

Reviving the Promise of Prosperity in the European Union

How can a pro-growth agenda be delivered by 2020?

Henning Meyer

Research Associate at the Public Policy Group of the London School of Economics and Political Science (LSE), Director of New Global Strategy Ltd. and Editor-in-Chief of Social Europe.
www.henningmeyer.com

AT A GLANCE

The policy conundrum of how a pro-growth reform programme could be made deliverable by 2020 and appeal to electorates and decision-makers at the national and European level needs to be addressed against the backdrop of the multiple European crises and the political backlash against the 'elites' currently underway. The delivery timeframe excludes Treaty changes and the Brexit negotiations will bind capacities in the coming years. Against this backdrop, the key argument put forward in this essay is that such a reform programme is best deliverable by focussing on the three mutually reinforcing areas of sovereignty and legitimacy, investment and financial innovation as well as on the vision of a digital social market economy for Europe. Legitimacy can be increased by rethinking multi-level governance in terms of 'integrated subsidiarity' and an investment strategy requires the recapturing of fiscal policy as a policy instrument. Financial innovations such as a Sovereign Wealth Fund (SWF) for the Eurozone could also play a positive role in addressing financial needs given a very favourable market environment. Investments in turn should be directed towards activating unused capacity and strategically setting the European economy up for the future while at the same time strengthening its character as a social market economy. Realignment public and private interests along the lines of 'shared value' capitalism would also help direct the vast innovation potential of new technologies towards the most pressing social, economic and environmental challenges. Reforming the use of existing institutions and procedures and innovating where gaps exist provide a realistic framework to deliver a pro-growth reform programme in the coming years.

INTRODUCTION

The European Union (EU) was dealt a heavy blow on 23rd June 2016 when the United Kingdom voted to leave the Union. The looming departure of one of the most important Member States adds to the multiple crises European decision-makers have been dealing with in recent years. These predicaments range from unresolved Eurozone problems and the refugee crisis to a generally worsening security situation at the Union's borders. Add to this sluggish economic growth, stagnating real incomes for the majority of households as well as another wave of right-wing populism following Donald Trump's election victory and you get a toxic political situation characterized by popular rage and a backlash against 'the establishment'. (Wolf, 2016) This difficult backdrop has to be taken into account when addressing the central policy challenge at the heart of this essay: how to implement a pro-growth economic strategy in the European Union that is effective and appealing to voters as well as policy-makers. Trying to resolve this conundrum necessitates broadening the view of what an appropriate pro-growth economic strategy comprises and what obstacles are blocking the implementation of such an agenda.

The Brexit vote has prompted a discussion about what the departure of a key Member State means for European integration. The intellectual poles of this debate range from full integration into a European Republic to a retreat to renationalization and intergovernmentalism. Neither of these options is a realistic scenario for the next few years. The McKinsey Global Institute's *A Window of Opportunity for Europe* report identified eleven growth drivers in the areas of workforce mobilization, future investments and improving productivity. Significantly, 75% of the potential impact of these growth drivers can be obtained at the national level in part by policy emulation and adopting best practices. (Labaye et al., 2015) Taking this analysis as a starting point, it becomes clear that there is a need for a better-working economic and political framework to unlock this potential. The aim of this essay is to sketch out the main pillars of such a framework and to put forward concrete operational proposals.

The key argument here is that a timely and widely accepted pro-growth strategy can best be implemented by recalibrating the ways in which European multi-level governance works while addressing current economic needs and at the same time creating a clear vision for

a more prosperous future. It rests on three interconnected and mutually reinforcing areas: sovereignty and legitimacy, investment and financial innovation and the vision of a digital social market economy that combines environmental, social and economic sustainability with the benefits of technological progress. The EU needs a clear vision and concrete missions rooted in institutions with strengthened foundations. These three elements together could revive the promise of prosperity and thus help to halt the erosion of the European Union already in progress.

