

National Populist Challenges to Europe's Center Right: Three Questions for Europe

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In addressing the Euro area crisis, Member States have built a “Euro area governance” system which...has contributed to the consolidation of austerity policies across the economic and monetary union. The significant strengthening of the executive capacity of European institutions in the field of economic policy has taken place in the absence of any parallel development of parliamentary control.¹

Across Europe, both the mainstream and relatively centrist political parties—on the left and the right—are challenged by the global trend toward national populism. Here we provide an analysis of this political reaction which evident throughout Europe. This reaction threatens the traditional liberal order of democratic government, the rule of law, and respect for minority rights. National populist parties have seized on two issues, immigration and labor, in appealing to their supporters. Some voters link immigration to a shortage of jobs, lower wages, and unemployment. Some view immigrants as free riding on state welfare provisions provided by hard working taxpayers. Others vote against unpopular austerity policies. These policies tend to unequally burden those who are either unemployed, or find themselves in lower socio-economic groups, because public services and benefits are cut.

To the Left and Right of the Centrist Labour and Conservative Parties: UK Brexit

In the United Kingdom of 2016, some citizens associated employment concerns with an open border policy enabling Eastern European workers from Hungary and Poland to accept jobs at lower wages than British counterparts.

¹ Thomas Piketty, draft “Treaty for the Democratization of the Eurozone governance,” available online: <http://piketty.pse.ens.fr/files/T-DEM%20-%20Final%20english%20version%209march2017.pdf>, accessed 26 Jan 2019.

Additionally, some voters' desire for autonomy from EU costs and economic regulations sustained a Euroskeptic position. Both concerns underlay the United Kingdom's so-called Brexit vote in June of 2016, laying the groundwork for its invocation of Article 50 of the Treaty of European Union March 2017 to leave the EU. 72% of the UK's electorate voted, with an overall result of 51.9% voting to leave the EU, and 48.1% voting to stay.² While voters in England and Wales overall preferred to exit the European Union, voters in Scotland and Northern Ireland overall preferred to remain. Two years after the referendum, the split in positions between leave and stay has if anything only been magnified. Theresa May's center right Tory party has thus far been unable to push through a consensual coalition platform to secure the United Kingdom's sovereignty and economic autonomy. This is to some extent because withdrawal from the EU is anti-global and does not provide a vision for how its Northern Irish border is to be managed. It also does not have a clear plan for how to maintain trade relations with either EU member states, or the numerous nations doing business with EU member states. The home-bound focus of Brexiteers is at odds with the political center. Instead it caters to extremes of populist nationalism on both the left and right who yearn for national sovereignty in opposition to cosmopolitan internationalism and integration into a supra-national European Union.

Fully understanding the Brexit vote, and its association with populist nationalism, benefits from standing back to see economic and political developments over the previous four decades. The themes of political integration,

² Harry Brown, "Post-Brexit Britain: Thinking about 'English Nationalism' as a factor in the EU Referendum," *International Politics Reviews*, 5 (2017), 1-12, p. 1.

economic inclusion, and economic growth are all prominent in analyzing the factors that led up to David Cameron's holding the Brexit referendum and the ensuing vote to leave the EU. In the 1980s Margaret Thatcher paved the way to emphasizing economic integration over securing political support for the EU through advocating the European single market while distancing the UK from the European Communities project. Increasingly by the late twentieth century, leading up to the 2008 financial crisis, economic policies promoted globalization and economic integration into the EU common market system. However these policies generated an unequal distribution of benefits. The winners of the UK's economic integration into European and global markets were the financial sector workers in London and urban members of the working force whose jobs constructed a cosmopolitan world.

Two prominent groups who did not sit at the cosmopolitan table were middle and lower income earners, who in the past had been represented by the Labour Party, and conservative Tory landed elites dwelling outside of London. By 2000, the political center of the UK, which spanned Tony Blair's Labour Party and David Cameron's Conservative Party, failed to appeal to voters from the left and the right who instead joined the ranks the UK Independent Party (UKIP). UKIP existed from the 1990s as a small Euroskeptic British nationalist party, but became the largest UK party in the European Parliament in the mid 2010s. Researchers agree that an alliance of disgruntled blue collar voters, and traditional elites who did not profit from the financial services industry, coalesced to deliver the Brexit vote.³ The

