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Moving on after Covid-19

How social democrats can harness the European Recovery Programme in a culture of progress for the coming decade

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About this publication

The Covid-19 pandemic is a health crisis with far-reaching political, social and economic consequences. It has laid bare the weaknesses and vulnerabilities of globalised political and economic systems. But it also opens up new space for framing social policies. Existing paradigms and political frameworks are being put to the test. Will our societies come out the other side of this pandemic different from how they entered it? Could it even provide the decisive impetus for a decade of reform in a European future of ecological sustainability and digitalisation? The EU has now taken collective responsibility for recovery and digital-ecological transformation, a pledge likely to awaken expectations in the citizens of Europe. It could point Europe the way towards a decade of progress by linking a digital growth model with democracy based on the rule of law, social inclusion and ecological ambition. But is Europe seizing this opportunity? Based on nine country studies the present study analyses the current approach to crisis management and the foreseeable structural transformation, and formulates four pillars of success for an effective transformation policy.

About the author

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Don't tell me things can't change.

Joe Biden

In order to trace the outlines and challenges of the current crisis management and Europe's longer-term recovery plans the Friedrich-Ebert-Stiftung commissioned nine comparative country studies. The countries in question are the EU member states of Cyprus, Finland, France, Germany, Greece, Italy, Portugal, Spain and Sweden, which recently submitted their plans to the European Commission. The reports compiled by the respective FES country offices are now available (see Bibliography). The present study summarises the nine country experiences, taking due account of the current crisis management, as well as the foreseeable structural changes, and in conclusion formulates four pillars of success for social democratic policies.

AFTER THE SQUANDERED OPPORTUNITIES OF THE FINANCIAL CRISIS WE MUSTN'T MAKE THE SAME MISTAKE AGAIN

The Covid-19 pandemic is a health crisis with far-reaching political, social and economic consequences. In our modern industrial societies sickness is generally familiar rather as an individual affair than as a collective crisis calling for a political response, bringing significant social and economic repercussions in its train. This is one of the reasons for the turbulence of recent months.

The pandemic has brought to light the weaknesses and vulnerabilities of globalised political and economic systems. At the same time, it opens up the prospect of new social policy action. Previous paradigms and political templates are being put to the test. But will this pandemic make lasting changes in our lives? Will our societies emerge from the crisis different from how they went into it?

Furthermore, couldn't it be harnessed to generate the decisive stimulus for a decade of reform towards a European future of environmental sustainability and digitalisation (Höhn 2020)? The recovery programme and the digital-environmental reconstruction it has just adopted are the EU's collective responsibility. This represents a weighty pledge that will awaken considerable expectations among European citizens. It would be naïve and futile to believe that these tasks could be solved by backward-looking nations going it

alone, although to be sure the Commission has fallen down badly in its vaccination efforts to date.

This new course of action could smooth Europe's path towards a decade of progress by combining a digital growth model with democracy based on the rule of law, social inclusion and ecological ambition. In accomplishing all this the EU would also do justice to its geopolitical responsibilities, because other social models lack the scope for such multidimensional policymaking.

If this projects founders, however, it could lead to the erosion of democracy, a loss of trusts in politics, Europe coming apart at the seams and losing control of the climate crisis. National and European cohesion is also at stake as this transformational crisis management takes its course, something that social democrats must do their utmost to defend and indeed deepen.

Social democrats emerged from the financial crisis a decade ago politically weakened, having failed to counteract the neoliberal mainstream in the political debate and even being perceived as champions of austerity policy themselves. During the recent major recession, it became clear that it is much more expensive to rescue national economies in the middle of a crisis than to pursue a proactive approach based on public investment. Will we manage to seize our opportunities this time?

IDEAS FOR A TRANSFORMATIONAL CRISIS MANAGEMENT

Thanks to social democratic heads of government, PES MEPs in the European Parliament and the new social democratic commissioners the new European Green Deal clearly bears a social democratic imprint in both its design and its financing. In an effort to combine the goals of short-term stabilisation and medium-term transformation the EU has agreed on a set of programmes, alongside its new medium-term budget. Like SURE (Support to mitigate unemployment risks in an emergency), they are intended to help to retain jobs and permit expansionary economic aid, with the suspension of the Stability and Growth Pact.

Central to this is the recovery fund Next Generation EU (NGEU), which provides for an additional 750 billion euros for the digital and green transformation. For the first time this innovation fund comprising loans (360 billion euros) and relief grants (non-repayable) is a Community effort, funded by European borrowing. Besides the challenge of utilising NGEU funds rapidly, fairly and in accordance with the transformational guidelines for digitalisation and decarbonisation, it is essential that its deployment should be efficient and productive, as well as under democratic control. To that end, member states were enjoined to submit corresponding national recovery plans to the Commission by April 2021 at the latest. Let's take a look at experiences so far.

At least on the rhetorical plane the plans that have been submitted do outline a transformational crisis management. Environmental and climate protection are invoked and the digital world of work is talked about. In terms of its central axes, then, there are no surprises, although individual emphases vary:

- transition in respect of polluting energy generation, decarbonisation of mobility, energy-efficient building renovation, substantial CO₂ reductions in industrial production, and
- accelerated digitalisation of industry, services, telecommunications, administration, health care and education.

The German and the French contributions emphasise, in this context, the particular importance of joint projects for a green hydrogen energy economy.