SOVEREIGNTY AND LEGITIMACY

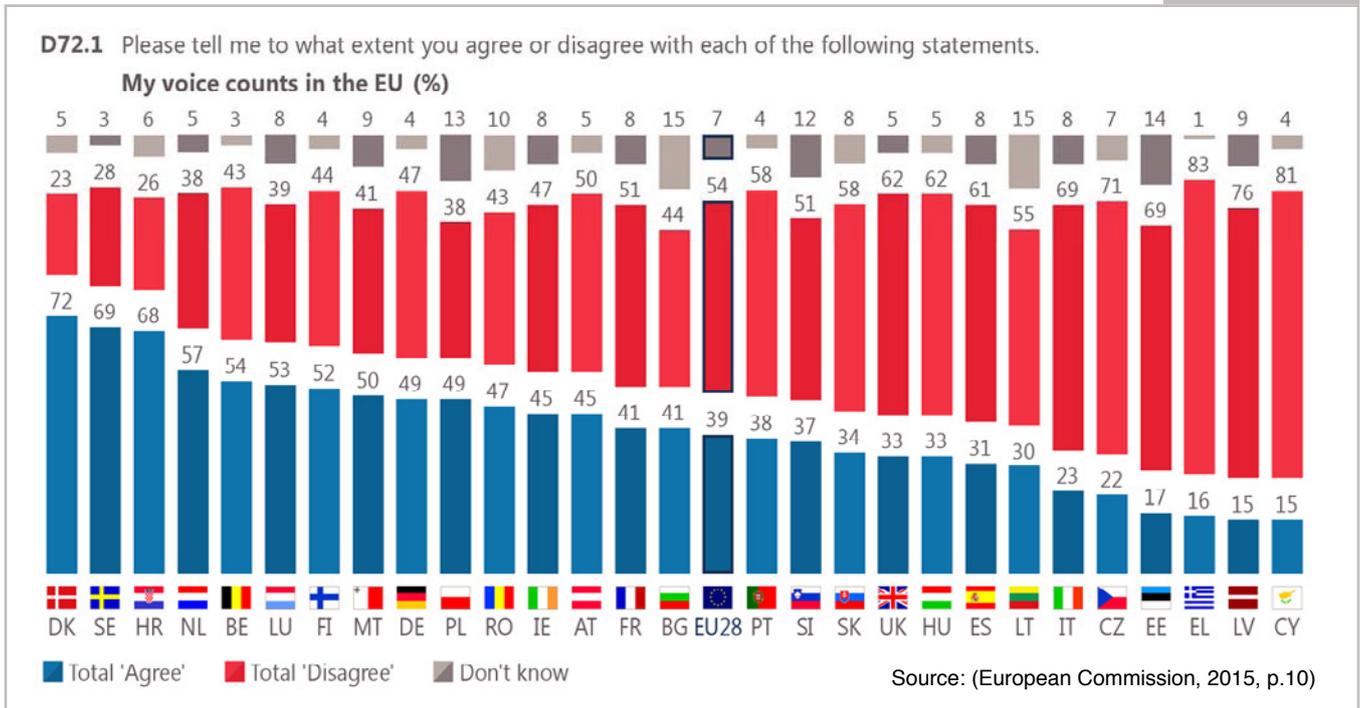
In the area of sovereignty and legitimacy, the EU first has to re-establish itself as a body that is trusted and seen as capable of producing positive change. The founding narrative of 'peace in Europe' has lost traction over the years. It is therefore crucial to develop a new *raison d'être* for the European Union that must be rooted in reviving the promise of progress and prosperity in times that are characterized by insecurity and uncertainty.

One of the successful instruments used by Leave in the Brexit campaign was rooted in reversing a perceived loss of sovereignty using the slogan of 'taking back control'. Peter Mandelson aptly described in the *Financial Times* how this and similar messages won the day. 'Taking back control' is a simple statement that suggested the empowerment of people whereas praising the benefits of the single market bypassed the majority of voters as it simply did not mean much to them. (Mandelson, 2016)

A recent Eurobarometer provides evidence that this feeling is not limited to the UK. According to autumn 2015 data, in only 11 Member States does a majority of people think that their voice counts (down from 13 in spring 2015) and the pollsters recorded a decline in 19 Member States. (European Commission, 2015) We now also know that the slogan of 'taking back control', i.e. making one's voice count again, was a powerful driver that significantly contributed to the UK's decision

“THE BREXIT VOTE HAS PROMPTED A DISCUSSION ABOUT WHAT THE DEPARTURE OF A KEY MEMBER STATE MEANS FOR EUROPEAN INTEGRATION.”

GRAPH 1



to leave the EU. As the data suggests, the UK is not the only country by far that is vulnerable to such a rallying cry.

How can this perception of powerlessness be addressed? The most important route is strengthening the legitimacy of European institutions and European politics. Strengthened legitimacy is then also the fundament in which a comprehensive economic growth strategy needs to be anchored.

In the discussions about legitimacy it is common to make a distinction between input and output legitimacy. The former is concerned with the (democratic) quality of decision-making and participation whereas the latter deals with the effects and efficiency of the results of the decisions taken. (Lindgren and Persson, 2010) There has been a debate on whether strengthening one dimension is necessarily detrimental to the other but this primarily refers to the European level and largely disregards how reconfiguring multi-level governance could improve legitimacy.

Whereas there are concrete steps to strengthen input legitimacy at the European level, such as giving the European Parliament the right to initiate legislation and making official meetings more transparent, a significant

improvement of input legitimacy could be achieved by better aligning different levels of governance, i.e. by rethinking the principle of subsidiarity. It is not just the perception of a zero-sum-game in which national governments go to Brussels to 'win' something for their country (at the expense of the EU or other countries) but it is also striking that national politics in most cases only comes into touch with major European decisions on negative terms.

The yellow card system enshrined in the Lisbon Treaty, a mechanism that former UK Prime Minister David Cameron tried to develop into a red card system during his EU negotiations in early 2015, is a negative mechanism through which national parliaments can voice their concerns against an EU Commission proposal. National parliaments are also called upon when they are supposed to approve funds for Eurozone rescue packages. And many EU-level economic activities such as the European Semester have the tendency to aggravate the division between the European and national levels as the country-specific recommendations for instance are often perceived as top-down lecturing and meddling in national affairs. There are numerous conflict lines but very little positive engagement with the European agenda at the national level. This needs to change.

