The Preconditions of Social Europe and the Tasks of Social Democracy

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European social democracy is in a crisis. Everyone feels it, electoral results prove it. Policy makers are torn between improving economic efficiency and correcting social injustices, between liberalizing European markets and reforming the national welfare state. But their dilemma is not programmatic. It results from the changed environment, in which they operate, and a state-centered ideology, which cannot cope with this change.

Social democrats have come to accept the market as the superior engine of wealth creation; they seek power, however, in the democratic state to turn it into a modern welfare state. Democracy is the key to the Social democratic project, for it allows affirming the common good of society against the partial interests of market agents. This democratic tradition goes back at least over 100 years, when Eduard Bernstein pointed to the growing contradictions between revolutionary discourses and democratic practices and opted for the latter: “Democracy is both a means and an end. It is a weapon in the struggle for socialism, and it is the form in which socialism will be realized.” ([1899] 1993:142).

Social democracy became successful in the second half of the 20th century, when it combined political and social struggles with Keynesianism and thereby showed that it could integrate partial interests with policies that improved general well-being. All that changed after Bretton Woods collapsed in 1973. Lack of exchange rate management and huge international capital flows after the oil price shocks generated volatility and uncertainty in financial markets. Nation states lost control of the economy. Steering the macro-economy became increasingly more difficult for small state governments (which includes all European states), and the social democratic model lost its luster and legitimacy.

Faut de mieux, Social democrats have joined the neoliberal bandwagon. Voters soon felt betrayed. The good society of “equal citizenship, solidarity, social mobility, trust and strong community” seemed “undermined and destroyed by an elitist, pseudo-cosmopolitan concept of the good society, built around neoliberal globalization, European Unification, permanent welfare state reform, ill managed mass migration, the rise of individualism and a knowledge-based meritocracy” (Cuperus, 2010). This perception of Social democracy mixes facts with fiction, modern values with reactionary discourses. It misses the reasons and effects of the profound transformation that has followed globalization and Europeanization.

To understand the change, we need to analyze first the role of money in markets and then look at the relation of money, markets and the democratic state. We then discuss the transformation of this system under the influence of European integration and globalization and conclude on some policy proposals. Finally, the title for this chapter was chosen to recall Bernstein’s (1899) famous book, because now as then, Social democracy is torn between an outdated discourse and its commitment to democracy.

1. Money, the commanding heights of capitalism

Like so many times before, the 2008 global crisis was a crisis of financial capitalism. The collapse of the international monetary system of Bretton Woods in 1973 was also a financial crisis that that led to the creation of European Monetary Union in an attempt to protect Europe's social model against financial instability.[1] Yet, many Social democrats ignore that the European Monetary Union has transformed the role of the nation state not only as a guarantor of welfare, but also as a political instrument for constructing the good society and a Social Europe.

Part of the problem is the focus on the "real economy" at the detriment of the "parasitic financial sphere", because it prevents drawing the necessary policy conclusions from monetary union. This way of thinking has a long tradition in economics from Smith to Marx, leading to the follies of modern neoclassical monetarism. For these economists, money has only value for what it can buy; it covers the utilities of goods like a veil. Financial assets are simply forms of representation that stand for something "real". And yet, it is money that makes the world go round; it is money that allocates resources to their use. In short, money rules the economy.

Money is a social institution, which, like all institutions, depends on rules and *norms* that are collectively accepted and followed, even if individuals occasionally deviate in their behavior (Searle, 1995). Such norms structure economic and political life and exist in a broad consensus which emerges from the exchange of information, from discussions and debates and from listening to each other. A modern approach to Social democracy must therefore critically question the norms that structure social reality and inquire how they become consensual.

