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Not an Intellectual Abdication of the Left. A Response to Dani Rodrik

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Introduction

In a paper in February Sheri Berman has sweepingly claimed that, since the 1970s, European "social democrats lacked well thought out plans for getting economies moving again or for using the democratic state to protect citizens from the changes brought by ever-evolving capitalism". This is appallingly ignorant. It parallels similar ungrounded claims of an intellectual abdication by not only the European but also the Latin American and US Left. Both deserve a response, of which I focus on the latter.

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

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

Putting on one side that Delors happened to have been a member of the French Socialist Party, rather than 'closely associated' with it, he then claims that:

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

Such a dismissal is not malign in intent but similarly ignorant. Not only with regard to Delors but also to the French Left from 1972, whose intellectuals drafted a Common Programme which for the first time since Leon Blum in 1936 was agreed by both its Socialist and Communist parties, and was explicitly opposed to neoliberal globalisation (PCF-PSF, 1972). Or Labour's Programme 1983, which has been deemed among others by Mark Wickham-Jones (2004) who has specialised for years on Labour politics, to have been the most radical since 1945 and with similar potential to counter globalisation and whose state holding companies by 1989, before thatcher abolished them, had directly and indirectly safeguarded in oil and manufacturing and revealed transfer pricing by multinational companies.

Of which more, especially on European and international programmes from the Left since the 1970s, to which Dabi makes no reference, though they seized political opinion at the time, with figures more readily recognised for their historical significance than Sheri and himself, including François Mitterrand, leader of the French socialists and then President of France from 1981, Andreas Papandreou, leader of the first socialist government in Greece, Willy Brandt and Bruno Kreisky, former Chancellors of Germany and Austria, and Antonio Guterres, formerly Prime Minister of Portugal and now Secretary General of the United Nations.

As well, also, how Mitterrand and Papandreou managed to gain the first revision of the EEC's neoliberal Rome Treaty with a commitment to economic and social cohesion as a twin pillar of the European project and how Delors managed to get agreement from EU heads of state and government in the early 1990s for EU bonds or 'Eurobonds' to offset the deflationary debt and deficit conditions of the Treaty of Maastricht which have hit headlines since the onset of the Eurozone crisis by Angela Markel and Wolfgang Schäuble opposing them despite earlier support from Helmut Kohl. As well as neglecting that Syriza's anti-austerity programme for government drew directly on this, as advocated before and since by Yanis Varoufakis.

The European Left and the Case for Alternatives to Neoliberalism

In the case of Delors, Dani's misrepresentation is gross. He was not a technocrat. Throughout his professional life he has been seeking to countervail technocracy. Such as that he had been the social affairs adviser to the French Prime Minister Chaban Delmas after May 1968, from which he resigned because Chaban would not implement an extensive social programme. In parallel, until 1967 I had been the adviser on Europe to Harold Wilson and resigned when he would not follow through the agreement I had gained from Charles de Gaulle for a confederal full employment Europe (Holland, 2015).

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

At our first meeting Delors waited until the rest of us had spoken and then opened his remarks by saying "Inflation has nothing to do with the bargaining power of labour. It is a symptom of capitalist disorder and it is capitalism itself that needs to be changed"- hardly the words of a "French technocrat" as Dani has deemed him.

Delors' key contribution was to stress that markets were unequal in their dynamics and outcomes and that what both Europe and the global economy needed was a social model of development. The report that we produced was one of the first statements of the case for economic and social cohesion and full employment for Europe. DG

Economy and Finance not only refused to endorse or press release the report, but recalled all the copies that it could find, and pulped them. Maldague and Delors responded by press releasing it (Maldague, *et al,* 1976). Unlike most reports to the Commission, it was reproduced in full in several Belgian and French newspapers. It also was published by Agenor (1976) – a pro-Europe but anti-neoliberal journal - as *The Maldague Report - Banned.*

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

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

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

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

In the interim Delors invited me to speak at the University of Paris, Dauphine, at which he had only a temporary lectureship rather than moving as might a technocratic elitist from a Prime Minister's office to the Ecole Nationale d'Administration, or to a bank. The theme on which he wished me to talk, and I already had presented to the Maldague Committee, was Mesoeconomics, i.e. the multinational big business between micro small firms and macroeconomic outcomes, and dominating both, the manner in which they could avoid tax by transfer pricing, and the need to make them accountable, which hardly was an endorsement of neoliberalism.