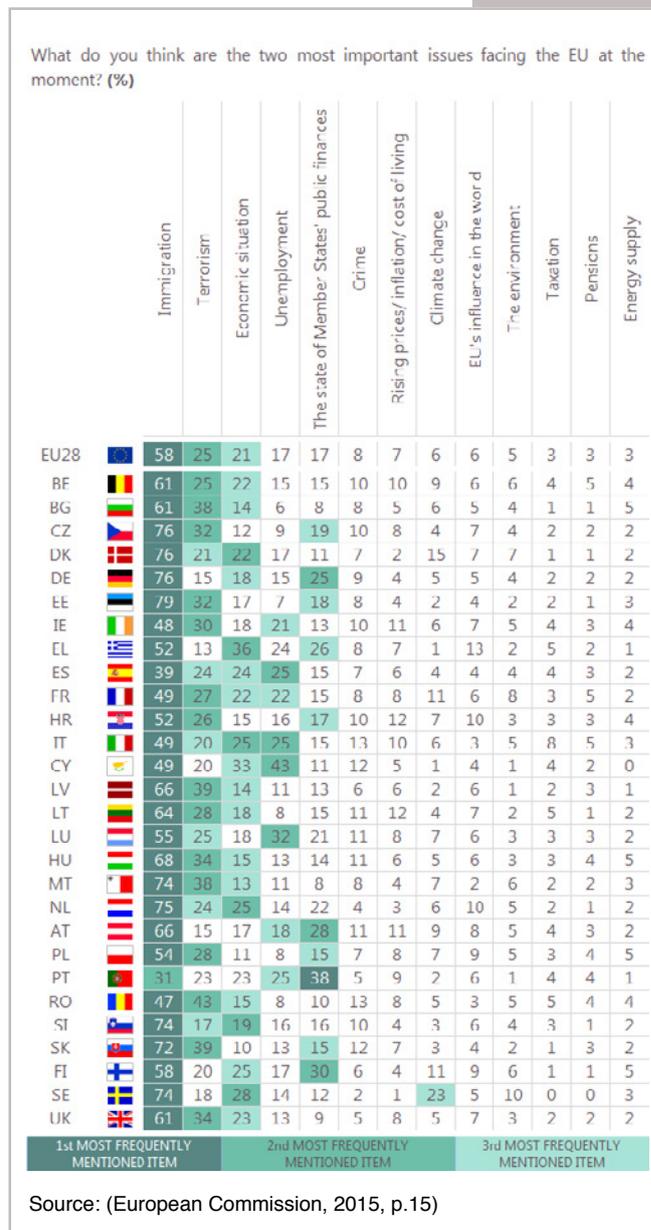
Subsidiarity is understood as the principle of taking decisions as closely to citizens as possible distinguishing between the local, national and European levels. This in practise, however, often means antagonism or disconnect between these different levels of governance. At least for the most important political initiatives of the European Union an integrated strategy is needed that connects different levels of governance to focus on a joint mission.

In a system of what might be called ‘integrated subsidiarity’ a European growth agenda would be initiated at the European level with a general framework and some specific features. National parliaments would then debate and positively reinforce the overall agenda with discretion over steps that reflect national realities and provide different routes of implementation. They in effect translate the jointly agreed European agenda positively into their national contexts. Integrated subsidiarity in essence is not concerned with delineating boundaries between the competences of different governance levels but actively working on connecting them whilst keeping the core principle intact.

There are of course already ways in which the European, national and local levels of governance cooperate but there is no fully coherent framework within which the highest priority projects can be consistently enshrined into multi-level agendas that open all levels of governance up to wider participation. Subsidiarity as a principle should be rethought in terms of governance integration rather than fragmentation. A better aligned system of multi-level governance giving the national and local levels a positive stake in European politics and decision-making would increase the reach of the most important European projects and improve input legitimacy.

The EU also has to strengthen its output legitimacy and existing programmes and funds should be re-evaluated against the benchmarks of visibility and citizens’ priorities. It has existing activities, such as the European Globalisation Adjustment Fund (EGF) where 60% of the costs of retraining workers who have lost their job because of globalisation are reimbursed to the Member States that organised the training in the first place. This in the past has meant that workers who benefitted often did not know that it was the EU that provided significant help. The EU needs to make sure that the beneficiaries of its programmes always know that it was EU help they received.

GRAPH 2



In general terms, the EU needs to align its priorities more directly with the concerns of its citizens. Recent Eurobarometer data provides a clear picture of what these concerns are:

In all countries apart from Portugal immigration is by far the most important issue on citizens’ minds, mentioned by 58% of all respondents. (European Commission, 2015) The data is likely influenced by being taken at the peak of the refugee crisis in 2015 and it mixes the issues of refugees and inner-EU freedom of

**“THE ABSENCE OF A MORE
EXPANSIONARY FISCAL POLICY IS
ALSO ASTONISHING GIVEN
THE STATE OF INTERNATIONAL
BOND MARKETS.”**

movement, one of the most decisive factors in the Brexit referendum. Dealing with the refugee crisis is beyond the scope of this essay but the EU needs to do more to address concerns related to freedom of movement. This includes push factors in poorer Member States as well as refocusing European funds.