The construction of a new social reality requires that political and economic norms are mutually consistent. Transformative strategies must redefine what the "good society" is. But what is "good", or morally acceptable, cannot be separated from the ways public debates are conducted in society and these debates are structured by institutions and their normative backgrounds. What people believe to be good in society is necessarily different in a market society, where individuals are used to making contracts as free and equal agents, from a *hierarchical society, where they are assigned a position* without choice. Insofar as money is created by financial contracts, it generates the moral economy of capitalism.[2]

John Maynard Keynes understood that money was not a veil over the real economy. For him, money was a means of payment, the asset that extinguishes debt contracts.[3] The exchange of goods often takes place over time and this implies that people make promises and contracts about the delivery of goods and payment. While the notion of a contract can be stated simply as an agreement between free and equal individuals, this conception of contractual relations has two important implications. The first is that contracts may be broken and promises not kept. Social relations in a market economy are, therefore, a source of uncertainty, and to reduce uncertainty society needs the rule of law, which guarantees the enforceability of contracts and the rights of individuals. Thus, the modern market economy could not exist without strong institutions that regulate markets.

[1] For the contribution of the German social democratic Chancellor Helmut Schmidt to the creation of the euro, see Collignon and Schwarzer, 2003.

[2] See Collignon, 2010

[3] See Keynes 1971.

The second implication of the money-as-means-of-payment paradigm is that it allows us to understand the nature of property as the result of contracts and this has consequences for the Social democratic concept of social justice. Property has always been a key concept in socialist thought. Classical economics, starting with John Locke and ending with Karl Marx, but also the neoclassical Property Rights School, which has inspired neoliberal ideologies, treat property as possession. Possession means the right "to do anything to anybody, and to possess and enjoy whatever [one] wanted and could get".[4] Because economic agents exchange goods according to their relative utilities, *having control* over resources must be the essence of property. Thus, according to this paradigm, money has no role other than facilitating the circulation of possessions. However, in a capitalist economy, property is more than possession. When individuals make contracts, the control of resources is delayed until the promise is kept. A *promise to get access to possession* in the future generates a *claim* for the owner and an obligation for the possessor. This is not the same as *having possessions* and *controlling* their use. This claim is a property *title* and, if it is publically recognised, it gives *rights* of ownership that emerge from contracts between free and equal partners. For Keynes, money was liquidity, which had the great advantage of *giving access* to possession by terminating the obligation of a property claim, i.e. a liability, in financial contracts. Capital is nothing else but a legally recognized property claim of this sort. Thus, because modern money is the liability of the banking system, it is generated by money and credit.

This reading of capital is different from Marx's approach which has influenced Socialists for a long time. By adopting the classical exchange paradigm, Marxist economists confounded the *claim* to possession with possession itself and thought capital was identical with private property. For them controlling the means of production was possession of resources. This view structured their concept of social justice. Expropriating the means of production simply meant grabbing resources and redistributing them to support those in need. Such redistribution may be justified by the norms of traditional society, where people barely survive at the subsistence level and "big men" have the right to take and redistribute resources to ensure the community's survival (Scott, 1977). In modern societies, by contrast, where *rights of individuals* - whether private or collective - are the foundation of justice, expropriation is a violation of the normative system. The Marxist concept of justice ("From each, according to his ability; to each, according to his needs.") contradicts the norms of a modern monetary society which is based on contracts. Justice has to become *fairness*, as John Rawls (2001) has shown, and his is the best articulation of the modern Social democratic concept of justice to this day. One must hasten to add, however, that it is not enough to establish the moral norms of fairness, which is the task of philosophers; in addition it is necessary to ensure that these norms become a generalized consensus and this is best facilitated by democracy.

