From Delors to Guterres

Europe from the Left

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For progressive economists Dani Rodrik is on the side of the angels. His *Has Globalization Gone Too Far?* (1997) was prophetic. His insights into how the World Trade Organization not only has institutionalised the postwar General Agreement on Tariffs and Trade, but has also been intrusive in insisting on rules concerning how governments should manage their economies, have been significant. As has been his recognition that recent trade agreements have served vested interests rather than benefited peoples. While his more recent outspoken claim that globalisation has been "tearing societies apart" (Rodrik, 2018) rightly has resonated.

It therefore is remarkable that his claim that, since the early 1980s, there was an intellectual abdication of the European Left (Rodrik, 2016) is a travesty of both people and recent history. As has been the claim of Sheri Berman (2017) that, since the 1970s, European "social democrats lacked well thought out plans for getting economies moving again or for using the democratic state to protect citizens from the changes brought by ever-evolving capitalism". Both, and especially Dani, deserve a response.

Thus in his *Abdication of the Left* Dani submits that:

> "The enthroning of free capital mobility … was spearheaded in the late 1980s and early 1990s not by free-market ideologues, but by French technocrats such as Jacques Delors at the European Commission who was closely associated with the Socialist Party in France."

Putting on one side that such capital mobility *was* advocated by free-market ideologues and that Delors happened to have been a member of the French Socialist Party, rather than 'closely associated' with it, Dani then claimed that:

> "France's Socialist technocrats appear to have concluded from the failed Mitterrand experiment with Keynesianism in the early 1980s that domestic economic management was no longer possible, and that there was no real alternative to financial globalization. The best that could be done was to enact Europe-wide and global rules, instead of allowing powerful countries like Germany or the US to impose their own."

Such a dismissal is grossly inaccurate and traduces the record of figures more readily recognised for their historical significance than Sheri and himself, including not only Jacques Delors but also François Mitterrand as both leader of the French Socialist Party, and then head of State, Andreas Papandreou, leader of the first socialist government in Greece, as well as Willy Brandt and Bruno Kreisky, former Chancellors of Germany and Austria, and Antonio Guterres, formerly Prime Minister of Portugal and now Secretary General of the United Nations.

Such as how Mitterrand and Papandreou in 1986 managed to gain the first revision of the EEC's neoliberal Rome Treaty with a commitment to economic and social cohesion as a twin pillar of the postwar European project. How Delors managed to get agreement from EU heads of state and government in the early 1990s for EU bonds or 'eurobonds' to offset the deflationary debt and deficit conditions of the Treaty of Maastricht which since have been strongly opposed by Angela Merkel but also as strongly supported by Emmanuel Macron. How Antonio Guterres gained agreement that the European Investment Bank should adopt a social cohesion remit that enabled it to quadruple its investments and outstrip the World Bank. Or how Willy Brandt and he sustained a series of critiques of global neoliberalism in initiatives by the European and Latin American Left.

Besides Dani wrongly neglecting that Syriza's anti-austerity programme for government drew directly on earlier proposals for bond finance by Delors and Guterres and that, in not supporting this, Wolfgang Schäuble and other finance ministers were blatantly in breach of EU Treaty commitments to economic and social cohesion gained by Delors. While also entirely neglecting initiatives by the Socialist International, since Brandt and Kreisky challenging precisely the neoliberal model of globalisation that he wrongly claims that the European Left had endorsed and thereby gaining support not only from parties in Europe and Latin America, but also from governments in China and India for a new cooperative framework for global governance.

Delors, the European Left and Alternatives to Neoliberalism

In his unfounded claims for an alleged Intellectual Abdication of the Left, Dani directly targeted Jacques Delors. But his misrepresentation of Delors has been utterly uninformed. He was not a technocrat in the manner by which, in only a few words, and without supporting evidence, Dani peremptorily dismisses him. Throughout his professional life he had been seeking to countervail technocracy. Such as that he had been the social affairs adviser to the French Prime Minister Chaban Delmas after May 1968, from which he resigned because Chaban would not implement an extensive social programme. In parallel, until June 1968 I had been the adviser on Europe to Harold Wilson and resigned when he would not follow through the agreement I had gained from Charles de Gaulle for a second British application to join the European Economic Community on a confederal rather than supranational basis (Holland, 2015).

Delors and I then met on a committee of the Economy and Finance Directorate of the European Commission in the mid-1970s, chaired by the Christian Democrat head of the Belgian Plan, Robert Maldague, who stressed that the already neoliberal agenda of the then EEC was undermining democracy in Belgium. We were to report on factors in inflation, with the implicit logic that we should endorse the case for "structural adjustment" reforms reducing the rights of organised labour.

At our first meeting Delors waited until the rest of us had spoken and then opened his remarks by saying "Inflation has nothing to do with the bargaining power of labour. It is a symptom of capitalist disorder" – hardly the words of a 'French technocrat' as Dani has deemed him. The report that we produced was one of the first statements of the case for social cohesion and full employment for Europe (Maldague, *et al,* 1976). DG Economy and Finance of the Commission not only refused to press release it, which would have been routine, but recalled all the copies that it could find, and pulped them in the basement of the Berlaymont. Maldague and Delors responded by press releasing it independently. Unlike most reports to the Commission, it was reproduced in full in several European newspapers. It also was published by *Agenor* (1976) – a pro-Europe but anti-neoliberal journal – as *The Maldague Report – Banned.*

The banning by the Commission of the 'Maldague Report' in the mid 1970s confirmed what already was emerging as a dominant neoliberal ideology within the Commission. It not only was politically inept since one of its main authors later was to be the longest serving and still the most renowned President of the Commission. It also presaged what were to be the repressive policies through 'structural reforms' of the Troikas of the Commission, the ECB and the IMF after the onset of the Eurozone crisis.

On Delors' initiative, three of us from the Maldague committee regrouped, including himself, myself and Franco Archibugi, an Italian socialist and former director general of the High Authority of the European Coal and Steel Community, who had resigned from it because of its bureaucratic *Ordoliberalismus* obsession with every article of the Paris Treaty. We were joined by two SPD economists, Wolfgang Roth, later a Vice President of the European Investment Bank, and Norbert Wieczorek shorty to become a member of the Bundestag, as well as Karl-Georg Zinn, a professor of economics at the University of Aachen.

Norbert and Karl-Georg had been key authors and actors in the *Investitionslenkung* or investment coordination project in Germany, which was a protoype project for planning rather than neoliberal supply-side economics, much on the lines that Robert Marjolin, a socialist and former head of the OEEC Marshall Aid Programme, had gained in the EEC Commission in the 1960s (COM, 1966). Hans Beck, a social democrat who was later the Commission's representative in Hungary, found some funding through an innocuous Commission budget to finance discussion groups.

This was at a time when Spain, Portugal – and Greece – were only just emerging from dictatorships and when the then European Community appeared to be a beacon of democracy. But on which few of those who had been fighting for the overthrow of such dictatorships, and had faced imprisonment or exile, or a combination of both, had had any time to consider whether or not its emerging neoliberal project, based on Monnet's supranationalism, and decision-making by elites rather than peoples, would fulfil or frustrate this.