Economists in Eastern Europe are complaining that the promise of economic development has not been fulfilled. Moreover, Eastern European countries are stuck with an economic model based on low wages and little prospect of improvement in the future. This in turn is a major push factor driving young people abroad. (Pogátsa, 2016) In response, the EU should reassess whether its Cohesion Policy is targeted at the right areas but also accept that it can only fundamentally change the economic trajectory in cooperation with Member States.

There are structural political economy problems such as the weak role of the social partners and poor or absent provision of public services that stifle economic development in many poorer Member States. This is where integrated subsidiarity can come into play again: in some Member States a pro-growth economic strategy should go along with reforms of the political economy that would generally enshrine a more promising development path. Integrated subsidiarity would allow for such a coherent but at the same time tailored approach.

The EU itself can, however, also do more directly of its own accord. Freedom of movement is one of the fundamental principles enshrined in the EU Treaty and therefore needs to be protected. What can be recalibrated is the application of this principle. The 7-year transitional arrangement for new Member States for instance is a policy that determines the application of this principle. One of the key issues that can arise from a sudden influx of EU citizens is pressure on public services. This, rather than the arrival of newcomers per se, is often the cause of discontent in local communities of the destination country.

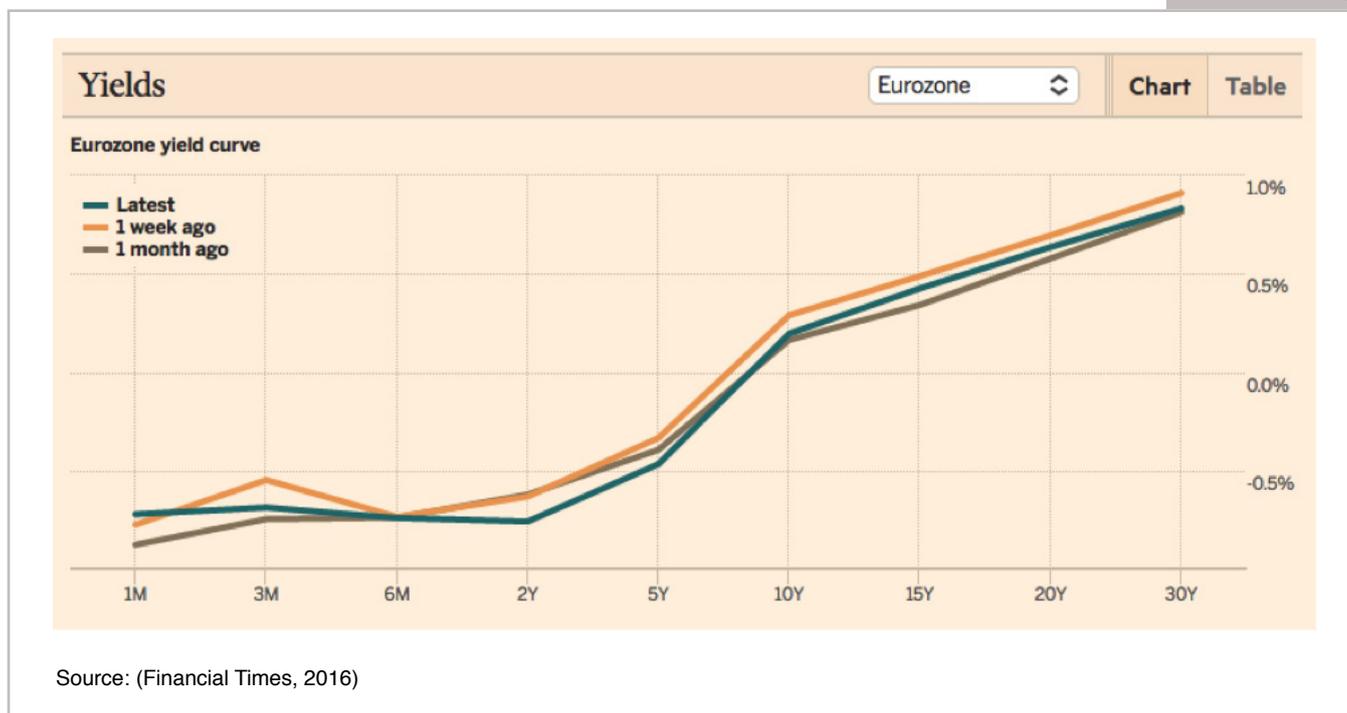
For this reason, the EU should create a European Migration Fund (EMF) that would provide help to deal with the negative local consequences that freedom of movement can bring. This applies to the country of origin, where brain drain can significantly diminish economic prospects, as well as to the destination country. Again, such a fund would be most effective if it worked alongside national solutions such as national immigration impact funds that more effectively redistribute the economic surplus created by immigrants to the areas of need.