³ Harry Brown, "Post-Brexit Britain: Thinking about 'English Nationalism' as a factor in the EU Referendum," *International Politics Reviews*, 5 (2017), 10; Craig

political center supported global trade and economic integration into the EU. However politicians supporting trade liberalization also delivered economic policies of austerity consistent with Margaret Thatcher's claim "there is no alternative" to free markets and globalization; they conveyed a sense to many constituents that they had no say over either EU regulations or even political decisions within the UK. To voters spurned by the wealth generated in London and who gained nothing from the cosmopolitanism offered by Europe, the Brexit vote appeared to be a vote for reestablishing British identity as an independent sovereign nation. London, which is home to much of the UK's government, higher education and finance, seemed more allied with EU and global interests than those of the rest of the UK's population (leaving aside Scotland and Northern Ireland). For traditional landed elites, English national identity was compelling while membership within the EU seemed hollow and even opposed to national interest.⁴ For working class people, the UK Labour Party had become centrist, and served professional middle class individuals.⁵ Additionally, UKIP actively advocated an anti-immigration platform appealing to UK citizens, whether white English, or descendants of immigrants, who felt threatened by new immigrants at work or next door. Decades of political policies within the UK failed to achieve inclusive economic growth, yet fueled a new Gilded Age in London. This pushed traditionalist Tory elites alongside working class voters in England and Wales to reject Great Britain's membership in the EU.

Calhoun, "Populism, Nationalism, and Brexit," In *Brexit: Sociological Responses*, ed. by William Outhwaite, 57-68.

⁴ Craig Calhoun, "Populism, Nationalism, and Brexit," In *Brexit: Sociological Responses*, ed. by William Outhwaite, 58.

⁵ Harry Brown, "Post-Brexit Britain: Thinking about 'English Nationalism' as a factor in the EU Referendum," *International Politics Reviews*, 5 (2017), 10.

Ironically, this local dissatisfaction with integration into a larger political and economic community has also challenged the overall unity of the United Kingdom. This is now evident as both Scotland and Northern Ireland mainly preferred to remain members of the EU.

Center-right and its dilemma in Germany. How AKK wants to be different than chancellor Merkel.

The main mission of AKK (Annegret Kramp-Karrenbauer) - at it seems - is to make a clear and a swift break from the so called Merkel line "Wir schaffen das" "We are going to make this work" in the refugee question.⁶ AKK's line is to help those who really need help, and for those who do not fill the criteria for a refugee status in Germany, to send them back more swiftly as at the moment is the case.⁷ AKK's quest might be seen as a means to define a sovereign profile for her or her aim is to accommodate the lingering strong conservative view of politics in her party CDU (Christlich Demokratische Union Deutschlands). AKK has already renounced that her consent on abortion is not as clearly defined as was the case of Merkel. AKK has brought to the public knowledge her strong commitment to the Catholic belief.⁸

⁶ <https://www.faz.net/aktuell/politik/inland/cdu-startet-werkstattgesprach-zur-fluechtlingspolitik-16034769.html> retrieved 12.2. 2019 and

<https://www.tagesschau.de/inland/cdu-fluechtlingspolitik-103.html>

⁷ <https://www.faz.net/aktuell/politik/inland/cdu-startet-werkstattgesprach-zur-fluechtlingspolitik-16034769.html> retrieved 12.2. 2019

⁸ <https://daserste.ndr.de/annewill/archiv/CDU-mit-neuer-Chefin-reicht-fuer-einen-Neustart,erste11426.html>

Retrieved 12.2. 2019 and <https://www.domradio.de/themen/kirche-und-politik/2018-11-25/kramp-karrenbauer-ueber-ihren-katholischen-glauben>

Retrieved
12.2. 2019

All these statements and actions are a sign for the fact, which CDU is trying to make a relaunch into AKK regime of more conservative politics especially on the refugee question. This due the fact, which has been a hotly debated question in Germany as well in the CDU.⁹ In the heart of this debate is the fact, that voters have the feeling, that they are worse of now, than in the past. The voters have the feeling, that they are not included to the society. The problem which follows is, that the concept of European integration and globalization are been mixed. The deeper integration is perceived as same kind of problem as some vocal actors have denounced globalization to the root problem in societies around the globe.¹⁰

One might note, that surge for more conservatism in the CDU is due the fact of AfD (Alternative für Deutschland) and their outspoken and loud cries for more national politics and value of the German culture and nation. CDU has had a long tradition with her Bavarian sibling party CSU (Christlich Sozialistische Union Deutschlands), that there cannot be a party to their right. This has over the years meant, that both CDU as well CSU have had a conservative strain in their party structures. CDU/CSU needed to have a platform for the more conservative voters and this strategy functioned well until the AfD became what it is today; a blatant nationalist party. After the AfD was taken over by far right wing actors, it was imminent, that the parties CDU/CSU needed to act or they felt compelled to do so,

⁹ <https://www.faz.net/aktuell/politik/inland/cdu-startet-werkstattgesprach-zur-fluechtlingspolitik-16034769.html>
and <https://www.faz.net/aktuell/politik/inland/werkstattgesprach-der-cdu-einreiseregister-gefordert-16032287.html>

Retrieved 12.2. 2019

¹⁰ https://www.bertelsmann-stiftung.de/.../EZ_eupinions_04_2017_eng...