His budget for my visit was limited. I stayed with him in a study area adjacent to his apartment in a working class district of Paris. In the morning, when his already old Renault would not start. I suggested he put it in neutral, that I would push it and that he then engage a gear. When it then started I suggested that e should buy a new car. He laughed and replied: "I can't afford one". An elitist technocrat could have done.

In return I invited him to Sussex for a conference including also German and Italian Social Democrats, on the case for planning, including accountability of multinational big business. I then edited the papers of the contributors for a book, of which the last two chapters were summaries of contributions to the Maldague Report. When I proposed to him that its title should be *Beyond Capitalist Planning (*Holland, 1978 he agreed without demur – again, hardly an endorsement of neoliberalism.

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

We welcomed Enrique Baron Crespo from the Spanish Socialist Workers' Party, later to be a President of the European Parliament, as well as João Cravinho, later a senior minister in Portugal. Enrique also gained a translation into Spanish of my 1980 book *UnCommon Market: Capital, Class and Power in the European Community* (Holland,1981). This again hardly was the act of a neoliberal technocrat, not least since I had argued in the book – on a base-superstructure model - that the already prevailing negative integration and neoliberal ideology permeating the Economics and Finance Directorate General of the Commission, despite efforts to counter this in terms of social and regional policy by some other Directorates General, threatened to to marginalise national democracy, and negate the power of electorates and governments to chose their own social and welfare models

Delors made a strong commitment to what by the later 1970's had become the IPSE Initiative for Political and Social Economy, playing on its acronym in the Latin sense of *Ipse* as of, for and by itself, rather than dependent on the neoliberal agenda of the Commission. After several drafting meetings in Brussels, and by then including more than a dozen people from as many countries, we published a unanimous report which showed that one did not need Monnet's binding majority voting to gain agreement on a broad-ranging alternative to neoliberalism (Holland, 1983).

When he became finance minister in the 1981 Mitterrand government, Jacques invited me to Paris to see him in the finance ministry, at that time still in the Louvre. I proposed that he should fund a major conference on the IPSE group's agenda for full employment. He replied "We must. We need it. The US does not like this government but does not have to shift a dollar to destabilise it. Financial markets can and probably will". When he devalued the franc in 1983 this was not by choice but because financial markets indeed had destabilised the franc.

One of the reasons why I was able to persuade De Gaulle in 1967 to agree to a 2nd British application to join the EEC had been the proposal of mutual currency support between the sterling and franc zones in the event that financial markets targeted either currency. Harold Wilson did not follow through on this, nor my proposal, welcomed by De Gaulle, that the principle of mutual currency support should be enshrined in an Accession Treaty which would have gained the consent of most of the then EFTA countries. Had Wilson done so, neither Delors, nor the Mitterrand government, would have been so isolated as they were in 1983.

Nor, after the devaluation of the franc, had Delors decided that "there was no real alternative to financial globalization", as Dani claims, but because he wanted one, in a Europe committed both to an internal market and to economic and social cohesion. The outcome was not his "enthroning of free capital mobility" that Dani claims, but what then became known – with his support from 1981 - as the *Out of Crisis* project.

The analytic case of *Out of Crisis* was that the 3D neoliberal agenda of deregulation, deflation should be countervailed by a 3R counter agenda to restructure the emerging imbalance between public and private economic power, redistribute wealth and income, and recover full employment by a social investment-led strategy.

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

Funded indirectly by the French government with Delors' backing, this *Out of Crisis* agenda was launched at a conference in Paris of some 150 people. He suggested that I coordinate this with Didier Motchane, co-author of the 1972 Common Programme of the French Communist and Socialist partiest (PCF-PSF, 1972) and Jean-Pierre Chêvenement, leaders at the time of the ultra-Left *Ceres* group within the French Socialist Party. Such a suggestion, again, neither was the posture of an alleged technocrat, as Dani claims, nor even that of a moderate social democrat.

We invited the Italian Communist Party – PCI - to participate which they did in strength, including Giorgio Napolitano, a future President of the Republic, who welcomed the chance to take part in a broad left initiative at a time when the PCI was excluded from the Socialist International by opposition from the leader of the Italian Socialist Party Bettino Craxi.