These measures would not eradicate all concerns about immigration as paradoxically resentment against immigration can often be found in areas where there are few immigrants. They would, however, address some of the key real pressure points and showcase the responsiveness of the EU by taking serious the concerns of the majority of European citizens. Addressing immigration head-on would also increase output legitimacy by showing the strong willingness of the EU to make one of its core principles work better in practice.

**INVESTMENT AND FINANCIAL
INNOVATION**

The already mentioned sluggish economic recovery in the EU and in the Eurozone in particular, which is the focus of this part of the essay, is rooted in an overreliance on monetary policy and a problematic governance structure of the Eurozone that prevents a more accommodating fiscal policy. ECB President Mario Draghi has repeatedly drawn attention to the fact that monetary policy alone is insufficient to ensure a lasting economic recovery. In particular, he has mentioned the consumption-driven nature of the recovery and the astonishing lack of investment that is about 15% lower than its pre-crisis level. Adequate levels of investment are, however, crucial because they support demand in the short-run and increase an economy's supply capacity in the medium- to long-run. (Draghi, 2015)

The lack of investment is particularly worrying as large parts of the Eurozone suffer from unused capacity. Average unemployment remains high at over 10%, with particularly severe problems in Greece and Spain and in youth unemployment. (European Commission, 2016) At the same time, according to the OECD, many Eurozone countries are also suffering from negative output gaps that reach the astonishing level of -10% in Greece. (OECD, 2016) This in combination with



an already deflationary environment in recent years despite the ECB's unconventional monetary policy suggests that the central bank is likely to struggle to even get back to its inflation target of 2% without a more expansionary fiscal policy to help it.

The absence of a more expansionary fiscal policy is also astonishing given the state of international bond markets. At the end of November 2016 the aggregate Eurozone yield curve was in negative territory almost up to 10-year maturity bonds and was as low as 0.8% for 30-year bonds. Not taking advantage of these conditions is missing a crucial opportunity.

The situation in the Eurozone more and more resembles key characteristics of Larry Summers's 'secular stagnation' hypothesis:

The core problem of secular stagnation is that the neutral real interest rate is too low. This rate, however, cannot be increased through monetary policy. Indeed, to the extent that easy money works by accelerating investments and pulling forward demand, it will actually reduce neutral real rates later on. That is why primary responsibility for addressing secular stagnation should rest with fiscal policy. An expansionary fiscal policy can

reduce national savings, raise neutral real interest rates, and stimulate growth. Fiscal policy has other virtues as well, particularly when pursued through public investment. A time of low real interest rates, low materials prices, and high construction unemployment is the ideal moment for a large public investment program. (Summers, 2016)

So why, given these circumstances, are there too restrictive fiscal policies in place? First, the existence of balanced budget policy targets at national level suggests a general lack of a balance sheet approach to public finances. The sole policy focus is on liabilities even though the asset side of the balance sheet might be deteriorating. A comprehensive fiscal policy needs to take both sides of the ledger into account.

Second, the tendency to constitutionalise fiscal policy at the Eurozone level, which started with the Stability and Growth Pact (SGP) and was continued with responses to the Eurozone crisis such as the Six-Pack and the Treaty on Stability, Coordination and Governance (TSCG) points to a deeper lack of trust amongst the Member States of the currency union. The constitutionalization of fiscal policy in effect takes it largely off the table as a flexible policy instrument. The fear of misuse, or moral hazard, caused by a lack

of trust amongst Eurozone Member States has led to this crucial policy instrument being blunted at the same time as monetary policy has reached its limits.

The Eurozone governance regime is too restrictive and needs to be reformed. At the very least, investments should be excluded from existing fiscal rules. The basis of a sound fiscal policy should be a balance sheet approach and a distinction between current and capital spending. So-called 'golden rule' policies, which broadly state that over an economic cycle government should only borrow to invest, have proven to be a useful middle-way between fiscal targets that are clearly defined and at the same time preserve the crucial fiscal policy flexibility needed to react to unexpected circumstances.

The current political backlash and upcoming elections in crucial Member States provide a window of opportunity for adjusting policies. Using the current situation with historically low yields to put Europe's unused resources to good use and preparing the Eurozone economies for the future is the most pressing mission for the European Union and its Member States.

Beyond recapturing fiscal policy as a tool the conceptual thinking around public finance should generally be broadened and include financial innovation. In the wake of the financial crisis of 2008, finance in general has had a bad name due to the excesses in the sector. But finance as such is neither good nor bad; everything depends on the application and aims. It is time to recapture the opportunities of finance for public purposes. In line with the ethos presented by Robert Shiller in his book *Finance and the Good Society* finance should be reclaimed as a powerful tool to address common problems and increase societal well-being. (Shiller, 2012)

There have been some useful attempts to increase the role of the European Investment Bank (EIB) under the Investment Plan for Europe even though it is doubtful whether the 'Juncker Plan' has led to new investment rather than just a different way of financing pre-existing investment projects. (Claeys and Leandro, 2016) A concrete new proposal would be the creation of a Sovereign Wealth Fund (SWF) for the Eurozone that in effect would create a fiscal capacity – an own Eurozone budget seen by many as an essential element of Eurozone reform – that could help absorb asymmetric economic shocks. The idea is based on a concept by Italian economist Giacomo Corneo who

proposed socially responsible national SWFs (Corneo, 2016). Such national SWFs could work alongside the Eurozone SWF proposed here.