The IPSE Social Europe Initiative

Before Delors gained prominence as Finance Minister of France and thereafter President of the Commission, this initially small group generated an Alternative Europe network on the basis of the banned *Maldague Report* which was virtually clandestine, for some time lacking even a name, but which grew in strength and later influence. Jacques proposed that a young Dominique Strauss-Kahn should join the group as I did for Yannis Papanicolaou, at the time economic adviser to Andreas Papandreou. Meeting every few months, the group widened its membership and deepened its agenda.

We welcomed Egon Matzner, an Austrian economist close to Bruno Kreisky and Enrique Baron Crespo from the Spanish Socialist Workers' Party, later to be a President of the European Parliament, as well as João Cravinho, later a senior minister in Portugal. Enrique also gained a translation into Spanish of my 1980 book *UnCommon Market: Capital, Class and Power in the European Community* (Holland,1980). This again hardly was the act of a neoliberal technocrat, not least since I had argued in the book – on a Marxist base-superstructure model – that the already prevailing negative integration and neoliberal ideology permeating the Economics and Finance Directorate General of the Commission threatened to marginalise national democracy, and negate the power of electorates and governments to chose their own social and welfare models.

Delors, accepting a short-term contract to teach at the university of Paris Dauphine, rather than joining the board of a bank, as he could have done with such an early high level appointment in the French establishment as to be adviser to Chaban-Delmas, immediatley made a strong commitment to what by the later 1970s had become the IPSE Initiative for Political and Social Economy, playing on its acronym in the Latin sense of *Ipse* as of, for and by itself, rather than dependent on the Commission. After several drafting meetings in Brussels, and by then including more than two dozen people from all of the then EC member states, we published a unanimous report which showed that one did not need Monnet's binding majority voting to gain agreement on a broad-ranging alternative to neoliberalism (Holland, 1983).

When he became finance minister in the 1981 Mitterrand government, Jacques invited me to Paris to see him in the finance ministry, at that time still in the Louvre. I proposed that he should fund a major conference on the IPSE group's agenda for full employment. He replied "We must. We need it. The US does not like this government but does not have to shift a dollar to destabilise it. Financial markets can." On which, of course, he was right.

Besides which, rather than the recovery programme adopted by the incoming Mitterrand government in 1981 being an example of irresponsibility, most of the other OECD economies at the time were expanding. A sustained recovery did not initially appear implausible. Moreover, one of the reasons why I was able to persuade De Gaulle in 1967 to agree to a second British application to join the EEC had been the proposal of mutual currency support between the sterling and franc zones in the event that financial markets targeted either currency. Harold Wilson did not follow through on this, nor my proposal, welcomed by De Gaulle, that the principle of mutual currency support should be enshrined in an Accession Treaty which would have gained the consent of most of the then EFTA countries. Had he done so, neither Delors, nor the Mitterrand government, would have been as isolated as they were in 1983 (Holland, 2015).

Nor, after the devaluation of the franc, had Delors decided that "there was no real alternative to financial globalization", as Dani claims. He wanted one, in a Europe committed both to an internal market and to economic and social cohesion. The outcome was not his "enthroning of free capital mobility" that Dani alleges, but what then became known – with his support from 1981 – as the *Out of Crisis* projec., The analytic case of the project was that the 3D neoliberal agenda of deregulation, devaluation and deflation typical of 'structural adjustment' policies at the time should be countervailed by a 3R counter agenda to restructure the emerging imbalance between public and private economic power, redistribute wealth and income, and recover full employment by a social investment-led strategy (Holland, 1983).

There was no reference to any Commission document in the *Out of Crisis* report when it was published for the 1983 conference not only because few of its policies were other than neoliberal, but also because I wanted more members of the British Labour Party to realise that there was an alternative agenda with broad support across the European Left and Centre-Left which was based on social rather than only market values and was not dependent on a 'monopoly of initiative' from Brussels. Which Neil Kinnock (1984) then endorsed on the basis that there should be a US style New Deal for Europe and which, with Delors' address to the British Trades Union Congress (Delors, 1988), turned the Labour Party and Labour Movement in Britain from an overtly hostile to provisonally supportive stance on Europe.

Funded indirectly by the French government with Delors' backing, this *Out of Crisis* agenda was launched at a conference in Paris of some 150 people in the spring of 1983. He suggested that I coordinate this with Didier Motchane and Jean-Pierre Chêvenement, leaders at the time of the *Ceres* group within the French Socialist Party. Such a suggestion, again, neither was the posture of a technocrat, as Dani claims, nor even that of a moderate social democrat. *Ceres* was 'hard Left'. We invited the Italian Communist Party – PCI – to participate which they did in strength, including Giorgio Napolitano, a future President of the Republic, who welcomed the chance to take part in a broad Left initiative at a time when the PCI was excluded from the Socialist International by opposition from the then, and thereafter disgraced, leader of the Italian Socialist Party Bettino Craxi.

Poul Nyrup Rasmussen, later Prime Minister of Denmark, came, as did Ritt Bjerregaard, later leader of the Danish Social Democrats, and then an Environment Commissioner. Giorgio Ruffolo, who had been director general of the Italian Plan and later also was to be Italian environment minister, came, as did George Sampaio, a future President of Portugal who ensured that the report was published in Portuguese. Alfonso Guerra, deputy prime minister of Spain during the early PSOE governments, ran with the agenda in a succession of conferences and reports published by his Jávea Group in Spain.

Papandreou, Mitterrand and Revision of the Rome Treaty

Initially, the devaluation of the franc in 1983 directly undermined the aims of the *Out of Crisis* project. But its case for an alternative Europe led to the first revision of the Rome Treaty in the Single European Act of 1986. Yanis Papanicolau had briefed Andreas Papandreou on the *Out of Crisis* project before his becoming the head of the first socialist government in Greece in 1981. Andreas asked me to invite some members of the IPSE network including the economic advisors to both Delors and Felipe Gonzalez to a working meeting in Athens in October 1983 attended by his key economic and foreign affairs ministers to prepare an agenda for what would be Greece's first European Council.

Opening the meeting, Andreas gave us a dual remit, to identify what was lacking in the agenda of the EEC and to define what should be done about it. Then rejoining us before lunch he asked me to summarise our findings. This took a few minutes. Declaring his agreement, on principles he already knew from several earlier meetings, Andreas then smiled and asked: "And how do I say all this to the Greek people and to Europe in three words?" Initially taken aback, and with laughter all round at the demand, it then came to me to suggest:

> "Well, what do we say when we want to show that we are fundamentally dissatisfied with the IMF and the World Bank – that we want a New Bretton Woods. Messina was the founding conference for the European Community. You should call for a New Messina Conference."