In addition to creating its own normativity and sense of justice, money also generates an economic logic, which has turned capitalism into the most dynamic social system in human history. Understanding the mechanism behind this economic dynamism is important, because it has not only created more wealth than ever before, and has transported the modern values of freedom and equality across the globe, but money has also generated social inequalities which stand in flagrant contradiction to the monetary economy's own norms. When Socialists treated property as possession, they had to explain capitalism by

[4] These are the words by which Hobbes ([1641]/ 1998: 28) described the "state of nature", which he considered a "state of war".

the motive of greed. However, Keynes' theory of liquidity preference explains the double faced dynamics of capitalism by the interest claim in financial contracts: contracts set the norm of freedom and equality; interest claims in financial contracts propagate them in an ever growing economy. Interest claims are justified because lenders need to be compensated for giving up the advantage of the liquid possession of money. The price for money is the interest rate. If uncertainty is high, the liquidity premium will also be high, and unless lenders are paid this compensation, they will not make loans. Because money is needed to get access to resources and financial markets provide money through loans to firms, finance directs the allocation of resources. This is why financial markets represent the commanding heights of capitalism. But servicing the cost of credit and capital requires that borrowers generate income and profit commensurate with the degree of uncertainty in the economy. If expected profits were higher, demand for credit would increase, if they were lower, no loans would be made. Thus, the profit motive is an incentive for entrepreneurship, but in the long run the system is ruled by financial decisions made in capital markets.

The surplus required to service the debt is produced by using real resources, especially labour. Marx' genius was to describe the logic by which the surplus is generated; his failing was that he did not see how liquidity preference and the interest for money determine the equilibrium for the capitalist economy. Keynes provided the tools to understand financial markets and money – and thereby transformed the way Social democrats could conduct economic policies. Keynesianism was attractive for Social democrats, because it taught that if they managed the economy correctly, the market could be a source of prosperity and augment the margins for income redistribution.

Nevertheless, in recent years, we have come to see that in a world with scarce resources, this system poses also problems for the sustainability of the planet's environment. The capitalist economy expands the monetization of real resources. If these resources are limited, the expansion must stop at one point. There are two ways how this can happen. Either the interest rate goes to zero, meaning uncertainty becomes economically insignificant, or the ecological catastrophe throws the world into a crisis where the accumulation of capital goes into reverse. The first case describes a soft landing in socialism, the second the more likely scenario of a world in permanent crisis.

The policy implications for Social democrats are clear: they must build a society which minimizes uncertainty, reduces economic shocks, and reassures citizens that their future is secure. In short, they must pursue policies that are the opposite of neoliberalism. And they only can do this in democracy, where citizens charge governments to put their preferences into practice.

2. The economic foundations of democracy

Because financial contracts are the foundation of the monetary economy, capitalism has normative content which distinguishes it from hierarchical economies. Contracts are concluded between individuals, who are free to say *yes* or *no* and this freedom constitutes the equality between autonomous individuals. By contrast, in hierarchical societies, economic relations are based on possessions and the allocation of resources is made by hierarchy. The daily practice of concluding contracts in market transactions generates the common knowledge that freedom and equality are the valid and dominant norms in a modern society.[5] On this normative foundation Social democracy stands. It recognizes citizens as free and equal who have the right to choose their government jointly and this makes it possible to think of justice as fairness. As Bernstein ([1899] 1993:141) already insisted: "the concept of democracy includes an idea of justice, that is, equality of rights for all members of the community, and it sets limits to the rule of majority". Without this sense of justice as fairness, free and equal citizens would not accept to be ruled by any government.

150 years ago, Social democracy started out with the claim that freedom cannot exist without equality. This claim is still true. However, the validity of norms is one thing; the harshness of facts is another. Marx correctly described the mechanism through which capital is accumulated by those who have property. Unless it is counterbalanced by a government acting in the interest of all citizens, the capitalist system will inevitably make the rich richer and the poor relatively poorer (although not necessarily in absolute terms). Social democrats therefore sought to conquer power through the democratic state in order to re-establish material equality. In this, they were opposed by Liberals who consider that governments interfere with liberty. Yet, liberalism and socialism are both children of the modern market society, although they assign different importance to equality. For liberals, equality is a purely formal matter of rights; for Social democrats, equality must be material insofar material living conditions determine the (in)equality of opportunities. The recognition of these *twins of modernity* may still offend some socialists, just as Bernstein ([1899] 1993:147) shocked Social democrats a century ago, when he wrote: "a certain measure of restraint is to be recommended in describing war on 'liberalism'. It is indeed true that the great liberal movement of modern times has, in the first instance, benefited the capitalist bourgeoisie, and that the parties which took the name of Liberal were, or became in time, nothing but straight forward defenders of capitalism. There can, of course, be nothing but enmity between these parties and Social Democracy. But with respect to liberalism as a historic movement, socialism is its legitimate heir, not only chronologically, but intellectually."