Retrieved 12.2.2019

due to the perception of *vox populi*. This meant to take a more firm stand on migration, refugees and to the EU. CDU/CSU wanted to constrain their space to maneuver from the AfD. This shows their base, that they are still open for all kind of discussions about nationalism, EU, migration, refugees and the Euro. Only time will show, whether this has worked or not, and if the so called old parties offer anything that will keep their voters loyal to their political program.

Interestingly today (12.2. 2019), the founder of AfD, Bernd Lucke, has denounced his former party and made clear, that he would like to see the AfD without any right-wing nationalists in his former party.¹¹ AfD was formed in 2013 as a protest party for more comprehensive discussion over the Euro-crisis and its management by politics.¹² The emphasis then was for more rational management of the €-crisis and for opposing the bail-out guarantees for Greece.

Macron's France Sidesteps the Traditional Left and Right

In France, Emmanuel Macron, aware of the deadlock power struggle between the center left and right political parties which provided an opening for national populist Marine Le Pen leading the Front National party, came into office with his "progressive centrist" campaign in 2017. Yet in enacting what some refer to as neoliberal austerity policies, by late-2018 his presidency was mired in corrosive actions of the unaffiliated Yellow Vests protesters. These activists were discomfited by Macron's gas tax, retrenchment of social programs, and general lack of support

¹¹ <https://www.faz.net/aktuell/politik/inland/lucke-brief-an-fruehere-partei-brechen-sie-mit-den-rechtsextremisten-in-der-afd-16036861.html>

Retrieved 12.2. 2019

¹² http://www.spiegel.de/thema/alternative_fuer_deutschland/ Retrieved 12.2. 2019

for laborers' concerns. Macron's reformist zeal came from his appraisal that the economic policies of the 1970s, which built a sturdy social welfare state on a solid base of manufacturing industry, could no longer be sustained—especially given the global impact of the 2007-2008 financial crisis. From sweeping tax reforms favoring wealthier citizens, to reducing the power of unions and favoring a more precarious work force, Macron appears to be a neoliberal leader who appeals to conservative financial interests. Commentators note that Macron follows in the footsteps of Tony Blair and Bill Clinton who attempted to sustain economic growth by compromising the status of working class individuals while favoring pro-business interests.¹³ The direct implication is that slighting laborers' interests while promoting those of wealthy elites serves to turn members of the working classes to nationalist and populist political organizations seemingly better suited to address their plights. The manifest unpopularity of Macron's economic reforms is evident in both opinion polls and the Yellow Vest protests disrupting French transportation and business as usual throughout the latter half of 2018.

Macron's policy initiatives were aimed to place France on a more secure financial footing as a necessary condition to maintaining the overall solvency of the European Union and the Eurozone. Sharing a common currency places members of the Eurozone in the position of being mandated to each have a limited share of public debt. Thus, to keep France's economic house in order, Macron deemed the neoliberal reforms necessary. He has gambled on surviving the unpopularity of these policies, and that by the end of his first term economic success in the form of

¹³ George Ross, "The French Enigma: Macron, Centrist Reformism, and the Labor Movement, *New Labor Forum*, 2018, pp. 1-7, see p. 5.

economic growth, higher employment rates, and higher wages will prove his interventions to have been right. His policies are also targeted to challenge Germany as the rightful successor to the United Kingdom's key role in European banking and finance as the UK withdraws from the EU.

Thus for Macron, as for Clinton, Reagan, and Thatcher, economic reforms are economic necessities. For Macron, economic reforms are necessary prevent the financial disintegration of the Eurozone and financial insolvency of individual member states. Just as Thatcher infamously articulated in the 1980s, "there is no alternative" to neoliberal economics. Austerity, low corporate taxation, anti-trade unionism, self-responsibilization and the flexibilization of work are deemed necessary for a nation to be economically competitive in post-industrial economies. Economic realities must take precedence over social agendas.