Andreas did so at the European Council of heads of state and government in Athens in December 1983 and gained endorsement for this from François Mitterrand who had been briefed both by his economic adviser, Xavier Greffe, who had been present at the October preparatory meeting, and also directly by Delors. Mitterrand pursued this further at the following June 1984 Fontainebleau European Council. Together he and Andreas were giving a message that the neoliberal Rome Treaty needed major revision. The outcome was the Single European Act of 1986, backed by Delors who in 1985 had become President of the Commission, and which had two 'pillars' – the case for completing the internal market, and commitment to policies for economic and social cohesion.

Yet within two years Delors protested to me that none of the case for the nominal 'twin pillar' of the Single European Act was making progress. One of Max Weber's archetypes of power is charismatic leadership, and Delors had charisma. But he could not get the technocrats of the Commission to design even elements of an architecture for economic and social cohesion. I learned this directly from him in his office in the Berlaymont in an early evening one-to-one meeting on March 23rd 1988 in an encounter that influenced my deciding to resign from Westminster to assist him shape policies and institutions that could do so.

At the meeting he deplored that everyone had heard of 1992 as the target date to complete the single market, but next to no one had even a clear idea of what cohesion might mean, other than perhaps policies for regional development. Besides which, where had I been? I replied that I had been shadow minister for international development in the Commons and been all over the world, not least leading the first Labour Party delegation to China since Clement Attlee in 1952 and another to India, with strong interest in both in the 1985 Brandt-Manley *Global Challenge* report from the Socialist International, of which more below. Yet, in any event, I was but an opposition spokesman in one parliament in one country, whereas he not only was President of the Commission but many of the public thought he already was President of Europe. Surely he had the authority to get new policies through, and had some good people who could help realise the cohesion agenda of the Single European Act? His response, again, was hardly that of a technocrat:

> "Half the people in this building (the Berlaymont) are here because their governments don't want them. Of the rest, of course, one or two per cent are really good, but they are wholly engaged in trying to achieve what we decided yesterday rather than thinking for tomorrow. Besides, even the best among them know only of politics of this institution and their own capitals. None of them are thinking long-term as *Out of Crisis* did."

Dani claims that a weakness of the Left was "the absence of a clear program to refashion capitalism and globalization for the twenty-first century". Again, this is misinformed. The report that I then made to Delors (Holland, 1993), with the help of several of those who had been involved in the earlier IPSE *Out of Crisis* project, was the basis of the target of creating 15 million jobs at a time when registered unemployment was 18 million in the then European Community and whose econometrics underlay the Commission's December 1993 White Paper *Growth, Competitiveness, Employment* (COM, 1993) whose sub-title was: *The challenges and ways forward into the 21st century*. With, in particular the case for EU bonds modelled on the precedent of the Roosevelt finance of the US New Deal. And which, like US Treasury bonds which do not count on the debt of the member states of the American Union, need not and should not count on the national debt of the members states of the then European Community.

Delors gained unanimous support for the White Paper from the European Council of heads of state and government. This was the first time that Europe had set specific job creation targets rather than Commission officials presuming that markets would deliver rising employment and standards. Its agenda also gained considerable attention from the international press, and was seen by Delors himself as the 'high point' of his Presidency (Hutton, 2003).

Eurobonds

The Roosevelt New Deal precedent for EU bonds – or what since have become known as Eurobonds – was strong. It was only in his second term that there was any move to deficit financing, while this was secondary to bond finance. The federal deficit of the US from 1933 to 1939, when US unemployment dropped from 22% to 8%, was only 3%, i.e. what happened to be the 1992 Maastricht Stability Pact's fiscal limit.

Whereon a senior director of the European Investment Bank, Tom Barrett, then rang me in London to say that he and others had read both my 1983 report to Delors and Delors' December 1993 White Paper and that the President of the Commission could, of course, gain a new financial institution whose borrowing would not count on national debt if he could persuade the European Council to endorse it. But then added that perhaps neither of us realised that of the then twelve EC member states only two – the UK and the Netherlands – counted borrowings from the EIB against their national debt and that whether or not they chose to do so was up to them, and not bound by any Treaty provision.

Barrett's revelation clearly was a move by the Bank to reduce the significance of a rival bond-issuing institution. Yet this was like finding gold without the need for it to back a European currency. Not because the Bank hitherto disguised the point. But it did not advertise that member states either did not, or need not, count borrowing from it on national debt. Most Central Bank governors knew but did not choose to enlighten many finance ministers who then, and thereafter, did not. Not least since, by convention and an internal house rule rather than a statutory provision, the EIB normally required co-finance for an investment project from a member state while central bankers from 1992 were constrained to reduce this in aiming to achieve the debt and deficit conditions of Maastricht.

While nor have many others since, at the highest level, realised that EIB borrowing does not count on national debt, and thereby gives the equivalent of US Treasury bonds without the need for fiscal federalism. Thus, at a working party in Brussels in December 2014 it became clear that neither the economic advisers to Donald Tusk, President of the European Council, nor to Jean-Claude Juncker, President of the Commission, nor to Jyrki Katainen, Economic Commissioner, nor to Marianne Thyssen, Employment Commissioner, nor the no.2 representative of the IMF to the EU knew this, even though it was confirmed at the same meeting by a former President of the EIB, Philippe Maystadt (Holland, 2016).

Yet it had been in realising that the EIB, by an internal house rule rather than its statutes, normally would only co-finance 50% of investments that I had proposed the parallel European Investment Fund to Delors, and which was set up followng his 1993 White Paper in 1994, with a complementary but different role. For while bond finance by the European Investment Bank already was bigger than that of the World Bank, its psychology was individual project finance. The case for a complementary European Investment Fund was that it should co-finance such projects but by issuing bonds with the macroeconomic role of recycling global surpluses rather than leaving the US to absorb these. With what Varoufakis (2011) rightly has deemed catastrophic results since the scale of these surpluses in the US spawned fictitious financial derivatives whereas a share of them in Eurobonds could have co-financed a European New Deal.

A European New Deal

In my economic and social cohesion report to Delors, recommending the European Investment Fund, I had explicitly drawn on the precedent of the

Roosevelt New Deal to realise the cohesion commitment of the 1986 Single European Act as the twin pillar of the Europe project (Holland, 1993).

When, from the mid-90s, Antonio Guterres was Prime Minister of Portugal, he forwarded the case for this in European Councils. As well as that the European Investment Bank which, hitherto, like the World Bank, had preferred infrastructural projects such as motorways and high speed rail links, should extend its terms of reference to social and environmental investments in health, education, urban regeneration, green technology and a venture capital fund for small and medium firms.

This initially was opposed by Helmut Kohl, not least after bruising confrontation with the Bundesbank both in its opposition to a single European currency, and also in opposing near parity for the East German Mark and the Deutschmark. On both of which he succeeded, but then faced an alliance of his finance minister Theo Weigel and Bundesbank president Hans Tietmeyer who retaliated by imposing deflation in Germany in 1992-1993.