ACTIVE STATE CRISIS MANAGEMENT

Taking a comparative look at the country studies what stood out first and foremost was economic and social policy crisis management, involving timely stabilisation of the economy and employment, while maintaining social balance and a clear view of old structural problems. Governments have been able, by means of stimulus packages and the extension of short-time working, to stabilise disposable incomes and keep income losses and unemployment as low as possible. This has increased public debt but to a much more modest extent than in the financial crisis a decade ago.

Crisis management differs by country in terms of scope, impact and resources

Like everywhere else, the global lockdown has plunged the abovementioned EU countries into a deep recession. Besides the sudden fall in domestic demand the strong open economies of Finland, Germany and Sweden have been particularly hard hit by the dramatic decline in international trade. The situation in France and the southern member

states has been much worse, as their economies slumped by between 9 and 13 per cent. After making a slow recovery from the effects of the financial and euro crises the pandemic has destabilised these countries once again, before production, employment and public finances were able to recover sustainably. No wonder that initially short-term crisis management was at the forefront and indeed remains so. The prospects of economic recovery remain, even with continuing financial and fiscal policy support for 2021, dependent on the effects of the second (and in some places, with the advent of variants, already the third) waves and a rapid and successful vaccination programme. Many also fear that financial injections have served merely to "put off the evil day" and that a wave of insolvencies is just around the corner for all countries. In Spain, for example, economic-policy think tanks estimate that there will be no return to normality before summer 2022 (Funcas 2021). It remains to be seen how serious the economic damage really is. As with a flood, it only becomes clear when the water recedes once more.

The countries with a high level of debt sustainability, such as Finland, Germany and Sweden, have been better able than others to implement generous counter-measures, such as direct payments or compensation for revenue losses, and to help to stabilise employment. In contrast to the financial crisis a decade ago, however, policymakers in all nine countries this time were able to learn some lessons: the key instrument for stabilising employment has turned out in many countries – and not only in Germany – to be short-time working benefit, all the more so because the EU, with its new SURE programme, has been able to ease the burden on national budgets. In contrast to the previous collapse this time the actors reacted more quickly with direct compensatory income (Dauderstädt 2021). Besides such direct financial injections all countries have resorted to the deferment of taxes and contributions, as well as other assistance with liquidity or guarantees. European crisis intervention has also been able to keep job losses within reasonable bounds in comparison with what was achieved in the financial crisis (Anderson et al. 2020).

This does not, unfortunately, apply to youth unemployment in some of the southern European comparison countries, however. Around 17.8 per cent of young people seeking work in the EU were unemployed in December 2020. Spain registered the highest youth unemployment rate in the EU, at almost 41 per cent. In Germany, by contrast, the youth unemployment rate was only 6.1 per cent in December 2020, the lowest in the EU. It is precisely in the euro-crisis countries Greece, Portugal and Spain, but also France and Italy that the Covid-19 recession has set back efforts to reduce youth unemployment.

The authors of the French study rightly emphasise that we need to exit the crisis rapidly (and with adequate deployment of resources) if we are to stand any chance of sustainably limiting any negative effects on public finances. Unfortunately in some countries the stimulus packages have not had the effects their governments had hoped for. The au-

thors paint a bleak picture of France's current crisis programme: "the strategy of supporting the economic actors hardest hit by the effects of the crisis in order to foster a rapid recovery has not gone far enough, even though France is among the countries that have paid the heaviest price during the pandemic".

The pandemic has exposed existing structural problems and calls for sustainable investment strategies

The pent-up need to revitalise public infrastructure has been a particular focus of attention, along with the need for research and investment in the business sector. Paramount here are key areas such as railways and roads, the energy sector, health care and digital networks. Given their structural unemployment (especially among young people) and the aftereffects of years of austerity policy pursued under the aegis of the financial and euro crises all southern member states have concentrated on employment policy.

Germany has an aging basic infrastructure. Furthermore, the impact of the Covid-19 crisis has brought to light the extent to which public digital infrastructure lags behind society's needs. The shortfall is particularly evident in education. There is access to high-speed internet and WLAN in only around one-third of German classrooms, while only a third of schools have digital devices for whole classes. This digital deficit in the education system affects children from poorer homes proportionately more because they are less likely to have digital devices and high-speed internet at home. In the age of the home office, other countries have been able to rely on existing digital networks. Finland, for example, is at the forefront when it comes to teleworking jobs. Almost 70 per cent of employees were working at home at the peak of the pandemic.

The authors of the Swedish study emphasise that by focusing on already planned and ongoing projects it has been possible to maximise short-term employment effects, while long-term infrastructure projects can also be tackled. This involves primarily the expansion and maintenance of infrastructure, as well as upgrading the facilities of crisis-hit care homes.

Despite every effort the impact of the Covid-19 crisis has deepened the social divide

All the country studies consistently show that a third of the working population have suffered substantial income losses due to the pandemic. The usual groups – such as young workers, people with an immigrant background, single parents with children and precarious workers in low-wage sectors – have been particularly hard hit. Workers in the culture sector, freelancers and small-scale (often solo) self-employed people have also suffered during the crisis, while by contrast pensioners, public-sector employees and civil servants have hardly experienced any loss of income.

Losses, finally, have been especially high in tourism, and in hotels and restaurants.

Also noteworthy is the situation of employees in so-called systemically important sectors who have been called on to continue working in order to safeguard critical infrastructure. These health service and care workers, who have come to be highly esteemed in the public debate, include many women working part-time, as well as highly skilled people on below average pay. The crisis situation has highlighted the importance of such activities, triggering calls for their re-evaluation. In nearly all countries, however, this new appreciation has not been adequately reflected in people's pay packets, despite trade union efforts (ETUI 2021: 75f). But a robust health service can be maintained only if there are sufficient skilled workers in the care sector, which depends on whether they are properly paid.