Then as now, have Liberals and Social democrats stood at the forefront of progress, accepting the democratic state as a guarantor for individual freedom, while authoritarian conservatives have used the state to suppress liberty. However, being on the same side of progress does not mean that there is not a deep ideological divide between Liberals and Social democrats. Liberals defend the formal equality of universal suffrage, while Social democrats build the welfare state to realize material equality and equal opportunity. Liberals reject the interference of government and see the state as a rule enforcer for the system; Socialists refuse the acceptance of material inequality and construct the welfare state to secure fairness. Both camps have derived their claims from the concept of free and equal citizens, but they give different weights to these values. Both these values are directly opposed to the conservative idea of the authoritarian state, which is based on order and hierarchy and the subordination of citizens to the authority of the state.

The focus on citizens is important, not only because welfare is necessarily a personal experience and the good society is there for individuals, but also because it defines the locus of sovereignty in modern states. Sovereignty is the power to set the ground-rules in a given society and those who can do so

[5] When private property and property were abolished in the Soviet Union and other Communist countries, the contract principle and its inherent norms were subordinated to the hierarchy of party and state.

legitimately are called 'the sovereign' (Collignon, 2003: 63). In pre-democratic states, this power was vested in the ruler; since the French and American Revolutions the sovereign is the people, meaning all citizens together. As owners of the common good, citizens have a right to choose the direction of policies that affect them all. Without this shift to popular sovereignty and democracy, Social democracy could never have accomplished the gradual construction of the modern welfare state. The power of universal suffrage is such that even conservative and liberal governments had to agree to legislation that strengthened the equality of citizens.

Put differently, the democratic concept of sovereignty says that citizens are the Principal, governments are their Agents. Hence, neither governments nor states are sovereign; instead governments are the trustee of people, appointed for a limited period of time. Such a democratic concept of sovereignty has very far-reaching consequences for the modern understanding of states. In the authoritarian state, individuals are subjects that "belong" to the state to which they must obey. They have to surrender their personal welfare to the imperatives of the community. After the French Revolution, this holistic concept was transferred to the idea of "nation" to which individuals "belonged", so that the nation state could again claim sovereignty over its citizens. By contrast, the theory of the republican democratic state considers free and equal citizens as owners of public goods who assume responsibility for the society they live in.

This republican idea has inspired many social democrats, from Lassalle to Jean Jaurès to Carlo Schmid.[6] Associating citizens to the public good is what socialism is all about.[7] The republican state focuses on the service, i.e. the public goods, which it must provide to citizens. These services are the *res publica,* which all citizens share. If we look at the state as the provider of public services and at government as the agent that manages these services, the issue of government is no longer one of "belonging" to the state or nation, but one of "being concerned" and affected by policies. Citizens are sovereign; governments as service providers fulfill their function as agents of the owners of public goods. Consequently, if the public goods have become European, European citizens need a government to sustain them. Thus, a denationalized government is crucial for understanding the role of government for Social democrats in the European Union.

3. Social Europe's precondition: an economic government

Although European unification has always been a political project of making lasting peace, it has really been driven by market integration. The single market has generated economies of scale, higher productivity, improved competitiveness in global markets and strengthened Europe's capacity to survive the globalisation shock. Unfortunately, the transformation of the European economy has not only created winners, but also losers. The old dilemmas of capitalism and social justice have re-appeared at the European scale and this poses new problems for the legitimacy of the European Union and the practice of Social democracy. The re-distribution of wealth is no longer simply an issue for states taxing the rich and giving to the poor. It now involves trans-national solidarity.