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

Papandreou, Mitterrand and Revision of the Rome Treaty

Initially, the devaluation of the franc in 1983 directly undermined the the aims of the *Out of Crisis* project. But its case for an alternative Europe led to the first revision of the Rome Treaty in the Single European Act of 1986.

Yanis Papanicolau had briefed Andreas Papandreou on its case and when becoming the head of the first socialat government in Greece in 1981 Andreas asked me to invite some members of the IPSE network including the economic advisors to both Delors and Felipe Gonzalez to a working meeting in Athens in October 1983 attended by his key economic and foreign affairs ministers to prepare an agenda for what would be Greece's first European Council.

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

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

Andreas did so at the European Council of heads of state and government in Athens in December 1983 and gained endorsement for this from François Mitterrand who had been briefed both by his economic adviser, who had been present at the October preparatory meeting, and also directly by Delors. Mitterrand pursued this further at the following June 1984 Fontainebleau European Council. Together he and Andreas were giving a message that the neoliberal Rome Treaty needed major revision. The outcome was the Single European Act of 1986, which had two 'pillars' – the 1992 case for completing the internal market, and commitment to policies for economic and social cohesion.

When then President of the European Commission from 1985 Delors appealed to me in 1987 to write a report embodying the principles of the *Out of Crisis* project as the basis of a Commission White Paper. Since within three years of his becoming President of the Commission, none of the case for a Social Europe was making progress. One of Max Weber's archetypes of power is charismatic leadership, and Delors had charisma. But he could not get the technocrats of the Commission to design an architecture for economic and social cohesion. I learned this directly from him in his office in the Berlaymont headquarters of the Commission in an early evening one-to-one meeting on March 23rd 1988 in an encounter that influenced my deciding to resign from Westminster to assist him shape policies and institutions that could do so.

At the meeting he deplored that everyone had heard of 1992 as the date to complete the single market, but where were the policies to realise cohesion as the 'twin pillar' of the Single European Act? Besides which, where had I been?

I replied that I had been shadow minister for international development in the Commons and been all over the world, not least leading the first Labour Party delegation to China since Clement Attlee in 1952 and another to India. Yet, in any event, I was but an opposition spokesman in one parliament in one country, whereas he not only was President of the Commission but many of the public thought he already was President of Europe. Surely he had the authority to get new policies through, and had some good people who could help realise the cohesion agenda of the Single European Act? His response, again, was hardly that of a technocrat:

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

He also lamented that the only way that even progressive Commission officials could think of cohesion was in terms of reducing regional disparities rather than conceptualising a framework for both this and for structural, social and macroeconomic policies that could assure a Social Europe.

Dani claims that a weakness of the Left was "the absence of a clear program to refashion capitalism and globalization for the twenty-first century". Again, this is misinformed. The report that I then made to Delors (Holland, 1993), with the help of several of those who had been involved in the earlier IPSE *Out of Crisis* project, was the basis of the target of creating 15 million jobs in the Commission's December 1993 White Paper, insisted on by Delors, for *Growth, Competitiveness, Employment* (COM, 1993) whose sub-title was: *The challenges and ways forward into the 21st century*.

This was the first time that Europe had set specific, job creation targets rather Commission officials presuming that markets would deliver the rising standards of living which had been the neoliberal presumptions the Rome Treaty. Within a week Delors managed to gain unanimous support for the White Paper from the European Council of heads of state and government. Its agenda gained considerable attention from the international press, and was seen by Delors himself as the 'high point' of his Presidency (Hutton, 2003).

Eurobonds

I had delivered an interim report on institutions and instruments for economic and social cohesion to Delors in 1992. This, like the final report (Holland, 1993) included the recommendation of a European Investment Fund whose bonds that should not count on national debt, on the precedent that the US Treasury bonds that funded the US New Deal did not count on the debt of member states of the American Union such as California or Delaware.

The precedent was strong. It was only in the second Roosevelt term that there was any move to deficit financing, while this was secondary to bond finance. The federal deficit of the US from 1933 to 1939, when US unemployment dropped from 22% to 8% was only 3%, i.e. what happened to be the Maastricht Stability Pact's fiscal limit.

Delors endorsed this. His 'White Paper of December 1993 highlit the case for such EU bonds. When the European Investment Bank learned of my advice to Delors which influenced the case for bonds in the White Paper (Holland, 1993), a senior director, Tom Barrett, rang me in London to point out that of the then 12 member states of the EU, only two counted borrowing from it against national debt – the UK and the NL.