The pandemic has also laid bare gender inequalities once again. Women in particular tend to be at risk of losing their jobs, while care responsibilities or looking after children impose a twofold burden. Nevertheless, the pandemic harbours the potential for changes and new policies. The pandemic has led not only to a rapid expansion of teleworking, but has also heightened awareness of fairness in wage structures (ETUI 2021: 91f).

The individual country studies do not clearly establish whether in future EU-financed investment projects will adhere consistently to social sustainability and gender justice. It is also unclear whether they will contribute to catch-up development or even convergence between the member states.

Prospects of a socially sustainable digital–ecological structural transformation

The rapidity and depth of this transformation depend on path-dependent conditions and drivers in the individual countries. Table 1 outlines the initial situation and forces pertinent to a socially sustainable digital–ecological structural transformation in the nine countries in our study. The overview focuses on four policy areas and combines results from the nine country studies with selected data:

- **Social dialogue and the anchoring of social cohesion:** effective reform-oriented industrial relations, shaped by the trade unions and employers' organisations. Trade union power resources are based on their organising power, free collective bargaining, right to strike, company codetermination and corporatist participation in political decision-making.
- **Sustainable state capacities:** the relevant instruments and latitude are defined by financial viability, the extent and scope of public investments, a functioning administration and trust in the political class.
- **Cooperative culture of innovation:** a coherent, institutionalised cooperative alliance between the

Table 1
Transformation horizons – selected drivers of successful structural change

	Social dialogue – social cohesion – trade union capabilities				Sustainable statehood			Innovation culture		Environmental discourse and climate protection performance		
	Unemployment rate // Youth unemployment (December 2020 according to Eurostat)	Trade union density // Trust in trade unions according to Eurobarometer (No. 90, autumn 2018)	Minimum wage as a percentage of the average wage (2017, rounded off)	Social justice (values between 1–10 in 41 OECD countries (ranked 1, Iceland 7.9; ranked 41, Mexico 4.76; average EU/OECD 6.09; trend in comparison with 2009 > better, < worse)	National debt 2020 (%) // Total investment as a percentage of GDP / Public investment as a percentage of GDP (2019) EU27: 22.4 and 3.1	Trust in public administration (Eurobarometer No. 90, autumn 2018)	Sustainable Governance Index (values between 1–10 in relation to capabilities in policy areas; democracy and governance ranges between 1 and 41; Sweden ranked 1, Turkey 41)	European Innovation Scoreboard 2020 (in Europe ranges from Switzerland 1 to Bulgaria 45) Level of digitalisation: DESI (1–28)	Transformation Index of the World Economic Forum 0–100 (best) 1–10	Environment and climate are regarded as key problems (Eurobarometer, %, EU average: 20%)	Status: Climate Protection Index 2020 (Values between 4 th place (Sweden) and USA (61), EU average 16)	Prospects: KPMG Change Readiness Index ranging from Switzerland 1 to Somalia 140
Transformation leaders												
Finland	8.1 21.6	74 70	keine Mindestlöhne: tragfähiges Tarifvertragswesen	7.24 <	70 // 23.9 / 4.3	76	7.4 – 9.2 – 8.5	140 1	69.9 1	30	11	11
Sweden	8.5 23.8	70 78		6.98 <	40 // 24.4 / 4.9	70	8.0 – 9.3 – 8.4	141 2	68.5 1	49	4	4
Strong transformers												
Germany	4.6 6.1	18 77		6.64	71 // 21.2 / 2.4	71	7.1 – 8.7 – 7.5	130 12	62.9 3	24	19	7
France	8.9 23.4	8 43		6.53 <	116 // 22.9 / 3.4	55	6.8 – 7.2 – 6.6	105 15	62.7 3	28	23	22
Moderate transformers												
Portugal	6.5 22.5	19 38		6.03 >	135 // 18.3 / 1.9	38	6.0 – 7.6 – 6.0	97 19	56.1 6	4	17	31
Spain	16.2 40.7	19 48		5.53 >	120 // 19.4 / 2.1	37	6.3 – 7.3 – 6.6	85 11	56.5 6	9	41	35
Cyprus	7.3 21.3	55 48		6.1 >	113 // 19.1 / 5.8	35	4.9 – 5.9 – 4.6	89 22	- -	8	49	-
Modest transformers												
Greece	16.7 35	25 29		5.1 <	207 // 11.1 / 3.0	18	4.7 – 7.0 – 5.6	83 26	47.2 10	6	34	65
Italy	9 29.7	35 23		5.48 <	160 // 18.1 / 2.3	23	5.4 – 6.9 – 5.5	83 24	51.9 8	11	27	36

Source: Author's presentation; Sustainable Governance Indicators 2020; OECD 2019; Fulton 2015; Urmersbach 2021; Schulten/Lübker 2021; Eurostat 2020; Hellmann et al. 2019; Burck et al. 2019; World Economic Forum 2020.

state, the education system, business, science and the trade unions constitutes the framework for shaping the digital economy and sustainable economic activity.

- **Climate and environmental discourse and real climate gains:** a heightened sense of urgency through civil society and parliamentary “green” discourse and/or political parties would favour sustainable economic growth in the future. They determine – albeit in a complex fashion – the social awareness of environmental problems and political approaches to them. This does not always entail the requisite progress with climate protection. Conflicts between “green milieus”, industrial trade unions and corporations need investigating.