A Eurozone SWF could be financed by issuing some form of joint liability bonds taking advantage of the already mentioned record low interest rates in private markets and/or mechanisms involving the ECB. The returns from a globally diversified investment portfolio would then be split between three aims: 1) repaying the principal and interest, 2) increasing the size of the fund, 3) channelling returns into a Eurozone budget.

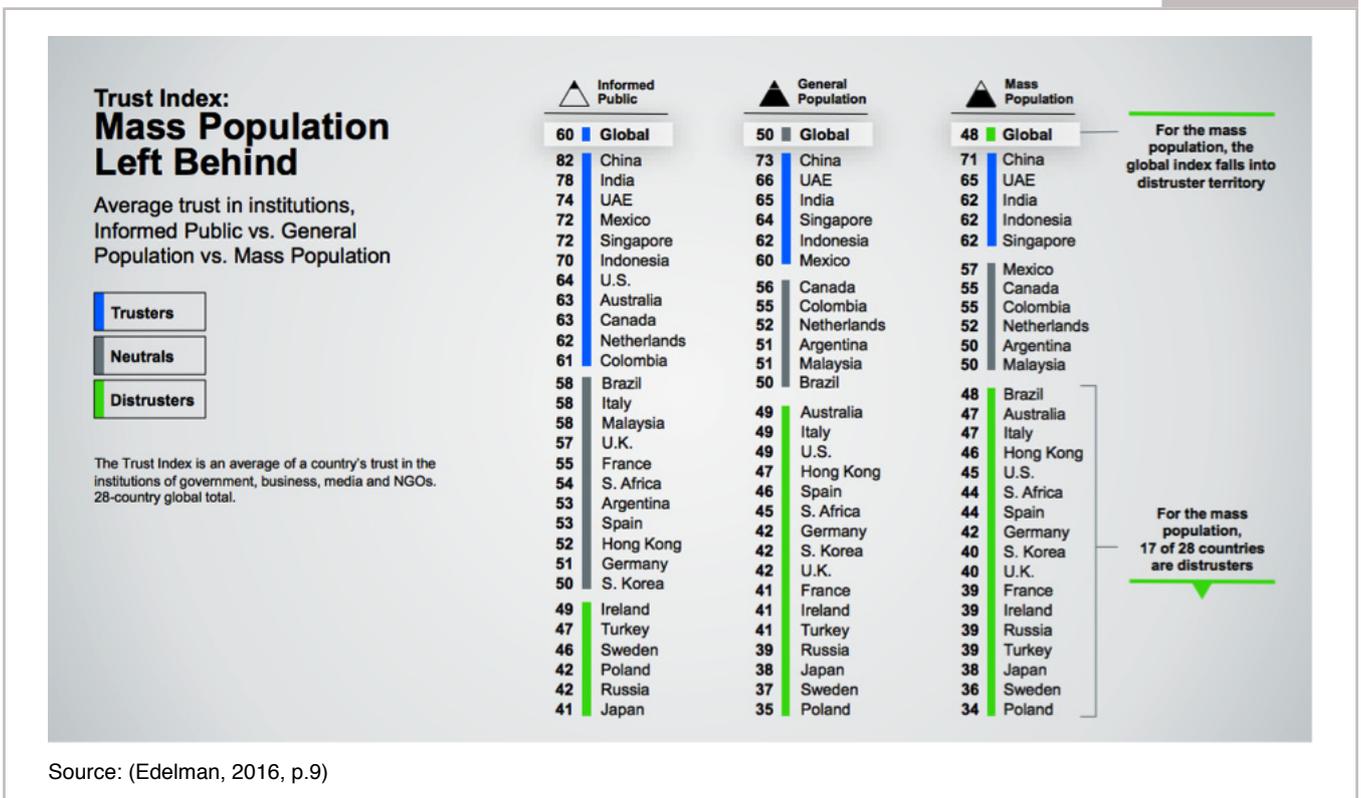
Core to the idea is that the joint liability for the initial bond emission is time-limited as bonds are not refinanced when they reach maturity. This could help address some of the concerns voiced against Eurobonds in the past. Once the principal is repaid the SWF is liability-free and returns can be divided between growing the size of the fund and channelling resources into a Eurozone budget that should be administered by a Eurozone Group in the European Parliament consisting of the MEPs of all Eurozone Member States. There should also be mechanisms to deal with the generally pro-cyclical nature of such a SWF but returns directed into a Eurozone budget would have a similar effect as income derived from Eurozone wide taxes, which are unlikely to materialise in the coming years.

In essence, the EU and the Member States should use the current opportunities via traditional fiscal policy and financial innovation to significantly increase investment and thus put existing unused resources to work and position the European economies strategically for the future landscape. This economic vision for the future is addressed below.