Thereafter, however, Kohl had more autonomy, and also learned up when briefed by an adviser to him, Joachim Bitterlich, through an adviser to Guterres, José de Freitas Ferraz, that EIB bonds no more were funded by German taxpayers than were the bonds of the German Reconstruction Credit Institute – the Kreditanstalt für Wiederufbau or KfW. At the Amsterdam European Council in the spring of 1997 he endorsed the case for the EIB to accept an explicit convergence and cohesion remit and to widen its criteria for investments to include the social and environmental projects recommended by Guterres, which enabled it from then until the onset of the financial crisis a decade later to quadruple its investment funding from only 22 billion ecu to 82 billion euros – nearly four fifths of the Commission's "own resource" from fiscal transfers and external tariff levies.

In 1989, which was the year in which I had resigned from parliament to assist Delors, yet too early to influence it, he had chaired a committee to consider the implication of economic and monetary union (Delors, 1989). The Delors committee included the governors of central banks and therefore, of course, the Bundesbank, which at the time, and thereafter, was openly opposed to monetary union. He nonetheless gained inclusion early in his report of the condition that "the process of achieving monetary union is only conceivable if a high degree of economic convergence is attained" (Delors Report 1989 para 21) which Bini-Smaghi, Padoa Schioppa, and Papadia, (1994) in paper for *Princeton Studies in*

International Finance have deemed a 'behaviourist' approach, i.e. no high degree of convergence – no single currency.

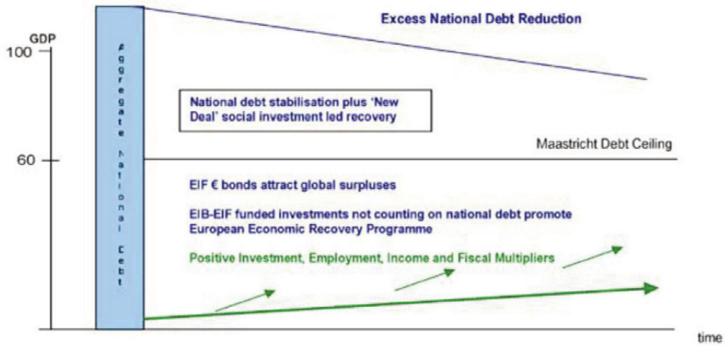
Whereas what was to emerge was what Bini-Smaghi, Padoa Schioppa, and Papadia also have deemed an 'institutionalist' approach on the lines of Monnet's supranational decision-making and *Ordoliberalismus* – rule governed management. Essentially to enable Helmut Kohl to either gain the consent of, or insist, that the Bundesbank agree to a single currency. Which he could do, and did, both by force of personality and since a widely overlooked provision of the statutes of the Bundesbank is that while it must preserve the internal and external stability of the currency it also is obliged "to support the general economic policies of the government". Which also is a widely overlooked provision of the statutes of the ECB which is obliged "to support the general economic policies of the Union", which can be defined by the European Council.

Yet it was in anticipating that a single currency could be deflationary that Delors already had appealed to me to offset the risks of this by devising instruments and institutions to reinforce policies for the convergence that he wished to be the precondition of a monetary union, on which I proposed EU bonds in my spring 1993 report to him on economic and social cohesion, published in November, one month before his December White Paper, and on which he did gain unanimous support in the subsequent Council, chaired by Helmut Kohl, at Essen.

The case for the joint role of the EIB and EIF as the basis of a European New Deal in a global context, as endorsed by Delors and since by Antonio Guterres, is stylised in Figure 1.

Moreover, although the case for such a New Deal and 'eurobonds' became even more imperative after the deflationary impact of the 2007-08 financial crisis, and although Angela Merkel declared in 2012 that they would be issued 'over her dead body', the European Council in December 1993 had agreed to establish the European Investment Fund to issue them, which was set up in Luxembourg the following year, with statutes of the EIF allowing this agreed at the Essen European Council.

The latter part of this paper also shows ongoing support thereafter for a Euroean New Deal from what then was the leading triumvirate in the SPD – Peer Steinbrück, Frank-Walter Steinmeier and Sigmar Gabriel – even if there was some lingering concern that this might cause rating agencies to downgrade borrowing and raise interest rates. But there is reason to hold that it could gain support from rating agencies. Such as that when Standard & Poor downgraded the debt of nine Eurozone member states in January 2012 it stressed that its key reasons were simultaneous spending reduction



Note: A social investment led recovery programme as called for in the 2012 Economic and Social Committee Report *Restarting Growth*. EIB investment areas since 1997 include health, education, urban regeneration, environment, green technology and trans-european transport and communication networks. Multipliers generate higher investment, employment, income, and direct and indirect tax revenue.

Figure 1 The Delors-Guterres Case on Funding a European New Deal

by governments and households, the weakening thereby of economic growth, and the inability of European policymakers to demonstrate a strategy for economic recovery (*The Telegraph*, 2012).

The Lisbon Agenda and the European Social Model

Antonio Guterres not only supported and extended the Delors case for bonds but also initiated the 2000 Lisbon Agenda, coordinated by Maria Joao Rodrigues, formerly minsiter for employment in his first government, later a member of the European Parliament and currently Vice-President of its Socialists and Democrats Group. This, again, was hardly an endorsement of neoliberalism but directly contested the case for so-called 'structural reforms' which DG Economy and Finance of the EU Commission had been seeking since the 1970s on its presumption that global competitiveness only could be achieved by 'more flexible labour markets' reducing employee rights.

By contrast, a premise of the Lisbon Agenda was Schumpeterian in the sense of Schumpeter's claim that it is innovation in both products and work methods rather than only cost reductions that lifts economies and societies to higher levels of employment and wellbeing. The Agenda recommended innovation-by-agreement between social partners rather than flexibility-by-constraint. In doing so it drew on the flexible production model of *kaizen* (Womack, Jones & Roos;1990; Colenso, 2000) which in Japanese combines two words: *kai* meaning improvement and *zen* signifying something to mutual advantage, and where the mutual advantage not only was 'lifetime employment' for insider core workers, but also annual increases in pay and profit sharing.

Lifetime employment for 'insiders' was precisely what 'structural reforms' had aimed to abolish. Yet in Japan it already had been introduced in the early 20th century when firms had found that the engineers and skilled workers they had trained then were being poached under 'flexible labour market' conditions by others offering more pay. *Kaizen* had been introduced in some companies after World War Two and did not really take off in Japan until the first OPEC oil shock of September 1973. But in the following decade meant that companies such as Toyota and Honda doubled productivity per worker whereas icons of western industry such as the Big Three US auto producers, relying on economies of scale rather than *kaizen* style economies of scope, hardly increased it at all (Ohmae, 1982).

But Lisbon also ranged wider including recommendations to avoid a persistent problem in Japan of either stress or even death – *karoshi* – from overwork, even though leading Japanese firms have sought to restrain this. The preparation of the Agenda included recommendations for:

- achieving better work-life balance by allowing negotiation of the incidence of individual working time to non-work time to suit family or other personal needs;
- recognising a share of overtime working as 'time credits' which employees later can draw on as paid 'under-time';
- combining flexible methods of work operation with job variation including horizontal mobility to offset alienation from routine;
- 'enhanced competence profiling' and 'skills path planning' for both lower line managers and workers rather than only career paths for middle or higher levels of management, as well as:
- the right to lifelong learning.