Only rarely has there been open public discourse, along with active, institutionalised social dialogue and participation in preparations for recovery plans

No automatic compensation mechanisms aimed at attaining social balance have been discernible in transformation plans hitherto. Social dialogue appears to be the weakest link among the factors favouring long-term socially sustainable change and participation, even though to date it has proved possible to limit cyclical rises in unemployment by means of short-time working.

The basis of Portugal’s economic recovery plan for 2020–2030 is a report produced under the aegis of an independent economist, who also engaged in discussions with the relevant political and social forces, as well as non-governmental organisations, in a discussion process that sets an example for the rest of Europe. In most countries the writing of such reports has been in the hands of one or more ministries, and of working groups drawn from ministerial ranks. Since February 2020 there has been a deputy prime minister for research, innovation and digital policy in both Spain and Cyprus. The aim is to galvanise the long overdue digitalisation process in public administration and in the banking sector.

In Greece the WWF came up with an alternative draft to the conservative government’s lacklustre proposal on environmental issues, which contained some trenchant criticisms of the official report, which merely pays lip service to the problem. Unfortunately, this has not really led anywhere politically. The robustness of the policy proposals will be put to the test by ecological crises all too soon.

Only a few governments have pursued systematic consultations with trade unions and employers’ organisations. Positive examples here include Cyprus, Finland, Portugal and Spain. In Spain, for example, a social dialogue round table was set up; according to the government in Madrid, others are to be established in individual regions.¹

It is also clear, however, that trade unions can only become driving forces behind a socially sustainable progressive green dialogue if, as in Finland and Sweden, they are able to harness their organisational power to foster influence and impact society beyond the sphere of industrial relations. Power resources can also be mobilised if, as for example in Germany, there are robust codetermination structures. The French trade unions, despite their low union density, do still wield a substantial capability for mobilisation. Formal participation in consultative institutions, such as Spain’s economic and social councils, does not imply a decisive influence, however.

Prospects: The Finnish study highlights the importance of training and qualifications in processes of technological innovation. In their absence, “neutral” technologies are unable to generate the requisite positive outcomes for society. The trade unions have a key role to play here, too. On the labour side, works councils and trade union representatives could organise the training of further training mentors in the workplace. In this way vocational guidance and occupational training skills can be re-established in many instances.

The key role of the state as active crisis manager, guarantor of social security (with a focus on the health care system) and innovative industrial policy pervades virtually all recovery plans and public debates

Undoubtedly, a paradigm change is most evident in Germany. After a decade of the debt brake the Grand Coalition quickly agreed on a more or less “Keynesian” emergency aid package, aimed at safeguarding jobs, businesses and social cohesion. Some former critics now regard this as setting an example for others (Gylfason 2021).

The authors of the Germany study claim a largely new consensus that decarbonisation and digitalisation cannot be left to the market alone. Generally speaking, a more active, more capable and more proactive state is required. The authors of the Cyprus study are more cautious when it comes to a new appreciation of the state. It remains to be seen whether this is a temporary outcome of its role as crisis manager or it is linked over the long term to a new approach to the provision of public goods.

The authors of the Italy study point to the ongoing challenge that over the next few years there is going to be substantial investment spending to bring about a real improvement in infrastructure. But it is not certain whether the resources for the necessary current expenditure will be made available. Infrastructure projects must be underpinned by sufficient financing and qualified staff if they are to succeed. The Finnish report in this connection highlights the central importance of employees’ qualifications in the wake of innovations in digital technology. Sufficient funding must be made available for this purpose.

That is why it is important that the old, strict European fiscal rules, after their current suspension, do not come to be ap-

¹ For further information see: https://portal.mineco.gob.es/es-es/comunicacion/Paginas/210115_np_AgentesSociales.aspx.

plied again unchanged and prematurely. Otherwise, the sharp increase in public debt ratios as a result of the crisis might quickly once more considerably restrict the capacities of national governments. European financial aid, such as the SURE programme – which enables the refinancing of national short-time working schemes – while cushioning the impact on public budgets, are, as things stand macroeconomically, only of secondary importance in terms of their volume (Watt 2020).

Transformation potential naturally corresponds to an enterprise's capacity to generate new, value-adding growth. Virtually all countries must foster public investments, in order to underpin and bolster innovation processes. Concerning public and private investments, in the past only Finland, France and Sweden were above the EU27 average (3.0 per cent and 22.4 per cent, respectively). In Germany in particular, for years there was far too little investment in the public sector (even with debt at such a low level). This indicates a considerable backlog, even in the areas of traditional infrastructure.

Maintaining a sustainable state is not just a question of money. Stable political conditions also play a role, as do long-running social policy debates on the future of the environment and work. Frequent changes of government, for example, hamper long-term strategic decision-making. Within our group of countries approaches to political governance range from strategic calculation to situation-driven muddling-through and routine politics. In southern member states, such as Cyprus and Greece, with their reactive approach to politics, stabilising employment remains the order of the day. To date no strategic instruments of governance have been discernible in their medium-term planning that would be able to implement the substantial list of digital and environmental projects in investment plans. In terms of political will they are tactically oriented towards European funding.