Central Bank governors knew this but many finance ministers then, and thereafter, did not. Nor do others who should know now. Thus, at a working party in Brussels in December 2014 it became clear that neither the economic advisers to Donald Tusk, President of the European Council, nor to Jean-Claude Juncker, President of the Commission, nor to Jyrki Katainen, Economic Commissioner, nor to Marianne Thyssen, Employment Commissioner, nor the no.2 representative of the IMF to the EU knew this, even though it was confirmed at the same meeting by the former President of the EIB, Philippe Maystadt (Holland, 2016).

A constraint on the EIB countervailing the debt and deficit criteria of Maastricht was that it normally would only co-finance 50% of investments. This had been a 'house rule' rather than a statutory obligation. It also made sense for decades after the EIB's creation in 1958 since it implied that its national investment partners would be financially committed to the success of its projects. But then ran into difficulties with the onset of the Eurozone crisis when the pressure to reduce budget deficits meant that some governments faced difficulties in sustaining co-financing commitments.

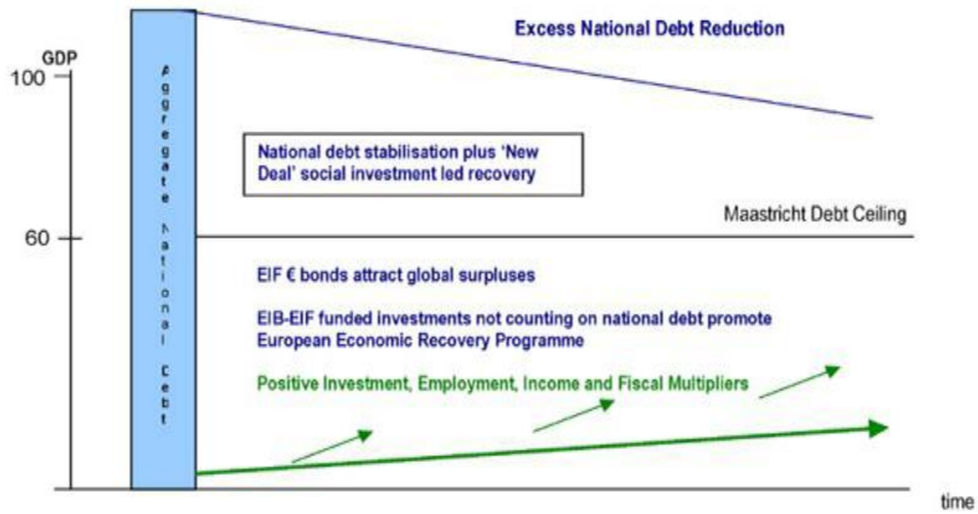
It was in anticipating this, after the agreement of the debt and deficit conditions for a single curency at Maastricht in 1992, that Delors had agreed to a European Investment Fund - EIF - in 1993 and which was set up in 1994. Moreover, the while EIB was big, equivalent in its lending to that of the World Bank, its psychology was project finance. The case for a complentary European Investment Fund, which had been proposed in the 1956 Spaak Report to offset asymmetries from integrating markets, was that the EIF should partner the EIB and issue bonds with the macroeconomic role of recycling global surpluses rather than leaving the US to absorb these.

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

This initially was opposed by Helmut Kohl, not least after bruising confrontation with the Bundesbank both in its opposition to a single currency and also on major issues following German reunification. He had succeeded in getting near parity for the East German Mark and the Deutschmark, but then faced an alliance of his finance minister Theo Weigel and Bundesbank president Hans Tietmeyer who were opposed to European bond issues and succeeded in imposing deflation in 1992-1993.

But Kohl thereafter had more autonomy, and also learned up. At the Amsterdam European Council in the spring of 1997 he endorsed the case for such a social investment programme widening the terms of reference of the EIB which enabled it from then until the onset of the financial crisis a decade later to quadruple its investment finance from only 22 billion ecu to 82 billion euros, and also to accept an explicit convergence and cohesion remit for its investments.

Figure 1 How to Fund a European New Deal



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

The case for this joint role of the EIB and EIF within the context of a European New Deal is summarised in Figure 1.

The upper line on reducing excess national debt in the figure is not in order to meet the 60% Maastricht target, which was entirely arbitrary, since whether an economy can sustain a high debt level depends on whether it can service it, as with Japan's which has been treble to quadruple the Mastricht limit for years.