The proposal for what then was designated as Innovation Agreements therefore offered what most Japanese firms had not achieved – both economic efficiency and social efficiency in the sense of more effectively meeting the personal needs of employees, especially through the right to work-life balance. This case was reflected in the text of the Lisbon Presidency Conclusions for:

> "restoring the European Social Model [by] agreements between social partners on innovation and lifelong learning, by exploiting complementarity between lifelong learning and adaptability through flexible management of working

> time and job rotation ... reducing occupational segregation, and making it easier to reconcile working life and family life". (Lisbon Strategy, 2000).

A common perception of the Lisbon Agenda is that it has failed, not least in its claim that within ten years Europe should be the most competitive economy in the world. But one of the reasons why it did not succeed is that governments failed to endorse that its recommendations for innovation-by-agreement and work-life balance should be part of the *acquis communautaire*, i.e. both EU employment and citizenship rights and precisely the kind of added social value that would have been integral to realising the cohesion commitment of the Single European Act rather than reducing rights by imposing alleged 'structural reforms'.

Lisbon also only gained nominal consent from Gerhard Schröder who shortly thereafter, in 2002, was to introduce the Hartz labour market reforms on the different presumption that employment rights should be reduced and which alienated workers even though there is broad agrement that the reforms had little overall economic effect (Fahr & Sunde, 2009; Hertweck &, Sigrist, 2013; Odendahl, 2017). As Odendahl, of the Centre for European Reform, has put it: "More flexible labour markets do little if anything to boost productivity. Germany failed to complement its labour market reforms with a productivity agenda for those affected most by the reforms" Odendahl, ibid, p.2).

Yet raising the profile of work-life balance at the level of the European Council raised it also within several member states which thereafter introduced national provisions for work-life balance. Which, in a special edition of the journal *European Societies* Hildebrandt and Littig (2006) have described as including:

> "the many aspects of transformation within the family, the multiple types of employment and working time models in new management strategies, the wide range of services to facilitate every-day life offered by the service industry; the demands of civil society to obtain social cohesion and ensure access to common goods; and the different ideas about individualization, identity and subjectivity, including work-related aspects such as health or education or training" (Hildebrandt & Littig, ibid., p. 218).

Brandt, Kreisky, Clinton and a New Bretton Woods

Dani asserts in his claims for an intellectual abdication of the Left that from Greece's Syriza to Brazil's Workers' Party, "the Left has failed to come up with ideas that are economically sound and politically popular, beyond ameliorative policies such as income transfers."

Again, this is entirely wrong. His errors with regard to Syriza are touched on later in this paper. But to claim that the Latin American Left had no strategy in the face of globalisation ignores the role of every party of the Left in the region, and in the Caribbean and Central America, in supporting policy initiatives to counter neoliberal globalisation by the Socialist International from the early 1980s.

In 1982, Bruno Kreisky, Chancellor of Austria, and Willy Brandt, former German Chancellor and by then President of the Socialist International – SI – convened a meeting in Vienna of representatives of socialist and social democratic parties. Willy was concerned that the 1980 report form the North-South Commission that he had chaired was making no political impact and that the SI should deepen and widen its case.

The outcome was an Economic Committee of the International most of whose European members, nominated by their parties, were members of the IPSE network. And which gained active participation and support from Michael Harrington, founding member of the Democratic Socialists of America, who at the time, now echoed by Bernie Sanders, had made the case that the US, like Europe, needed both democracy and socialism (Harrington, 1976). But which also reached South since near to half of the members of the International were from Latin or Central America or the Caribbean. A key figure in this was Michael Manley, formerly and later also Prime Minister of Jamaica, and whose outcome was a *Global Challenge* report, published in his name and that of Willy Brandt (Brandt-Manley, 1985).

The *Global Challenge* report paralleled the analytic framework of the IPSE *Out of Crisis* project in claiming the need to reverse the 3D deflate, devalue and deregulate structural adjustment policies of the IMF and World Bank with a 3R agenda: to restructure the emerging imbalance between private and public economic power, to redistribute wealth and income, and to recover economies through bond funded investments in the social spheres of health, education, urban renewal and environmental protection. This was translated into Spanish (IS, 1986) and endorsed by over 160 political parties of the Socialist International – mainly European and Latin and Central American – at Lima in 1986.

The same 3R restructure-redistribute-recover analytic framework informed a report that I made for Delors in 1994 on the case for a New Bretton Woods (Holland, 1994). In this, I criticised the Keynes Plan of 1943 on the grounds that like Ricardo, although critical of him in other regards for his unduly axiomatic approach, Keynes had assumed that trade was between different firms in different countries which implicitly endorsed Ricardo's principle of comparative advantage. Whereas, already, trade was, and increasingly was to be, between the same firms in different countries, through foreign direct investment. While Keynes, though having met Bertil Ohlin, was neglecting his case (Ohlin, 1933) that foreign direct investment could substitute exports from a country of origin.

UNCTAD had been tracing the growth of foreign direct investment in dedicated reports since the 1970s, of which that for 1991 notably found that, in the 1980s, its rate of growth had been increasing four times faster than that of world trade (UNCTAD, 1991). Ohlin's neglected 'export substitution' effect had multiple negative outcomes including de-industrialisation in the countries of foreign direct investment outflow, which already was the case then for the UK and has been both then and since for the US, on which Donald Trump gained political advantage in his protests against globalisation, even if confused on his alleged solutions. Granted that his case for protection against imports from China disregards that a high proportion of exports from China to the US are from American multinational companies investing and producing there (McKinsey, 2010; Holland, 2015, 2015b).

The 1994 New Bretton Woods report for Delors therefore proposed both a post Ricardian and post Keynesian conceptual framework for global governance. This then was brought to the attention of Bill Clinton. Not through my own efforts, but since the American journalist Cody Shearer, close to both Bill and Hillary, visited me in London, and asked for copies of both the 1993 cohesion and the 1994 New Bretton Woods reports to Delors on the grounds that he would give them to Bill.

I responded by saying that it was improbable that he would read either of them granted their length and that when I had been advising Harold Wilson in the 1960s I never wrote a memo that was more than a page and half long, even if there might be an attachment. Cody replied that I could do a brief enough cover note, but that he also needed copies of both reports to Delors to show Clinton that the rethinking on the European and international Left as represented in the reports was in depth and significant.

The outcome was that Bill chose on his first visit to Europe as President to prioritise visiting Delors in Brussels to affirm his support for a New Bretton Woods, which he then called for when continuing to his first G7 meeting at Naples. The failure of this was not analytical. It was that the then heads of government in the EU did not actively follow through. Nor was it surprising that with such scant support for his initiative Clinton did not relaunch it. Nor that he therefore had little to no international basis to counter other pressures for neoliberal globalisation.

Guterres and the Socialist International

However, when Prime Minister of Portugal from 1995, Antonio Guterres succeeded Willy Brandt as President of the Socialist International. Antonio wanted to take the 3R recovery, restructure and redistribute case of the 1983 *Out of Crisis* and 1985 *Global Challenge* reports further internationally. The outcome was further working group meetings in Lisbon of representatives of the European and Latin American members of the SI, and an up-dating of the Brandt-Manley Report of 1985, endorsed again by over 160 parties of the Socialist International in 1996 in New York.