In Spain, the position of deputy prime minister gives external expression to the left-wing minority government's commitment to reform. Structural youth unemployment, the collapse of the tourism sector, devastated by the pandemic, and the low level of innovation in the Spanish economy are serious problems, and the smouldering Catalonia issue in domestic politics fosters permanent conflict that has divided the country. All this calls into question the viability of the minority government. In Italy, the question of the social balance of transformation plans has plunged the country into a government crisis. Now "Super Mario" is supposed to sort things out: in early February former head of the European Central Bank (ECB) Mario Draghi was sworn in as the sixty-eighth head of government since the Second World War. As ECB president he time and again called for structural reforms in his homeland, but little progress was made. Now he has to demonstrate that he is capable of even greater changes instead of simply serving old wine in new bottles.

Absorption problems: governance capacity influences whether EU funding is allocated in good time. In particular

the large southern euro states Italy and Spain, which have been particularly hard hit by Covid-19 and the ensuing collapse of the economy, in the past have been rather tardy in drawing down funding from Brussels, as the European Court of Auditors once more complained in its latest report (European Court of Auditors 2020: 63). Cyprus and Greece, by contrast, are above the EU average when it comes to the absorption of EU funds.

Prospects: With its Sustainable Governance Index the Bertelsmann-Stiftung seeks out good examples of sustainable governance.² This is based on assessments of three pillars: design of economic, social and environmental policies; quality of democracy; and governance capabilities. The Scandinavian countries are well to the fore out of the 41 OECD countries, while Italy, Greece and Cyprus bring up the rear.

Very different innovation cultures

The innovation activities of enterprises, the economy and the state are to a considerable extent determined by the relevant innovation culture, encompassing "capability" (innovation capacity), "willingness" (commitment to innovation) and "possibilities" (innovation potential). All too often, a cooperative and institutionalised innovation culture is lacking, in which the state, education, science and the economy mesh.

With its European Innovation Scoreboard the EU is able to evaluate the status of innovation cultures in its member states and in important competitors. In Europe, Switzerland takes top spot, with Bulgaria last. The European Commission distinguishes between innovation leaders (the Nordic countries and the Netherlands), strong innovators (Belgium, Germany, Estonia, France, Norway, Austria and Portugal), moderate innovators (Italy, Greece, Spain, Cyprus and central and eastern European member states) and finally modest innovators (Bulgaria and Romania).

In Finland, France, Germany and Sweden, with their well developed innovation cultures, EU policy applies to decisions on transformation agreed early on by policymakers and business (Andersson et al. 2017). Here, too, if the trade unions are closely involved a socially inclusive digital and environmental transformation can gain a foothold and create added value for all. In recent years Portugal has begun to catch up with the strong innovation countries. Greece, too, leaped forward by over 20 per cent between 2012 and 2019. By contrast, Germany's innovation capacities stagnated.

The European Union also exhibits a considerable development gap in relation to the status of digitalisation. With its Digital Economy and Society Index (DESI, with rankings between 1 and 28) the European Commission is able to map Europe's overall performance in the area of digitalisation

² For further information see: <https://www.sgi-network.org/2020/>.

and member states' progress in terms of digital competitiveness. It captures and evaluates current status in respect of network coverage, digital competences, internet use, level of digitalisation and e-government services. The top four EU countries are not only at the forefront in Europe, but also among the world leaders, including in comparison with the United States, China, Japan and Australia. The four member states bringing up the rear, by contrast, fall well behind in both instances.

Prospects: Under the shadow of the pandemic WEF has pressed pause on its long-standing Global Competitiveness Index (GCI). Instead, a transformation index has been developed that combines data on economic recovery and revitalisation with components of a transformation towards new digital and climate-friendly economic systems. Here, too, the Nordic countries are the frontrunners, followed by France and Germany, with Spain and Portugal somewhere in the middle. Italy and Greece languish some way behind.

Environmental discourse – opportunities and lines of conflict

Since 1973 the European Commission has published, in Eurobarometer, regular public opinion surveys from all EU member states. A special survey on environmental policy (No. 501, published in March 2020) showed that a large majority of EU citizens in all EU member states considered environmental protection as important to them personally, while more than half of all Europeans consider it very important.

Other European surveys also emphasise that plans for environmental conversion and restructuring enjoy broad support, even during the Covid-19 pandemic. In light of the crisis, however, it seems important that states accompany their reforms with measures to maintain the living standards of population groups that have been particularly hard hit by both crisis and reforms (Ötsch/Lehweß-Litzmann 2020). Similar results were generated by a survey commissioned by the Federal Ministry of Labour and Social Affairs (Hilmer/Müller-Hilmer 2020).

The most recent regular Eurobarometer shows that, in comparison with other challenges, climate and environmental problems are ranked fifth across Europe (EU average of 20 per cent) (Eurobarometer 2020b). The economic situation is generally ranked first. Only in Sweden do environmental problems come top, and by some distance. The issue was rated higher than the EU average of 20 per cent also in Finland (30 per cent), Germany (24 per cent) and France (28 per cent). Here environmental issues are also part of the social policy, as well as the scientific mainstream. In Spain (9 per cent), Cyprus (8 per cent), Greece (6 per cent) and Portugal (4 per cent) it has a significantly lower profile.