Rather, to allow that by shifting borrowing from member states to the EIB-EIF for major investments in health, education, urban regeneration, safeguarding the environment and green technologies can enable reduction of the debt governments have incurred from salvaging banks since the onset of the eurozone crisis.

Brandt, Kreisky, Clinton and Gutteres

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

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

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

The outcome was an Economic Committee of the International which promptly was formed and most of whose European members, nominated by their parties, were members of the IPSE network. And which gained active particiation and support from Michael Harrington, founding member of the Democratic Socialists of America,. who at the time had made the case that the US, like Europe, needed both democracy and socialism (Harrington, 1976).

But which also reached South since near to half of the members of the International were from Latin or Central America or the Caribbean. A key figure in this was Michael Manley, formerly and later also Prime Minister of Jamaica, who chaired its first working groups followed by a *Global Challenge* report, published in his name and that of Brandt (Brandt-Manley, 1985).

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

The same analytic framework informed a report that I made for Delors in 1994 on the case for a New Bretton Woods (Holland, 1994). In this, I criticised the Keynes Plan of 1943 on the grounds that, like Ricardo (2017) he had assumed that trade was between different firms in different countries and endorsed Ricardo's principle of comparative advantage. Whereas, already, trade was, and increasingly was to be, between the same firms in different countries, through foreign direct investment. While Keynes, though having met Bertil Ohlin, was neglecting his case (Ohlin, 1933) that foreign direct investment could substitute exports from a country of origin.

I also submitted that this could have multiple negative outcomes including de-industrialisation in the countries of foreign direct investment outflow, which was the case then for the UK and has been since for the US, on which Donald Trump has been correct in his main case against globalisation, even if confused on his alleged solutions. Granted that protection of 45% against imports from China disregards that a high proportion of Chinese exports to the US are from America firms located in China (Holland, 2015, 2015b).

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

I responded by saying that it was improbable that he would read either of them and that when I had been advising Harold Wilson I never wrote a memo that was more than a page and half, even if there might be an attachment. Cody replied that I could do a brief enough cover note, but that he also needed copies of both reports to Delors to show Clinton that the rethinking on the European and international Left as developed not only in the IPSE Out of Crisis initiative, with Delors, but also endorsed by the Socialist International was substantial.

The outcome was that Bill chose on his first visit to Europe as President to prioritise visiting Delors in Brussels to affirm his support for a New Bretton Woods, which he then called for at his first G7 meeting at Naples in 1994. The failure of this was not analytical. It was that the then heads of government in the EU did not follow through. The lapse was not intellectual but political. Nor was it surprising that with such little support for his initiative Clinton did not relaunch it. Nor that he therefore had little to no political base to counter other pressures for neoliberal globalisation.

However, when Prime Minster of Portugal from 1995 to 2002, Antonio Guterres, now Secretary General of the UN, not only gained change in the terms of reference of the EIB, which meant that its finance for social and environmental investments overtook those of the World Bank. He also succeeded Willy Brandt as President of the Socialist International. Antonio wanted to take the 3R recovery, restructure and redistribute case of the 1983 *Out of Crisis* and 1985 *Global Challenge* reports further internationally.

The outcome, first with Brandt and then Guterres, was two reports, the Brandt-Manley Report of 1985, and the second an updating of it, in both cases endorsed by over 160 parties of the Socialist International at Lima in 1986, and then in New York in 1996. At the New York Congress, which was attended by observers from China, Russia, India and other countries, Felipe Gonzalez denounced the 1996 report, claiming that the main enemy of the working class was inflation and that the fight against it should be the priority of the Left.

Leonel Brizola, Leader of the Brazilian Democratic Labour Party, who had been in exile for most of the 1964-1985 military dictatorships, then stormed the podium, fully supported the programme and denounced Gonzalez claiming that if he was offering a fight against inflation at the cost of up to 20% unemployment he was offering nothing, and should stand down as leader of the PSOE which was supposed to be the Spanish Socialist Workers' Party.

Moreover, the Brazilian Labour Party under Lula did not lack a long-term national or international strategy. It strongly endorsed the Lima and New York Declarations from the Socialist International and when in government used the bond issues of the BNDES Banco Nacional de Desenvolvimento Econômico e Social to drive economic recovery. It and others in Central and Latin America did not lack programme but were destabilised by the US including Chile but also in Nicaragua, Honduras and elsewhere (Holland & Anderson, 1984). As well as the more recent *coup d'état* that ousted Lula's successor Dilma Rousseff.