The New York Congress was attended by observers from China and India with whom I had extensively discussed the rationale of the *Global Challenge* report when visiting both countries as Labour shadow minister for development cooperation. Based on the case of an earlier working group in the spring of 1996 in Lisbon of what by then was the Economic, International Development and Environment Committee of the SI (SICIDE, 1996), the case that it endorsed in New York the following September (SI, 1996) recognised that there were positive aspects to globalisation, especially for employment in several of the newly emerging economies and, strikingly so, in China. But also that there was a need to offset negative effects from an ultra-liberal model of such globalisation including:

- financial turbulence, uneven development, increasing inequality and high levels of unemployment in advanced countries;
- increased power of multinational corporations and manipulators of foreign exchange markets at the expense of governments, electors and the democratic process.

As well as recognising that:

- technical progress has generated new jobs but also technological unemployment as well as reducing many skilled people to less qualified jobs without security and at minimal pay;
- despite advances in medicine millions of people, and especially children, die prematurely each year from avoidable diseases;

- in central and eastern Europe transition to markets has been accompanied by drastic falls in employment, income and life expectancy.

And recommending, *inter alia*:

- national and multilateral policies for full employment including a high level of effective demand, negotiation of working time and employment creation in the social sphere and preservation and enhancement of the environment;
- a global recovery programme coordinated by an enlarged G7 to include the principal emerging countries and an Economic Security Council of the UN with new financial instruments and substantial debt write-offs for heavily indebted low-income countries;
- a fundamental review of the functioning of the IMF and the World Bank recognising that diverse problems for different economic systems needed to be addressed and resolved through greater diversity of ideas, policies and institutions, rather than constrained by a single paradigm of structural adjustment and presumed gains from trade, or a single model of governance;
- the principle of 'social conditionality' rather than only the macro financial cross conditionality of the IMF and the World Bank on the grounds that financial assistance to lesser and least developed economies should be on condition of this not being absorbed by elites but reaching the poorest of the poor;
- transparency and accountability of international financial markets with measures to reduce speculative transactions, such as a Tobin Tax.

None of this was the presumptive claim of Dani Rodrik that since the early 1980s there had been an intellectual abdication by the European – or Latin American – Left. Nor supports the claim of Sheri Berman that, since the 1970s, European "social democrats lacked well thought out plans for getting economies moving again or for using the democratic state to protect citizens from the changes brought by ever-evolving capitalism".

With, also, some dramatic outcomes on the presentation of the 1996 report to the SI Congress in New York. Speaking shortly after it had been presented by Antonio Guterres, Felipe Gonzalez denounced it outright, claiming that the main enemy of the working class was inflation and that the fight against it should be the priority of the international Left. On which Leonel Brizola, leader of the Brazilian Democratic Labour Party, stormed the podium, pushing aside other delegates, fully supported the 1996 programme and denounced Gonzalez claiming that if he was offering a fight against inflation at the cost of up to 20% unemployment he was offering nothing, and should stand down as leader of the PSOE which was supposed to be the Spanish Socialist Workers' Party.

Moreover, the Brazilian Labour Party under Lula did not lack a long-term national or international strategy. It strongly endorsed the Lima and New York Declarations from the SI and when in government used the bond issues of the BNDES Banco Nacional de Desenvolvimento Econômico e Social to drive economic recovery. It and others in Central and Latin America did not lack radical programmes but were destabilised by the US whenever challenging the dominance of either its corporations or Wall Street such as including, earlier, the *coup d'état* against Allende that ended an unbroken history of democracy in Chile as well as the more recent *coup d'état* that ousted Lula's successor Dilma Rousseff with scarcely veiled current threats also to overthrow Maduro in Venezuela.

Not Syriza's Alleged Lack of Strategy

In his paper claiming an alleged abdication of the intellectual Left, which was published in July 2016, Dani sweepingly dismissed Syriza as unprepared for government. Presumably he had by then heard of Yanis Varoufakis who had been finance minister of Greece since January. Yet had he delved deeper he could have read at least one of the several versions of the *Modest Proposal* by Yanis and myself, or another with James Galbraith, which entirely refute his claim that Syriza "failed to come up with ideas that are economically sound and politically popular, beyond ameliorative policies such as income transfers".

It is understandable that Dani may well not have known that, at a conference in Austin Texas in November 2013, Alexis Tsipras had made the latest version of the *Modest Proposal* of Yanis, myself and Jamie Galbraith that year the basis of the negotiating position of what shortly would be a Syriza government. But much of it got across to a broad section of the Greek public. Yanis repeatedly made the case of the *Modest Proposal* in those of the Greek media that allowed him to do so and gained wide appeal. Such as that when there was a referendum in Greece in July 2015 on whether to accept the alternative austerity programme insisted on by the Troika of the European Commission, the ECB and the IMF, those who voted rejected it by over 60%. How could Dani have missed not only this outcome but also that they found the alternatives to austerity – and neoliberalism – as argued by Yanis, so credible?

A key claim of the *Modest Proposal* has been the case as argued to and endorsed by Delors that a Eurobond funded recovery on the model of the US New Deal is feasible without Treaty changes, without fiscal transfers between member states and therefore also without 'ever closer union'. It stressed that Greece, like other peripheral Eurozone economies, could not recover without a recovery of the rest of Europe. As well as that there should be a moratorium on repayment of the debt that they had incurred in salvaging banks from their folly in speculating in subprime derivatives. While also that a share of national debt over the 60% Maastricht limit could be mutualised in the sense of a Eurozone equivalent of a deposit account, which could be serviced but not drawn on for credit, and therefore would not be liable to downgrading by credit agencies. While mutualisation paralleled a key principle of the 1995 German Debt Redemption Fund by which the Federal Republic, after reunification, finally had dealt with the debt of the former DDR.

Earlier versions of the *Modest Proposal* by Yanis and myself (2010, 2011) had attracted the attention of the Economic and Social Committee of the EU – representatives of employers, trades unions and members of civil society. When I drafted a report for them based on it (EESC, 2012), its working group, with only three abstentions, endorsed it without reservation. This included support from all the employers' representatives on the working group – including those of German employers. Which at the time influenced Jean-Claude Juncker, who came to its launch, and made its recommendation of Eurobonds, on the basis of the Delors 1993 White Paper, the first of his ten commitments to the European Parliament in June 2014, initially recommending a €300 billion EIB bond funded recovery programme, before then downgrading it by November, under pressure from German finance minister Wolfgang Schäuble, to only €5 billions plus a ridiculous assumed multiplier of ten (Holland, 2016).