In recent years, strong environmental movements and green parties have been able to exert substantial influence

on public opinion and have pressured business, governments, political parties and science to take action. The current green upsurge in Europe is geographically limited, however. While in western and north-western Europe green parties have never been stronger, in southern Europe and in central and south-eastern Europe they barely feature. Even though, for example in Italy, other parties, such as the PD and the Five Star Movement have taken up green issues, as things stand the strongest green parties can be found in Austria, Luxembourg, Finland and Sweden, where they form part of the government, albeit as junior partners. Within the Green Party family, the German Greens ride highest in opinion polls; furthermore, in the 2019 European elections they were the second largest party and participate in 11 coalition governments out of 16 Bundesländer (Grabow 2020).

The Finnish, German, Spanish and Swedish governments are relying upon existing approaches to transformation. Spain's left-wing government, for example, made the ecological transformation one of its political priorities when it came to power two years ago. It upgraded the relevant ministry with the appointment of a deputy prime minister. And no wonder, proposed a well-worked-out concept to the EU. In early February a further strategy was introduced in the area of renewable energies. The geographical situation of the Iberian peninsula is an important factor in the commitment to climate neutrality.³

Lines of conflict: A robust green discourse can even become a locational advantage in terms of climate policy. This depends, however, on whether it has gained a foothold in other political groupings and has been able to balance "Green" interests with those of trade unions or business. But the trade unions themselves are having a rethink. As early as a decade ago the leader of Germany's Mining, Chemicals and Energy Industries Union, in his call for an industrial policy for the twenty-first century, defined ecology, the economy and social progress as the magic triangle of our time (Vassiliadis 2010). In recent years the German Greens and the trade unions have moved closer together. Since 2019 the Green Party's Trade Union and Social Advisory Council in the Bundestag has been tasked with intensifying cooperation with trade unions and social organisations.

The European Trade Union Confederation (ETUC) rightly points out that the climate question is always also a social question. Part of this is that no one must be left behind by the restructuring of the economy. Combating climate change will be successful only if a broad majority of the population are on board. A sustainable industrial policy must therefore offer new prospects to workers in sectors that

³ For further reading see: https://www.miteco.gob.es/es/prensa/210209npaprobacionestrategiadealmacenamiento_tcm30-522654.pdf?utm_source=Base+dades%3A+La+A-genda+de+hoy&utm_campaign=c0aa25950a-EMAIL_CAMPA-IGN_2020_10_08_05_49_COPY_02&utm_medium=email&utm_term=0_452c1be54e-c0aa25950a-116873513.

either contract or disappear altogether in the course of this transformation (ETUC 2020).

Climate protection reality: Besides the social dimension in environmental discourse climate protection reality also often lags behind constructive public dialogue. Based on uniform criteria the Climate Protection Index compares and evaluates the current climate protection performance of 57 states and the EU (CPI 2020), which together are responsible for more than 90 per cent of global greenhouse gas emissions. None of the countries evaluated in the CPI are graded “very good” for their performance in terms of climate protection, because to date no country has done enough to keep global warming significantly under 2 degrees. Thus none of the countries manages to get into the top three in the final rankings. Of the nine countries in our sample Sweden comes highest in the current 2020 Index, in fourth position. It is followed by Finland (11), while Germany, at 17, is below the EU average (16).

The report conducted by the NGO CEE Bankwatch at the behest of the “Green 10”, the ten biggest environmental organisations at EU level, takes existing recovery plans to task. It also points out that almost without exception none of these plans has undergone a public participation process. Strategic environmental audits for the proposed measures will also be sought in vain, although both procedures are prescribed by EU law (Hanoteaux/Trilling 2021).

Prospects: KPMG’s (2019) Change Readiness Index (CRI), by combining a series of factors, depicts the capacity of enterprises, governments and civil society to cope with a future transformation in response to climate change. The 2019 ranking ranged across the globe from Switzerland (1) to Somalia (140). Sweden (4) comes top among our sample countries, while Greece brings up the rear in 65th position.

Transformation profiles and horizons

If we bundle together the framework conditions and driving forces characterising our country group with an eye towards the envisaged structural change, four clusters of expected processes of change emerge in terms of depth and speed. Once again, the familiar north–south gap in the EU manifests itself. Nonetheless, every country, besides its path-dependent weaknesses, can also point to future-oriented developments.

Transformation leaders – the two Nordic countries: In their case it is a matter of social policy fine-tuning of a broadly socially accepted digital economic investment strategy. There is a high level of trust in the public administration’s governance capacities and the unions’ ability to make a difference.

Strong transformers such as France and Germany: Despite its financial latitude, Germany is looking at a sizeable backlog of public investments in almost every area of

infrastructure and private investment, as well as private investment in capital stock, and also in research and development in order to make the German innovation system fit for the future. German naysayers in some cases can hinder project implementation, however.

In France the government commitment to investment and the exemplary education system give real cause for hope. France has to overcome its specialisation in tourism and the aviation industry, two sectors particularly hard hit by the consequences of Covid-19. Overall French industry has been wasting away for decades. Furthermore, the Covid-19 pandemic has destroyed the last remnants of the spirit of optimism that Emmanuel Macron inspired on entry to the Elysée Palace in 2017. At the same time, misgivings concerning the political and economic elites are growing (Opinionway 2021).

Moderate transformers, such as Spain, Portugal and Cyprus, and modest transformers, such as Greece and Italy: The southern member states are at risk of falling

back even further because of their lack of societal push factors, deficient trust in the administration’s political governance capabilities and the trade unions’ capacities for social improvement, as well as ongoing innovation weaknesses. In Spain, Greece and Italy, furthermore, all efforts to turn things around are likely to remain overshadowed by political preoccupation with the continuing youth unemployment. Applicable to all is the fact that their sustainable digital–environmental development processes require a time horizon that is likely to outstrip that of the current Next Generation EU recovery fund.