TOWARDS A DIGITAL SOCIAL MARKET ECONOMY

The first part of this essay focused on political legitimacy issues but the backlash against 'the elites' currently underway in many countries in Europe and elsewhere goes far beyond the realm of politics. The Brexit result went against the recommendation of virtually all British elites and the latest Edelman Trust Barometer provides some disconcerting data.

The Barometer measures trust in a country's four key social institutions: government, business, media and



NGOs. The result of the latest survey is a growing gap between a rather small group of the ‘informed public’, whose members by and large retain trust in these institutions, and the majority of the mass population that has lost trust in them. Striking for the EU is that out of the nine Member States surveyed only the mass population of the Netherlands has a neutral score whereas eight other Member States, including the five largest ones, are amongst the lowest scorers. This finding suggests that rebuilding a positive vision for the future that gains widespread buy-in can best be achieved by a coordinated effort, especially with government and businesses working together. The growing trust gap that separates elites from their wider populations is not just limited to politics so businesses should have an interest in addressing this issue too.

What should the core elements of a new economic vision be? The social market economy in its different manifestations is the defining feature of the European political economy. In recent years, however, it has often been weakened under the mantle of the often ill-defined term ‘structural reform’. Positive structural reforms are necessary but what exactly

these are needs to be more clearly defined. Structural reforms should also strengthen the European social market economy which has been a crucial institution for European citizens to deal with risks and uncertainty. They should for instance be concerned with the upgrading of Europe’s technological infrastructure, which is more and more lagging behind global leaders - not the continuous weakening of the role of the social partners, which gives workers as well as businesses crucial voices in decision-making. The European welfare states have been key for maintaining social cohesion in the past. (Esping-Andersen, 2002) Why would one want to weaken these elements if a key underlying problem is increasing polarisation and lack of trust in societies?

The antagonistic relationship between different levels of governance observed at the beginning of this essay is all too often also applicable to government and businesses. Given the lack of public trust in both it would be advantageous to align the interests of private and public actors to solve pressing social needs. A focus on real-life problems could reduce the perceived gap between institutions and people and be the

starting point for rebuilding trust. The idea of ‘shared value’ capitalism advanced by Michael Porter and Mark Kramer provides an interesting framework that so far has not received the attention it deserves in business cycles and has been largely disregarded by policy-makers.

According to Porter and Kramer,

The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connection between societal and economic progress. (Porter and Kramer, 2011, p.6)

A public – private alignment of aims to address social needs is particularly useful if predictions about the innovation capacity of the future digital economy become true. In their book *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies* Erik Brynjolfsson and Andrew McAfee predict that better technologies will spur more and more innovation, providing a wealth of opportunities to address the world’s most pressing needs. (Brynjolfsson and McAfee, 2014) Mariana Mazzucato in her work showed how the state is already a major if undervalued player at the input end of the innovation process. (Mazzucato, 2013) Reviving the promise of prosperity in the European Union is best achieved by increased efforts to align private and public interests along the whole value chain from early innovation to final application.

European policy-makers should set an incentive framework that aligns the private and public focus on the most pressing societal problems threatening environmental, social and economic sustainability. Dealing with climate change and environmental degradation as well as with social cohesion and exclusion should be at the top of the list. Economic disruption in the wake of technological advances is likely to add to social problems so it is all the more important to directly address them as comprehensively as possible.

The EU has already many of the required elements in place, from research funding to formal institutions that involve the social partners and exclusively deal with social and economic issues, such as the European Economic and Social Committee (EESC). The EESC

(and the Committee of the Regions (CoR)) could also be better used to enable horizontal policy learning across the EU. A better alignment of these activities and institutions under a more strategic framework would help to unlock the full potential of existing structures.

Creating a vision for a digital social market economy is not about reinventing the wheel but about taking stock of existing structures and activities and aligning them towards the defined aim whilst filling gaps where they exist. The creation of such a comprehensive vision also leads back to the need for integrated subsidiarity as this can only be achieved if all governance levels work together.

CONCLUSION

The policy challenge addressed in this essay was the question of how to implement a pro-growth economic strategy in the European Union that is effective and appealing to voters as well as policy-makers. At the same time this strategy should be deliverable by 2020. This time frame de facto excludes Treaty changes and other reforms that would require lengthy ratification processes in EU Member States. In addition, significant time and resources in the coming years will be devoted to negotiating the terms of Brexit. There are therefore clear limits to what kind of agenda is realistically deliverable.

For this reason and because the biggest share of the growth potential is located at the national level, this essay focused on creating shared aims, recapturing financial tools and unlocking potential synergies between different levels of governance. At the same time, these measures would help regaining the trust amongst Europe’s citizens by showing that the European Union is there to work for them. Strengthening the institutional foundations by improving legitimacy, creating concrete missions by recapturing fiscal policy and unlocking financial innovation targeted at a concrete and positive vision for the future, a digital social market economy for Europe, could create a virtuous circle as the effective delivery of the mission and the vision would in turn strengthen again the legitimacy of the institutional foundations.