Further, within an hour of the victory of Syriza in the general election in January 2015, Wolfgang Schäuble declared: "The election alters nothing… There is no alternative to structural reforms", stressing that Greece must "stick to the rules". Jeroen Dijsselbloem, the Dutch president of the Eurogroup of Eurozone finance ministers then refused to allow Syriza's case that Greek recovery depended on European recovery to be considered for discussion. Despite such a recovery being vital not only for Greece but also for the other Eurozone member states that were suffering high levels of unemployment, and especially youth unemployment, with the need to reduce this rather than only reduce debt. As Yanis has put it:

> "In my first week as minister for finance I was visited by Jeroen Dijsselbloem, President of the Eurogroup (the Eurozone finance ministers), who put a stark choice to me: accept the bailout's 'logic' and drop any demands for debt restructuring or your loan agreement will 'crash' – the unsaid repercussion being that Greece's banks would be boarded up." (Varoufakis, 2015).

Yet, while Wolfgang Schäuble declared that Greece must 'stick to the rules', on what authority, and by whose rules does the Eurogroup propose or decide anything? As Yanis has recorded:

> "The Eurozone is run by a body (the Eurogroup) that lacks written rules of procedure, debates crucial matters 'confidentially' and without minutes being taken, and is not obliged to answer to any elected body, not even the European Parliament." (Varoufakis, ibid).

What had emerged after German reunification was less the European Germany that had been the aspiration of Chancellors Adenauer, Brandt, Schmidt and Kohl, than a German ideological and political hegemony. Former German foreign minister Joschka Fischer echoed this after the rejection by Wolfgang Schäuble of the 'No vote' in the Greek referendum in July 2015. As he put it:

> "The path that Germany will pursue in the twenty-first century – toward a 'European Germany' or a 'German Europe' – has been the fundamental historical question at the heart of German foreign policy for two centuries. And it was answered during the long night of negotiations over Greece on July 12th-13th with a German Europe prevailing over a European Germany." (Fischer, 2015).

Third Ways and Lost Ways

What initially undermined the European Left was not only Felipe Gonzalez prioritising the fight against inflation in Spain but the Blair and Schröder endorsement of Anthony Giddens' (1998) claims for a 'Third Way' which is the near to only valid claim of Sheri Berman in writing that this "left many citizens wondering why they should bother to vote for the social democratic or centre-left at all". But this was not the official policy of major parties of the European Left, while Oscar Lafontaine, finance minister in the first Schröder government, resigned within weeks in protest at Schröder's insistence on neoliberal policies and founded the new

German Left Party *Die Linke*.

Ralf Dahrendorf (1999), one of Giddens' predecessors as director of the London School of Economics, deplored his use of the term Middle Way not least since Mussolini for twenty years, Franco for forty, and Salazar in Portugal for even longer, had used this as their claim to legitimate an undemocratic alternative to either unregulated capitalism or wholly regulated communism.

But Dahrendorf did so not only on these grounds. With reason, he claimed that Giddens simply had not demonstrated that market principles or practices actually would deliver welfare, not least for those who are socially excluded from labour markets by lack of education, ill health, age, race or structural unemployment. Schröder, during his chancellorship, drew on the Third Way to legitimate a reduction of the influence of labour, including the amendment to employment rights in the Hartz revisions of labour and employment law in 2002 which encouraged Siemens and other companies to break the dyke of the German social partnership model in 2004, demanding and gaining from 4 to 5 extra hours a week with no increase in pay (Holland, 2015).

The emerging ideological and economic hegemony of Germany after reunification then was compounded by a combination of denial, displacement and incompetence. Denial by finance ministers such as Wolfgang Schäuble that austerity was not working, displacement that a bond based recovery did not need national guarantees or fiscal transfers by member states, and incompetence in inventing new institutions that were not needed.

For example, a recovery proposal made by Polish Finance Minister Mateusz Szczurek at the Brueghel Institute in September 2014 was excellent, not least in recognising that monetary easing was not working, and stressing investment multipliers. Yet his case that this would need to be funded by a new special-purpose vehicle – a European Fund for Strategic Investments within the EIB Group – was ungrounded.

It is understandable that Mateusz Szczurek should have submitted that his proposed fund would differ from the European Investment Fund that I had recommended to Delors, and was set up in 1994, in that:

> "The EIF has only 4.5 billion euros of capital and facilitates SME's access to finance through intermediary institutions with a shorter investment horizon." (Szczurek,2014)

But those advising him appear only to have looked up the EIF on its website, which evidenced only its role in finance for small and medium firms rather than checked its statutes. Whereas Article 2.1 of these determine that: "The task of the Fund shall be to contribute to the pursuit of Community objectives". Article 2.2 specifies that: "The activities of the Fund may include borrowing operations". This enables it to undertake its own bond issues which were to have been the EU Bonds that Delors included in his December 1993 White Paper.

That a bond financed investment recovery did not need new institutions also was endorsed in a paper from the Robert Schumann Foundation (Schumann, 2014) and which criticised by what then was a plethora of proposals claiming that bonds for recovery would need them. The paper was exceptional in stressing, in detail, the complementary roles of the European Investment Bank and the European Investment Fund, and including evidence that EIB investment projects could yield multipliers of from 2.5 to 3, i.e. twice to three times as high as most fiscal multipliers.

Recovering the Case – Macron

When a presidential candidate, Hollande already knew the case for bonds to mutualise debt and to finance a European recovery (Euroactiv/fr, 2011), and argued for it at European Councils. Moreover, his then economic adviser, Emmanuel Macron, had grasped the case that EIF bonds could attract global surpluses from sovereign wealth funds. On becoming economy minister during the Valls administration he argued in September 2014 in a meeting of economy and finance ministers requested by Hollande that to offset the low subscribed capital of the EIF the EU should access and deploy unused resources from the European Stability Mechanism (ESM), the €80 billion fund set up earlier in the Eurozone crisis to bail out states on the verge of bankruptcy.

Rightly citing the complementarity of the European Investment Fund and the European Investment Bank, and investment multipliers, a French official speaking to reporters on his behalf said that:

> 'If we could mobilise €20 to €40 billion from the ESM, for example to recapitalise the EIF, you then have a multiplier effect on the EIB that can reach almost €200 billion of public money' (*Les Echos*, 2014).

Hollande was blocked by Merkel, and Macron by Wolfgang Schäuble who grasped very clearly what was at stake – both a challenge from France to German ideological and political hegemony and potential for a bond funded breakthrough beyond austerity – which is why he opposed using the European Stability Mechanism to recapitalise the European Investment Fund. Macron also grasped that Schäuble's opposition was deeper than a mere unwillingness to consider the case. Leading him in September 2015 to call the struggle in the Eurozone a new Thirty Years War between Calvinists and Catholics, saying that:

> "The Calvinists want to make others pay until the end of their life. They want reforms or no contributions toward any solidarity. On the other side are the Catholics, largely on the periphery … At every Eurozone summit, at every Eurogroup, we have this same dilemma between member states. We have to end this religious war." (Evans-Pritchard, 2015)

Since when Macron resigned from the government to be an independent candidate for the forthcoming French presidential elections and now, of course, is President of France. While one of his proposals is to mutualise a share of national debt in the EU. This, as he has been aware, also had been proposed by Yanis Varoufakis and myself in the *Modest Proposal.*

Yet Not So New

Dani ends his negative critique of the Left by presumptively claiming that:

> "The good news is that the intellectual vacuum on the left is being filled… Anat Admati and Simon Johnson have advocated radical banking reforms; Thomas Piketty and Tony Atkinson have proposed a rich menu of policies to deal with inequality at the national level; Mariana Mazzucato and Ha-Joon Chang have written insightfully on how to deploy the public sector to foster inclusive innovation; Joseph Stiglitz and José Antonio Ocampo have proposed global reforms; Brad DeLong and Jeffrey Sachs and Lawrence Summers have argued for long-term public investment in infrastructure and the green economy. There are enough elements here for building a programmatic economic response from the left."