COMPASS FOR A NEW CULTURE OF PROGRESS – FOUR SOCIAL DEMOCRATIC AREAS OF WORK IN PROGRESS

According to historian Jürgen Kocka (2014: 128) “[c]apitalism thrives because of its social, cultural and political embedding, even though it threatens and undermines that embedding ... [But] it can learn, a merit it shares with democracy”. Within this framework social, economic and industrial policies need to be developed along social democratic lines in at least four national and European spheres. What could be taken to stimulate our thinking from existing plans prepared by governments across the political spectrum in the various EU member states?

Forward-looking work design – striking a balance between crisis management, social inclusion, and digital and ecological transformation

The country studies show that the conflict of aims between short-term crisis management and structural transformation cannot be vanquished, only minimised. Particularly if structural change is not to occur at the expense of workers in older sectors. The main digital and ecological problem lies in the fact that what constitutes material and cultural advancement for some, is generally detrimental to other

groups, and win-win situations tend not to emerge automatically. A social democratic balancing act therefore involves building bridges and organising structural transformation in such a way that individual, social and economic costs remain within bounds. To social democrats, technological progress is inconceivable without societal progress.

Focus on employment insurance: Instead of a reactive unemployment insurance a Europe-wide employment insurance could provide the framework for such a balancing process (Schroeder/Schmid 2020). Insuring employment rather than just unemployment would open up new opportunities for social protection from risks arising from transition in people's employment histories. IG Metall's proposal for a short-time working benefit for periods of transformation, put forward as early as 2019, seems to go in the same direction (IGM 2019). Wherever possible, short-time working or other forms of support should be linked to training leading to qualifications. Further training also has a place in efforts to tackle digital structural change and the introduction of green technologies. The conversion or retrofitting of production and service structures requires suitably qualified workers. Ultimately, this forward-looking design of work is the other side of the coin as regards the digital-ecological transformation.

Regulatory framework – more resilience through a proactive state investment strategy based on a broad social debate on the future

The rediscovery of the state must amount to more than short-term crisis management. Lives of security and well-being for European citizens can be ensured only by means of sufficient public goods as the basis of social cohesion and resilience. Resilience in this context means a society's capacity to cope with external disruption without impairment of its systemic functioning. Recent external shocks, such as the Covid-19 pandemic, and challenges such as globalisation, populism, inequality, migration and climate change could be tackled much more successfully by societies in which trust has been established on sure foundations. If one looks back at the handling of the pandemic in terms of institutional crisis management capacities and asks, which factors affect a society's resilience capacities and how they could be reinforced, one's attention is likely to turn to the availability of public goods and social policy investment in inclusion, besides technical and organisational factors. They are an expression of social solidarity and a source of social resilience in the coming decade of rampant technological modernisation (Brinkmann et al. 2017).

Focus on robust state investment strategies with a trust and sustainability check: 25 years ago sociologist Ulrich Beck (1986), in his analysis of the future risk society, predicted that politics would become increasingly helpless. It would only be able to react to technological developments, but no longer to steer them. The really important things would be instigated by business under the banner of

progress. At that time, the most pressing issues included Chernobyl, dioxin, smog, dying forests and test-tube babies. Nevertheless Beck's observations also apply to current debates on nitrogen oxide, climate change, the platform economy and artificial intelligence. The state now has an opportunity to regain the upper hand in shaping policy. It involves more than just good administration of old and new instruments of governance. In our democratic high-trust cultures "more state" is not just a matter of technocratic efficiency, but also requires organised participation and a societal commitment to change. To that end we need a debate in society and with the social partners. Strengthening the framework of trade union activities is crucial to striking a social balance within an innovation culture.

As the debate on the national debt gets going, the question of who is to foot the bill for Covid-19 assistance comes to the fore. A society's level of prosperity, however, depends less on past spending than on the future structure and capacities of the economy. Instead of getting entangled in a debate on how the debt is supposed to be repaid, in which misplaced worries about the state's ability to cope may be heard, we need to concentrate on how state capacities can best be deployed in the coming transformation processes.

What we need is neither a basic scepticism towards the state as an economic-policy actor, nor its elevation to the status of omnipresent beneficent planner. The innovation economist Marianna Mazzucato (2021) calls on governments – with reference to the US moon-shot – to be bolder in instigating mission-oriented multisectoral public-private cooperation. The state regulatory framework sets the course for changes – such as a reorientation towards climate-friendly ways of doing business – that require investments and innovations in a plethora of sectors: "NASA designed its procurement contracts to focus on goals, while encouraging bottom-up solutions and including "no excess profits" clauses and fixed costs, so that going to the moon involved sharing both risks and rewards. This is an important lesson for many governments that have suffered higher costs and lower quality from outsourcing."

Another possibility would be regular reports that, by means of a new "magic square", would try to avoid the mistakes and shortcomings of past economic policy. The focus would be a much more broadly conceived concept of prosperity paying explicit attention to the transformation towards social, ecological and fiscal sustainability (Dullien 2015). A useful application of this to Germany over the past year can be found in Dullien and Lindner (2021).

New culture of trust – inclusive solidarity within and between European countries

In the risk society that emerges in the wake of the Covid-19 pandemic a social contract will be needed that takes account not only of social balance and gender equality, but also convergence between the EU member states.