Not Syriza's Alleged Lack of Strategy

As regards his dismissal of Syriza, published in July 2016, Dani presumably has heard of Yanis Varoufakis, since much of the rest of the world did when he became finance minister of Greece. Yet had he delved deeper he also could have read at least one of the several versions of *The Modest Proposal* by Yanis and myself which entirely refutes his claim that Syriza "failed to come up with ideas that are economically sound and politically popular, beyond ameliorative policies such as income transfers"'.

A key claim of *The Modest Proposal* is the case that a Eurobond funded recovery on the model of the US New Deal is feasible without Treaty changes, without fiscal transfers between member states and therefore also without "ever closer union". Also that Greece could not recover without a recovery of the rest of Europe. Plus, in particular, as stressed by Yanis, a range of proposals including that there should be a moratorium on repayment of the debt that peripheral EU member states had incurred in salvaging banks from their folly in speculating in subprime derivatives.

It is understandable that Dani may well not have known that, at a conference in Austin Texas in November 2013, Alexis Tsipras had made the latest version of *The Modest Proposal* of Yanis, myself and James Galbraith that year the basis of the negotiating position of what shortly could be a Syriza government in Greece. But the Greek press did, and much of its got across to a broad section of the Greek public.

Yanis repeatedly made the case of *The Modest Proposal* in those of the Greek media that allowed him to do so and gained wide resonance. Such as that when there was a referendum in Greece in July 2015 on whether to accept the alternative austerity programme insisted on by the Troika, those who voted rejected it by over 60%. How could Dani missed that they found the alternatives to austerity – and neoliberalism – as argued by Yanis, so credible?

The early versions of *The Modest Proposal* by Yanis and myself (2010, 2011) had attracted the attention of the Economic and Social Committee of the EU – representatives of employers, trades unions and members of civil society. When I drafted the report for them based on it (EESC, 2012), its working group, with only three abstentions, endorsed it without reservation.

This included all the employers' representatives – including those of German employers. Which at the time influenced Jean-Claude Juncker, who came to its launch, and made its recommendation of Eurobonds, on the basis of the Delors 1993 White Paper, the first of his ten commitments to the European Parliament in June 2014, initially recommending a €300 billion bond financed recovery programme, before then downgrading it the next year, under pressure from Wolfgang Schäuble, to only €5 billions plus a ridiculous assumed multiplier of ten (Holland, 2016).

Further, within an hour of the victory of Syriza in the general election in January 2015, Wolfgang Schäuble declared: "The election alters nothing… There is no alternative to structural reforms", stressing that Greece must 'stick to the rules".

Jeroen Dijsselbloem, the Dutch president of the Eurogroup of Eurozone finance ministers, then refused to allow Syriza's case that Greek recovery depended on European recovery, to be considered for discussion. Despite such a recovery being vital not only for Greece but also for the other Eurozone member states that were suffering high levels of unemployment, and especially youth unemployment and the need to reduce this rather than only reduce debt. As Yanis has put it:

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

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

> "The Eurozone is run by a body (the Eurogroup) that lacks written rules of procedure, debates crucial matters "confidentially" and without minutes being taken, and is not obliged to answer to any elected body, not even the European Parliament". (Varoufakis, 2015).

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

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

More recently, the SPD leader, Economy and Energy Minister and Vice Chancellor of Germany, Sigmar Gabriel said that strenuous efforts by countries like France and Italy to reduce their fiscal deficits came with political risks and that a breakup of the EU no longer was unthinkable, declaring that: "I once asked the chancellor, what would be more costly for Germany: for France to be allowed to have half a percentage point more deficit, or for Marine Le Pen to become president?" he said, referring to the leader of the far-right National Front. Until today, she still owes me an answer." (Reuters, 2017). But if there is such a breakup, not least following the Brexit vote in the UK, it will not be because the European Left has not had strategies for challenging neoliberalism.