There are numerous publications on ‘why’ and ‘what’ should be done to kick-start growth in Europe but little on the ‘how’ to do it. This essay sought to address

this gap. Whilst being politically coherent it is important to build in enough flexibility into economic strategies to empower national and local players that are best positioned to address the different needs in different countries. One size fits all is not good enough. The EU needs more flexible top-down structures and more efficient ways of horizontal exchange. Where possible, concrete proposals have been suggested to illustrate how this framework could be operationalized and fill specific gaps but it is beyond the scope of this essay to present a full operational plan. The aim was to set out the direction of travel and how the journey can be started, not what every detail of the itinerary should be.

All of these proposals are of course predicated on the political willingness in Brussels and Member States to try something different. But is continuing along the current path really an option? Part of the mythos of the EU is that it has always found a way to emerge stronger out of crises. This mythos is being seriously tested with the Brexit result being a reminder that there is no natural law that things will somehow work out. On the positive side: implementing reforms is always easier when the status quo is fluid and unhinged. The coming together of political, social and economic change provides the opportunity to usher in a new sustainable settlement. But the scale and velocity of this change also brings the danger of uncontrolled disintegration in the absence of clear leadership.

European Commission President Jean-Claude Juncker famously stated when taking office that this would be the “last chance Commission”. The crucial part of this statement is that there is a chance. The question, which this essay tried to help answer, is how to take advantage of this chance and set the European Union up for a better, more prosperous future. The opportunities to change course are there.

BIBLIOGRAPHY

Brynjolfsson, E., McAfee, A., 2014. *The Second Machine Age: Work, Progress, and Prosperity in a Time of Brilliant Technologies*. W. W. Norton & Company, New York.

Claeys, G., Leandro, A., 2016. *Assessing the Juncker Plan after one year* [WWW Document]. Bruegel Blog. URL <http://bruegel.org/2016/05/assessing-the-juncker-plan-after-one-year/> (accessed 11.26.16).

Corneo, G., 2016. *Inequality, Public Wealth, and the Federal Shareholder* (No. 5861), Working Paper. Munich.

Draghi, M., 2015. *Monetary policy and structural reforms in the euro area* [WWW Document]. ECB Website. URL <https://www.ecb.europa.eu/press/key/date/2015/html/sp151214.en.html> (accessed 11.20.16).

Edelman, 2016. *2016 Edelman Trust Barometer: The State of Trust* [WWW Document]. Edelman Trust Barom. URL http://edelman.edelman1.netdna-cdn.com/assets/uploads/2016/01/2016-Edelman-Trust-Barometer-Global_-_State-of-Trust.pdf

Esping-Andersen, G., 2002. *Why we need a new welfare state*. Oxford University Press.

European Commission, 2015. *Standard Eurobarometer 84 - First Results*. Brussels.

European Commission, 2016. *Unemployment statistics* [WWW Document]. Eurostat. URL http://ec.europa.eu/eurostat/statistics-explained/index.php/Unemployment_statistics (accessed 11.20.16).

Financial Times, 2016. *Bonds Data* [WWW Document]. Financ. Times. URL <http://markets.ft.com/data/bonds> (accessed 11.28.16).

Labaye, E., Smit, S., Windhagen, E., Dobbs, R., Mischke, J., Stone, M., 2015. *A Window of Opportunity for Europe*.

Lindgren, K.-O., Persson, T., 2010. *Input and output legitimacy: synergy or trade-off? Empirical evidence from an EU survey*. *Journal of European Public Policy* 17, 449–467.

Mandelson, P., 2016. *How the struggle for Europe was lost* [WWW Document]. Financ. Times. URL <https://next.ft.com/content/98619e5c-3f70-11e6-8716-a4a71e8140b0> (accessed 11.6.16).

Mazzucato, M., 2013. *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*. Anthem Press, London.

OECD, 2016. *Output gaps: deviations of actual GDP from potential GDP as % of potential GDP* [WWW Document]. Econ. Outlook No 99. URL <http://stats>.

oecd.org/Index.aspx?QueryId=51655 (accessed 11.18.16).

Pogátsa, Z., 2016. The Solution To Brexit Lies In Eastern Europe [WWW Document]. Soc. Eur. URL <https://www.socialeurope.eu/2016/07/solution-brexit-lies-eastern-europe/> (accessed 11.18.16).

Porter, M.E., Kramer, M.R., 2011. Creating shared value. Harvard Business Review 89.

Shiller, R., 2012. Finance and the Good Society. Princeton University Press, New Haven.

Summers, L., 2016. The Age of Secular Stagnation: What It Is and What to Do About It [WWW Document]. Foreign Aff. URL <https://www.foreignaffairs.com/articles/united-states/2016-02-15/age-secular-stagnation> (accessed 11.22.16).

Wolf, M., 2016. Global elites must heed the warning of populist rage [WWW Document]. Financ. Times. URL <https://next.ft.com/content/54f0f5c6-4d05-11e6-88c5-db83e98a590a> (accessed 11.19.16).