Focus on a new Community culture of trust: That is why European policymakers must keep in view a new Community culture of trust and rely on responsibility **and** solidarity: in terms of European policy the recovery fund and its financing have set us on a new path of Community responsibility. It remains to be seen whether the financing impetus will suffice not only to advance the ecological transformation in all member states, but also to bring their welfare levels more closely in line. On the other hand, the recipient states have a duty to keep an eye on the main donors' debt sustainability and to instigate active structural change with the funds made available.

What's more, "dare more South"⁴: We should also bid farewell to the old cliché concerning the Mediterranean, in terms of which the South, in light of the rise of northwest European modernity, is first of all marginalised and, in the wake of the financial crisis, is excluded and downgraded from the "cradle of civilisation" to, in effect, a pigsty (PIGS) of economic basket cases. With its historical network of ports and trading cities and its commingling of cultures and talents the Mediterranean region anticipated in miniature the mechanisms of globalisation. And it has left us with a lesson: "inhabitants of the Mediterranean understood how to use cultural diversity to their economic advantage, instead of trying to level everything, along the lines of Apple and Google style globalisation" (Schoepp 2014). It is this "convivencia", this principle of cohabitation in diversity whose integrative power Europe so urgently needs in its struggle for a new and future-oriented social contract.

Strategic autonomy – strengthening European sovereignty and resilience

A new awareness has arisen of global fragility. Individual recovery plans, too, leave no doubt that we need more European sovereignty and resilience in the production of industrial goods and services. In this context the aim of developing a capacity to cope with crises supplements the pursuit of strategic autonomy, which is related to the external and security policy dimensions (Lippert et al. 2020). Autonomy here means neither autarchy, isolation nor renunciation of alliances. In fact, autonomous actors are in a position to decide for themselves, in accordance with their own interests, which actors they would like to enter into partnerships or alliances with.

Focus on European industrial policy: In some areas economic deglobalisation in favour of a regional, European perspective would be a good idea. All the more so because other geopolitical actors, such as China, with its latest development plan have started to champion more domestic consumption and independence from abroad. In terms of industrial policy the pandemic has been a wake-up call to European policymakers, telling them that they have to rebuild significant industrial – for example, pharmaceutical – production

and digital services in Europe. European regulation plays a leading role in the democratic shaping of digital space.

By contrast, a political deglobalisation would not be expedient: a capacity is needed for international cooperation and for setting global regulations in order to address global problems, such as climate change. Trade policy is an effective lever for getting binding climate-oriented sustainability included in international agreements.

European progress narrative for a threefold transformation

In September 2020 the World Economic Forum published a survey in which a desire for social change was clearly manifest. Worldwide, almost nine out of ten respondents (86 per cent) agree that, after the pandemic has been dealt with, the world should be more sustainable and more just (Spain 86 per cent, France 85 per cent, Germany 78 per cent and Sweden 84 per cent). Only around 14 per cent took a different view, wanting everything to return to how it was before the Covid-19 crisis (IPSOS 2020). Despite strong pressure to take action and the narrow room to manoeuvre there are therefore enough actors who are ready and willing to act or patient but proactive realists of the kind that Antonio Gramsci (*Prison Writings*) had in mind.

We need to draw aside the heavy curtains of the crisis and look out upon new horizons of hope in order to be able to bring together, with vision and determination, the policy aims of individual quality of life, digital-ecological innovation and resilience. The three political levels of local place of residence, country and Europe have specific tasks:

- Regional, urban (ideopolis) alliances are the arena for grassroots democratic participation, a liveable environment, tangible welfare and innovative companies (Cannon et al. 2003).
- The nation state organises the base load of democratic legitimation, is the guarantor of public goods and is strong enough to steer rampant technological change politically and to safeguard social cohesion.
- The European institutions are the trustees of common consensus domestically and of the defence of strategic autonomy externally.

In virtually all EU countries social democratic parties alone are capable of setting this culture of progress in motion. They therefore need a broad progressive dialogue about the future to instigate a "compass for a new culture of progress". Establishing themselves as the nucleus of such a progressive majority consensus would also help to overcome their crisis of credibility and trust. Social democrats could position themselves as the political driving force of a culture of progress, with a quantum of the visionary will power exhibited by long-time prime minister of Sweden Olof Palme: "we have wonderful days ahead of us".

⁴ Reference to Willi Brandt's invocation, in his first government policy statement, to „dare more democracy“.

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EUROPA

Recovery strategies in Europe

The restrictions imposed to combat the COVID-19 pandemic have led to a pronounced drop in production, a steep rise in unemployment and public debt. As a result, profound social distortions have arisen. Further, the pandemic has also revealed the strong dependence of Europe's economy from the production of vital products beyond the continent. Accordingly, national governments as the EU have had to devise wide-ranging programmes to support and revive the economy.

The development of these "recovery" programmes is taking place at a point in time when the European economies are at a crossroads. They are faced with meeting the immediate challenges stemming from social and ecological transformation and digitalization. As a result, there is significant pressure to ensure that the measures to implement economic revival do not lead to a restructuring of the pre-pandemic status quo. Instead, the countries should seize the opportunity of massive public spending programmes to start the transformation of the economy and society towards climate neutrality and social equality.

A series of reports from several European countries analyse their respective national recovery plans and assess them in view of meeting the complex challenges. A synopsis offers a comparative perspective by interpreting and classifying the events and individual measures introduced in the individual countries. The aim is to develop policy recommendations that not only meet the long-term structural challenges faced by the EU-member states, but also to combat the immediate effects of the pandemic.