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[6] Ferdinand Lassalle founded the German SPD, Jean Jaurès was assassinated at the outbreak of war in 1914, and Carlo Schmid was one of the authors of the modern German constitution.

[7] Bernstein reminds us that the etymological root of "social" is the Latin *socius*, associate.

In the early stages, European integration was about achieving synergies, positive sum games and win-win situations that justified the transfer of policy competences to European institutions. The benefits generated incentives for nation states to cooperate voluntarily, because everyone was potentially better off and losers could be compensated out of the net gains from integration. For example, Germany was willing to pay for the expensive agricultural subsidies to French farmers, because the common market eliminated barriers for German industry. However, only national governments could distribute the welfare gains through social transfers within the nation state.

With the creation of the single market and the common currency, the incentives of win-win situations can no longer be taken for granted, although they have not totally disappeared. Money makes a difference. The logic of voluntary coordination still works well in many "old" policy areas like foreign trade, common agricultural policy, and competition policy, etc. However, with the euro, a whole new range of European public goods, called *common resource goods,* has emerged. The Maastricht Treaty gave the European Central Bank (ECB) the primary objective of maintaining price stability and this implies that money is kept scarce; but the stability of the financial system requires that all banks in the Euro Area have unrestricted access to liquidity. This makes the euro a common resource good. As a consequence, all economic agents who need money in advance of making purchases have become subject to the same hard budget constraint, regardless of whether they are private or public, firms or consumers, investors or wage earners, so that the currency area has become the integrated unit for economic policy making. Economically, the Euro Area is the country; politically, this is, of course, different and this diverging perception is at the root of the present euro crisis and of the disappointing performance of Europe's economic governance.

While Europe's economy is integrated by markets and money, its politics is causing havoc. This is because common resource goods follow the logic of zero-sum gains. This makes redistributing benefits and compensating losers much harder and national governments are more easily tempted to free-ride on their colleagues than to cooperate. Voluntary policy cooperation between governments will no longer work because the gains obtained in one country inevitably imply disadvantages for others and each member state will seek to reap the benefits and avoid the costs. This often lamented "national egoism" systematically undermines the welfare enhancing capabilities of the Union. As a consequence, the so-called *output legitimacy*, whereby people consent to European policies because they improve their welfare, is losing its force. Europe's social model, the welfare state, is increasingly under threat because distributive justice is framed in reference to states and not to citizens.

The recent debt crisis is an example for the uncooperative logic that emerges from common resource goods. Because money is scarce, excess borrowing by one government requires excess savings by another – otherwise interest rates shoot up and damage growth. Governments have therefore an incentive for free-riding. They seek to restrict the borrowing of their partners, while increasing their own deficits. Not surprisingly, a majority of member states have regularly violated the Stability and Growth Pact over the last 10 years.

The dynamics of zero-sum games could be overcome by some form of loyalty of solidarity. Albert Hirschman (1970) has famously shown how societies can live with a certain amount of dysfunctional misbehavior, provided discontent can be "voiced" and will be heeded to. Otherwise, "exit" or expulsion will follow. The bridge between voice and exit is loyalty. Hirschman describes “loyalty” as a force that avoids “exit” and strengthens “voice”, provided (1) members are willing to trade off the certainty of exit against the uncertainties of an improved situation and (2) estimate that they have a reasonable ability to influence outcomes. These are precisely the conditions necessary for solidarity within the EU. They are essential for keeping the European Union alive, but they require institutional mechanisms for making sure that the people’s voice has influence. However, the intergovernmental system of voluntary policy coordination between governments prevents the emergence of solidarity. Loyalty requires that citizens are able to influence a government that responds to their voices, preferences and complaints. The present political organization of the EU does not allow for the emergence of European solidarity because democracy takes place in the nation state and citizens’ voices are directed at national governments that negotiate compromises among themselves in the European Council. The resultant policy consensus among elites is the opposite of citizens having influence over policy outcomes. There are hardly Pan-European debates that give citizens a voice, because citizens cannot choose a European government.