Analysis

Considering the fate of the center left and right in the UK, Germany, and France, in each country the center is challenged by a populist surge. However, in each state, unique circumstances shape the challenges. In the UK, the far left and far right extremes meet on the question of reasserting British sovereignty over political and economic affairs. In Germany the established left and right parties seek to absorb the potential populist voters further to the left and right. In France Macron's effort to renew France's political economic regime to make it more competitive itself is countered by rule of the street.

In the first decades of the twenty-first century it is surprising that one of the greatest challenges to the stability of Europe is the rise, once again of populist

nationalism. This rise is made possible by the loss of power and legitimacy of the center left and right political parties across Europe. Voters are expressing their discontent because they feel that their voices do not matter to government. Government leaders and bureaucrats appear to be elites out of touch with the common person. People experience that their standard of living is deteriorating and their working conditions have grown uncertain. Wages have essentially stagnated even though the stock market continues to grow. Wage earners must compete against the foreign labor supply and the digitalization of work.

The original argument sustaining the European Union was about both peace and economic cooperation. In a globalized market it is necessary for countries to form common alliances, such as the World Trade Organization (1994) and Customs Union which then evolved into the Eurozone (1999) with its own currency in 2002. The logic of the European Union and the Eurozone was essentially, “together we are strong, alone we are weak.” In turn to maintain both the EU and the Single European Market it is crucial to sustain a solvent common banking system. The EU and the SEM rely on significant political and economic integration in order maintain their viability. Historically as integration was developed, the focus tightened on markets and economic integration. Therefore the EU itself increasingly came to function as a regulatory order serving economic interests. The political aspect of the European project receded as concerns about economic growth and solvency gained prominence. The establishment of the European Central Bank and the common currency—and the acceptance on the part of member states that they could no longer devalue their currencies—meant that every nation had to have its own

economy in order for the EU to be stable. This in turn meant that when nations ran significant national deficits, they came under a lot of pressure to introduce unpopular austerity measures. Simultaneously Europe lacked sufficient means to foster political integration to counter the intense focus on balanced-budgets. While the northern countries were more successful in achieving national economic growth, the southern countries struggled to pay workers enough to buy products from international markets. As we now know, the Greece debt crisis almost by itself posed an overwhelming financial threat to stability of the entire Euro area.

Three Questions

Three questions invite further investigation. First, to what extent did the shift in focus from political community to economic integration (and maintaining the regulatory basis for a single European Customs Union) pursue economic unity at the price of political integration and democratic control? Second, let us accept that maintaining the economic viability of the Eurozone has depended on neoliberal economic reforms of changing tax structures to favor socio-economic elites and devaluing wages, which in turn stokes reactionary populism and nationalism. Is there a path forward that can develop sustainable economic policies of broad-based inclusion of all citizens? Third, let us recognize the thin basis for the European Central Bank. The ECB does not have sufficient funds and liquidity to offer or guarantee the sizable loans required to offset the financial needs of debtor nations, and has a role limited to the currency-based European Stabilization Mechanism. Would a broader approach to economic stability through a banking system— (capable of maintaining Keynesian economic demand-based policy) —offer a

superior tool to achieve the economic inclusion and integration necessary to prevent descent into reactionary nationalist populism?

These three looming questions address three themes: (a) the *political integration* of citizens of EU member states into the overarching governance of the European Union; (b) the *economic inclusion* of these citizens to offset the incessant tendency of wealth to flow upwards; and (c) what are the best means available to achieve *economic* solvency and *growth*. These three questions are difficult and much debated. Moreover consider the populist reaction to the as yet ongoing trend toward increasing employment precarity, which has followed decades of neoliberal economics and been made much more acute after the 2007-2008 financial crisis. It is unclear how much time remains to defuse the alienation fueling populist nationalism. This time constraint is already obvious in Donald Trump's presidency and his ongoing campaign to "Make America Great Again." Time pressures are also evident as Britain stands on the brink of exiting the European project, Annegret Kramp-Karrenbauer's Christian Democrat Union party vies to maintain its political viability to lead Germany, and French citizens protest Emmanuel Macron's reforms. The EU's political organization transcends the national sovereignty of Britain, France and Germany. Hence the withdrawal of support for the European Union from any of these key member states and their citizens, counters the late twentieth-century liberal world order. This legal and institutional order was built, and successively rebuilt, brick by brick, and document by document, out of five millennium of human experimentation with governance. This order very recently

survived a calamitous second World War in which Europe was spared atomic destruction that was instead turned toward the far East.

