the lack of a vision about the desirable direction for European politics, but conveying such a vision would crucially require a narrative that builds upon the positive elements of European integration. What is more, communicating such a vision effectively would likely depend upon all of us – scholars, politicians, policy-makers at the national and crucially at the EU level – making it a far more central part of our daily work to listen, learn from and engage with citizens and local communities across the European Union.

³² Hix and Høyland (2011), p. 206.

³³ For an interesting analysis on this issue, see Tanja Börzel (2000), “Why there is no 'southern problem': On environmental leaders and laggards in the European Union”, *Journal of European Public Policy* 7:1, pp. 141-162.

List of participants

Lord Alderdice	House of Lords
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Michael Chessum	AEIP
Sir Robert Cooper	London School of Economics
Luke Cooper*	Anglia Ruskin University
Zoe Gardner	Joint Council for Welfare of Immigrants
Kira Gartzou-Katsouyanni	London School of Economics
Misha Glenny	Author
Eunice Goes	Richmond University
Mary Kaldor**	London School of Economics
Peter Kenyon	Labour activist
John Lansman	Momentum
Jennifer Larbie	Labour Party
Fred LePlat	Another Europe Is Possible
Denis MacShane	Former Europe Minister
Rachael Maskell MP*	House of Commons
Ewan McGaughey	Kings College London
Anand Menon	Kings College London
Jose Olivas-Osuna	London School of Economics
Kate Osamor MP	House of Commons
Ann Pettifor*	Prime Economics
Vicky Pryce	CEBR
Antje Scharenberg	PhD Student, Goldsmiths
Claudia Sternberg	UCL
Eloise Todd	Best for Britain
Zoe Williams	The Guardian
Amelia Womack	Green Party

* Introductory remarks

** Chair