Third Ways and Lost Ways

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

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

But Dahrendorf did so not only on these grounds. With reason, he claimed that Giddens simply had not demonstrated that market principles or practices actually would deliver welfare, not least for those who are socially excluded from labour markets by lack of education, ill health, age, race or structural unemployment. Schröder, early in his chancellorship of Germany, and drew on the Third Way to legitimate a reduction of the influence of labour, including the amendment to employment rights which enabled Siemens and other companies to break the dyke of the German social partnership model in 2004. In reaction, it prompted Lionel Jospin, in France to declare: 'Yes to a market economy. No to a market society' (Holland, 2015).

The emerging ideological and economic hegemony of Germany after reunification then was compounded by a combination of misperceptions, ignorance and incompetence. An exception was former French finance minister Pierre Moscovici, thereafter Commissioner for Economy and Finance, who claimed in July 2014 that Eurobond finance to recover investment was highly feasible since it did not need new institutions (Holland, 2016).

But, as with not realising that EIB and EIF borrowing need not count on national debt, this was not clear to all finance ministers. For example, the proposal made by Polish Finance Minister Mateusz Szczurek at the Brueghel Institute in September 2014 was excellent, not least in recognising that monetary easing was not working, and stressing investment multipliers. Yet his case that this would need to be funded by a new special-purpose vehicle - a European Fund for Investments within the EIB Group - was ungrounded.

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

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

This is right in terms of the capital of the EIF, but wrong in neglecting its statutes. Thus Article 2.1 of its these determine that: 'The task of the Fund shall be to contribute to the pursuit of Community objectives'. Article 2.2 specifies that: 'The activities of the Fund may include borrowing operations'. This enables it to undertake its own bond issues which were to have been the EU Bonds that Delors included in his December 1993 White Paper.

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

Moreover, François Hollande's economic adviser, Emmanuel Macron, on becoming Industry Minister had grasped the case that joint EIB-EIF bonds could attract global surpluses from sovereign wealth funds. But was blocked by Wolfgang Schäuble. Leading him in in September 2015 to call the struggle in the Eurozone a new Thirty Years War between Calvinists and Catholics, saying that:

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

Since when Macron resigned from the government and now is an independent candidate for the forthcoming French presidential elections.

Not So New

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

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

Well done them. Yet the Piketty (2014) proposals for global wealth and income taxes are as entirely unrealistic as they may be desirable. Dani also appears unaware that the European Green Party made a Green New Deal the basis of its last election manifesto platform for the European Parliament, without needing to be informed by Brad DeLong or Larry Summers, rather than Yanis Varoufakis and myself. Which followed a meeting by us with them at a time when they were opposed to any new investment through Eurobonds, since this implied growth, to which they were opposed. Yet then were persuaded that this had to need investment in alternative green technologies, and which could be EU bond financed without fiscal transfers (Holland, 2015). His exclamation mark after reference to Larry Summers also is well merited since it was he as Treasury Secretary who endorsed repeal of the Glass-Steagall Act which was one of the most neoliberal measures of the last half century and which heled pave the path to the greatest financial crisis since 1929.

He also appears to be unaware that *all* of his recommendations in the paragraph cited above were proposed by the Left, from the 1970s through to *The Modest Proposal* of Yanis, James Galbraith and myself in 2013. His claim that "The good news is that the intellectual vacuum on the left is being filled" by those whom he happens to know, is a regrettable combination of both arrogance and ignorance,

Ha-Joon Chang knows better than Dani, as in his inviting me some time ago to spell out much of what is in this paper at a conference in Cambridge. As does Marianna Mazzucato. After publication of her *The Entrepreneurial State* (Mazzucato, 2011) she told me that she had been unaware that she had 'stolen' the case for state entrepreneurship as I had argued – and its title - in my 1972 book *The State as Entrepreneur*. I assured her that she had not, since the substance was comparable but the title was different and that I was glad to see the brilliant use that she had made of federal networking of research and innovation in the States.

I therefore can agree with Dani on one aspect of his *Abdication of the Left* in the sense that the leadership of key parties, such as in the case of Blair-Brown, Schröder, and

Felipe Gonzalez, but also earlier, in the case of Harold Wilson, of which he may be unaware, endorsed a neoliberal agenda. Except that, in claiming that this was an intellectual abdication by the Left, he has been wholly wrong. Regrettably, the "intellectual vacuum", for which he sweepingly condemns it, has been his. Which is lamentable granted the degree to which his critiques, otherwise, of globalisation, have been impressive. But is a record that needs recovering and recognising rather than, as he has done, disregarding.

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