To overcome the inconsistencies in macroeconomic government, socialist have repeatedly demanded an economic government. The idea was blocked by neoliberals and conservatives who did not want to be constrained by regulations and could play the “national card” in order to prevent market interference by European institutions. Hence, neoliberal and conservative ideologies are preventing European solidarity from emerging. Conservatives argue that a European democracy is not possible, because the degree of solidarity among Europeans is insufficient. But the conservative idea of solidarity is different from Hirschman’s concept of loyalty through interest representation. Conservatives see loyalty as obedience to the state, because citizens “belong” to their nation. They derive solidarity from the feeling of ‘national identity’ and conclude that governments have the paternalistic duty to maximize benefits for their subjects. This form of governance produces precisely the incoherence of policy actions that undermines the legitimacy of European integration. It allows member state governments to oppose a “Transfer Union” and larger European budgets or delegation of power to the European Commission on nationalist “us” against “them” arguments, so that they can neglect income redistribution between winners and losers in the European market. If Social democrats adopt these arguments and do not insist that in a democracy all citizens are the owners of public goods, irrespective of their identities, they fall into the conservative trap. A Social Europe needs a European government that represents the sovereignty of all citizens.

4. Social democracy’s task: a democratic Europe

A century ago, Bernstein argued that there are two preconditions of socialism: a certain level of capitalist development and the seizure of political power in government. The preconditions for Social Europe are more complex. The level of economic integration has effectively attained a degree where an economic government becomes a necessity for further advances in welfare. But without a European government, there is no power to seize. If Social democrats think they can seize power by winning a majority in the European Council, they are mistaken as the painful experience of the Lisbon Strategy has proven (see Collignon, 2008). Thus, a precondition for a Social Europe must be the creation of a European democracy. Only then can Socialists struggle to seize power.

Two tasks need to be combined in order to construct a European democracy. The first is finding a principle for defining governmental competences at the European level. The simple answer is: the reach of a government is determined by the reach of public goods. For example, local public goods are only consumed by local communities; national goods by nations, European public goods affect all citizens in the European Union. Thus, using the same currency turns interest rates, inflation, and fiscal policy into European public goods. Because these public goods define the dimension of a good society, citizens must be able to appoint a government that administrates them *on behalf of the citizens by which it is elected* (see also Habermas, 2001: 65). National governments cannot legitimately make laws for people that have not elected them; nor should a European government make policies which do not affect all European citizens collectively. The right to appoint a government only makes sense, if its competences coincide with the constituency that appoints it. Hence, the first principle is that a European government must be responsible for those public goods, and only for those, which affect all Europeans collectively.

The second task is to ensure that citizens can control the European government. One may argue that member state governments are the democratic organ for democracy in Europe. But this is a category mistake. By definition, *national* governments cannot represent all *European* citizens. They are elected on the basis of policy proposals that amalgamate national and European policy dimensions. Voters can choose between these packages, but they cannot distinguish between their national and European interests. Because the national dimension is dominant, the decisions are also dominated by national concerns and this makes it impossible for citizens to choose between alternative policies at the EU level. As a result, citizens often feel that governments do what they want and that their own preferences are ignored.

The European Union does not have a government that people can change. Karl Popper (1996:124) has distinguished two types of governments: democratic regimes where people can get rid of their governments through general elections; and those, which he called “tyranny”, where that is not the case. Europe’s governance system introduces a strong portion of tyranny into European politics, because citizens cannot remove the intergovernmental consensus in the European Council that rules them. They can, of course, revoke their national government – which is the 1/27th part of the ruling power and never a majority – but this is hardly the same as “one man, one vote” in general elections. Who would call a system democratic that only allows By-elections but never calls General elections? If European policies are not to be seen as “tyrannical” and undemocratic, citizens and not national governments must elect a European government.