Yet this claim by Dani that the good news is that the intellectual vacuum on the left is being filled by those whom he happens to know not only is arrogant – fine – but also ignorant. All of his recommendations in the paragraph above were proposed by the Left, from the 1970s, through to the *Modest Proposal* of Yanis, James Galbraith and myself in 2013, and thereafter.

For instance, Dani appears unaware that the commitment of the European Green Party to a Green New Deal did not need to be informed by Brad DeLong or Larry Summers, but was so by Yanis Varoufakis and myself on the basis of the *Modest Proposal.* Which followed a meeting by us with leading German Greens in the European Parliament at a time when they were opposed to any new investment through Eurobonds, since this implied growth. Yet then were persuaded that greening needed not only taking out carbon but also that the investment in alternative technologies that they recommended which could be EIB and EIF bond financed without needing to wait for a financial transaction tax, as they had assumed (GPC, 2010). Dani's exclamation mark after reference to Larry Summers also is well merited since it was he as Treasury Secretary who endorsed repeal of the Glass-Steagall Act which helped pave the path to the greatest financial crisis since 1929.

Ha-Joon Chang knows of the bond based alternatives to austerity from Delors to Guterres much better than Dani, as in his inviting me to spell them out, much on the lines of this paper, at a conference in Cambridge. As does Mariana Mazzucato. After publication of her *The Entrepreneurial State* (Mazzucato, 2011), at a conference in Rome chaired by Massimo d'Alema, she told me that she had been unaware that she had 'stolen' the case for state entrepreneurship – and its title – from my 1972 book *The State as Entrepreneur*. I assured her that she had not, since the substance was comparable but the title was different and that I was glad to see the brilliant use that she had made of federal synergising of research and innovation in the States.

Back to the Future?

I therefore can agree with Dani and Sheri Berman on one aspect of his *Abdication of the Left* in the sense that the leadership of key parties endorsed a neoliberal agenda, such as in the case of Blair-Brown, Schröder and Felipe Gonzalez. But this needs nuance, not only in the case of Hollande, as above, but also that of the SPD and the outcome of the negotiations for a further Grand Coalition in Germany in 2018.

For example, Olaf Scholz, mayor of Hamburg and the new German finance minister, has spoken in favour of a balanced budget and sound finances, to which he anyway is bound by the revision of the German Constitution insisting on these. But also has said to *Der Spiegel* that: "We don't want to dictate to other European countries how they should develop", which never would have passed the lips of Schäuble, and that "Mistakes were surely made in the past". As well as telling *Die Welt* that Germany urgently needs to respond to proposals for reshaping Europe by

Emmanuel Macron (Holland, 2018).

Of which one has been Macron's proposal for joint EIB-EIF bond funding of investments. If Olaf Scholz were to support this he would not be alone in the SPD. Key figures already briefed on it include Peer Steinbrück, Frank-Walter Steinmeier and Sigmar Gabriel who in April 2012 made a joint statement on *Why We Need a Social Market*, in which they said that more national debt and credits were the 'wrong road' but that an investment-led recovery could be achieved through the European Investment Bank and by better use of the Commission's Structural Funds. As well as Martin Schulz who in a meeting with myself and the MEPs Elena Ferreira and Jacek Saryusz-Wolski in 2013 declared "Go with this and make sure you do so in my name", prompting *Spiegel* thereafter to deem him "a committed Eurobonder".

In principle this might be blocked by Angela Merkel who pronounced in 2012 that Eurobonds would only be issued "over her dead body". But a key question is whether she understands the nature of bonds any more than did Helmut Kohl who in 1996 was opposed to the European Investment Bank extending its bond issues to finance investment in the cohesion and convergence areas of health, education, urban renewal, environmental protection. It seems likely that Merkel's opposition has been on the same basis as, initially, was Kohl's, i.e. a presumption that such bonds would need to be paid for by the German taxpayer and need to be guaranteed by Germany. Whereas they do not.

Besides which the political context for Angela Merkel has changed over the last six to seven years. Both the SPD and the CDU have faced not only electoral decline but also a high degree of disillusion from within their own ranks. Her proposal that Germany should absorb up to a million more immigrants may have been well intended, not least since Germany's population is ageing, but boosted the AfD. Disintegration is on the agenda not only in the case of Brexit but with the rise of Cinque Stelle and the Lega in Italy. Widening without deepening also has been a political cost. According to Eurobarometer (2017) public perception of the EU as 'negative' or 'fairly negative' in the euro area was 54% and in the non-euro area 50%.

Further, when still Economy and Energy Minister and Vice Chancellor of Germany, Sigmar Gabriel said that strenuous efforts by countries like France and Italy to reduce their fiscal deficits came with political risks and that a breakup of the EU no longer was unthinkable, declaring that: "I once asked the chancellor, what would be more costly for Germany: for France to be allowed to have half a percentage point more deficit, or for Marine

Le Pen to become president? Until today, she still owes me an answer." (Reuters, 2017).

While, whereas the Visegrad 4 of Poland, Hungary, the Czech Republic and Slovakia unanimously rejected Merkel's proposal for immigration quotas, they also made a joint declaration in 2016 which she could well heed, without political cost. This had four principles. 1. National parliaments need to be heard. 2. Avoiding debates on 'more' or 'less' Europe and focusing on a 'better Europe'. 3. To focus on a practical restart of convergence, boosting investment, supporting innovation, strengthening a resilient labour market, bringing sustainable jobs. 4. Defining challenges and linking them with existing instruments and their effective application. All of which is feasible within the existing instruments designed, and agreed by European Councils, since Delors (Visegrad, 2016).

Which also has other implications. Such as that if Angela Merkel were to put the case for joint EIB-EIF bonds to the Bundestag she should have the support of the Greens. But otherwise need not do so. Since the statutes of the EIF allowing this were agreed by the European Council – chaired by Germany at Essen – in 1994. All it would need is her consent to a policy already agreed, in an existing institution, ready to go.

Whether or not she also were prepared to admit that earlier she had been wrong, and now had learned up, as did Helmut Kohl, may be open to question. It could simply be open to her to state that she now had gained confirmation that her earlier concerns had been met. But in doing so also could reverse her image as the Iron Maiden of Europe and justify repute as a key figure in a lineage dating from Adenauer, Brandt, Schmidt and Kohl in aiding its construction.

* * *

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