Neoliberalism

Recall three above urgent questions (1) of the importance of political versus mere economic integration, (2) the purported necessity of neoliberal economic reforms, (3) and the surest means to achieving inclusive wealth generation in the European Union. Even though we do not know the answer to these questions, we can be certain that neoliberal reforms fuel the political movements that currently oppose supranational European sovereignty. Neoliberal reforms also support government by technocratic elites, which also inspire populist protests. However, even without directly answering the three questions, we can observe that they are tightly related. First, political integration was significantly reduced by the policy emphasis and tools used to construct the Eurozone. The achievement of economic integration has placed achieving efficiency as a crucial aim. This emphasis downplays many human concerns. These include citizens' participation in decision-making authority, and in choosing which values and procedures should be supported. Economic efficiency threatens community, solidarity, and commitment as it supports unlimited economic competition. Second, neoliberal economic policies depend on specific policy tools which span both the center left and right. These have been implemented using New Public Management and public choice schools of training. From within the neoliberal paradigm, every decision is an economic choice, and efficiency is the only neutral and objective method of directing

public policy.¹⁴ However, the very tools used to implement neoliberal economic policy presuppose answers to the three overarching questions posed throughout this essay. These tools view all decision-making as economic. They treat political integration as a form of individualistic competition promoted by economists. They also view neoliberal economic reforms as necessary for economic solvency and prosperity.

Furthermore, and third, from within the schools of neoliberal economics, Keynesian methods are regarded as illegitimate. These methods stimulate economic demand through public spending as a means to reach higher employment goals and achieve economic growth. Public choice economics disdain Keynes. They see no role for governance in public finance, and even suggest that potentially the monetary regulation of interest rates is best determined by the market. Public choice economics distrusts public governance and argues that privatized control of resources and the exercise of private authority best respects individual rights. However, as is evident in Macron's approach, neoliberal reforms risk alienating democratic stakeholders and those whose livelihood is secured one pay check at a time. Despite the constructive role labor unions played in neutralizing the destructive consequences of the competition unemployed individuals for insufficient jobs with subsistence level (or less pay), neoliberal ideology and practice opposes labor organization. The Keynesian economic approach is deemed a non-starter because neoliberalism champions market solutions and a limited role for governance and public funds.

¹⁴ For discussion see S.M. Amadae, *Prisoners of Reason: Game Theory and Neoliberal Political Economy*, Cambridge University Press, 2016.

Neoliberal economics poses categorical answers to the three overarching questions of our current political economic moment. Politics is just economic competition by another name; economic integration displaces the need for political integration. Neoliberal economic reform is necessary to achieve economic stability and growth. The only role a central bank can legitimately play in public finance is the monetary role of stipulating interest rates, and possibly offering loans and guaranteeing creditors' deposits. Yet in the 2008-2009 global financial crisis it was demonstrably shown that neoliberal economics does not generate inclusive prosperity, and that it tends to privatize profit and socialize debt. Most crucially, contrary to what neoliberal economic models showed, the market is not guaranteed to accurately price risk. Therefore, the market does not provide any guarantee that economic collapse will not result from individuals' rational choices. Thus governmental oversight in the form of regulations of financial products and policies to balance the tendency of wealthy to trickle up is necessary.

Conclusion: Finland's Challenges

Finland now faces some similar challenges regarding maintain economic competitiveness that worried Macron, and cannot avoid the difficult questions posed above. Finland has maintained a strong social welfare state, especially when contrasted with the US, Germany, and the United Kingdom which have already undergone neoliberal reforms. In Finland, respect for labor unions and protection of workers' dignity and economic status is vibrant, and the state provides generous public services. Nevertheless, economists warn of an increasingly lack of competitiveness and need to encourage more flexible employment as a means to

maintain its comprehensive pension program, to lower unemployment, and to remain economically competitive in a global market of goods and services.

So far in public political debate it is straightforward to propose that market-based reforms and fiscal restraint will help resolve Finland's long term economic challenges. Yet this apparent commonsense mistakenly lumps together the embrace of neoliberal economic reforms, which are linked to populist nationalism, with a strong respect for public interest consistent with Adam Smith's blueprint for liberty. Political integration and economic inclusion traditionally characterize the political center in Finland. Smith's system of natural liberty is consistent with the center of Finnish politics. Neoliberal reforms would bring the Finnish political economic system into uncharted territory were they to emphasize privatization, austerity, and eroded respect for labor. Neoliberal economics is usually introduced because, allegedly, "there is no alternative." By contrast, Smith's market-based rule of law is aspirational and emancipatory.