One may object that in their national contexts, voters also have to accept policies that they did not like, because their own preferred policies remain in a minority and they cannot design policies themselves without political parties. Yet, the essential difference between democracy in nation states and the lack of it in Europe is that, in national politics, political parties compete for the office of government and this makes them responsive to the debates and preferences of their potential voters; in the European Union this is impossible, because by definition, member state governments are not accountable to the European constituency. Hence, national solidarity has an institutional foundation, European solidarity has not. National governments need to satisfy only a faction of European citizens, while their policies affect all of them. By contrast, the existence of a democratically elected government at the European level would generate competition between political parties, which in order to form such government will need to mobilize a majority and will therefore offer citizens the choice between alternatives.[8] This would not only strengthen the legitimacy of European policies, but also foster European solidarity.

The only institution that has the potential of allowing European citizens to choose policies collectively is the European Parliament (EP). Moreover, the Lisbon Treaties have opened the way for new democratic practices that involve the European Parliament. It has created the "ordinary legislative process" (TFEU art. 294) which reinforces the EP's role as the representative of European citizens by putting it on par with the Council, although the area of the process' application is limited. This "ordinary legislative process" sets a procedure for the interaction of Commission, Council and European Parliament. It specifies how *legal acts* are adopted and whom they bind (TFEU art. 289 and 294). Because legal acts need the approval of the European Parliament, which represents European citizens as a whole,[9] the new procedure improves the democratic legitimacy of European policy making substantially, but it now needs to be extended to all European public goods.

However, if only the European Parliament can represent all European citizens, the efficient administration of Europe's public goods requires a government as their agent which executes their collective preferences. The Lisbon Treaties allocate this function to the European Commission (see TEU, art 17). But democracy requires that the Commission is elected by the Parliament, which reflects political majorities that emerge from European elections. Voters do not only choose programs, but they also want to know who will be in charge of implementing it. The Party of European Socialists (PES) must therefore formally nominate a person as the socialist candidate for President of the Commission prior to the election of the European Parliament. The Lisbon Treaty opens the door to this procedure, because the EP must confirm the Commission president. While the election of the President by Parliament is a democratic imperative, transparency could be improved, if the socialist candidate were chosen by a system of primaries that would involve citizens. But if Social democrats want to venture more European Democracy, then they must also organize themselves more efficiently at the European level.

Conclusion

Setting up a European government may sound unrealistic. But then, socialism has always been "unrealistic". The whole point of it is to make "real" what does not yet exist because the old no longer works. Today, one has to recognize that the nation state is no longer capable of managing the Euro-economy efficiently, particularly when markets are free and money belongs to all European citizens. Either the edifice of integration will be destroyed and Europe's welfare reduced, or Europe moves forward to a full democracy with a government that runs the common affairs of all its citizens. This is a matter of realism.

Today, European Social democracy is again in a crisis, not because its values and objectives are no longer valid, but because it does no longer knows how to turn them into reality. Over 100 years ago, Social democracy was also in a crisis. Eduard Bernstein provoked a long debate about the best strategy to

[8] See also Lisbon Treaties, TEU art. 10.4.
[9] See TEU, art.10.2.

realise the values of social justice and democracy that constituted the Social democratic project. He argued that dogmatic Marxism was no longer helpful as a guide, because the social realities in Germany and Europe had changed. Today, the idea of using the nation state to build the good society is no longer useful. This is largely the consequence of the profound changes which have taken place in the European economy due to the creation of the single market and the single currency and which were necessary in order to preserve the foundations of Europe's prosperity and social model. Yet, only a democratic government, fully accountable to all European citizens collectively, would be able to act with the authority and legitimacy that is necessary for creating the conditions of a Social Europe. The practical solution of how to deal with day-to-day policies in Europe will then emerge from European-wide debates, but without the proper institutional framework, nothing can be done. Hence the task for Europe's Social democracy is creating a democratic government. As Willy Brandt once said: "It belongs to all of us, this Europe"!

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