



Challenges to democracy between antipolitical movements and populism

The debt problems, growth and sovereignty are interlinked and placed on the top, but the responsible politicians at national and European level work on order to give coherent and efficient answers.

The issue of Europe has thus become central, not only for the peoples of this continent, but even for global equilibrium.

The institutions which have developed and promoted welfare are confronted now with new challenges to obtain equal levels of development and welfare compared to the past.

Over the last fifty years, Eurozone countries have experienced the greatest growth in their history, with high growth rates in income and employment. They have originated important systems and models of the *welfare state*.

In some parts of Europe, such objectives, already attained and consolidated, were regarded as natural acquisitions of public awareness. Today they have become seriously unstable.

Concern is spreading in other European countries at being asked.

The emerging countries have had certain degree of fiscal and finance relaxation in the first part of the crisis after 2008. This phase of relaxaton has finished. The continuity and deepening of the European crisis is now becoming also the crisis of the other developing countries including their political dimension.

The Eurozone has applied an irreversible system of fixed exchange rates to non-converging economies. Institutional weakness, which had not been apparent in times of financial peace and economic growth, is now exploding because of attacks on the solvency of weak Member States and also the recession.

In the face of these difficulties, Governments and national parliaments coordinate their answers to the crisis in cooperation with the European Institutions due to the fact that they are confronted with a global challenge where individual answers are not sufficient. This last point can

be observed by the last decisions taken by the European Central Bank (ECB).

Social Market Economy and Welfare State

There are many interpretations, perspectives and views on what is happening in Europe. The European crisis reflects the superiority of a social market economy with respect to the so-called "welfare state" (both concepts being of European matrix).

Somehow, through different ways, we the Christian and Social democrats have sought to build a more just social order. The social market economy and the welfare state represent the concrete expression of this our approach. We have been critical of liberal capitalism and of neoliberalism. Sometimes, as it is in Europe, our paths diverged, sometimes, as in Chile for the last 20 years these paths have been converging.

The current European crisis has unveiled the shortcomings of a conception of the welfare state that ends up being a "grant economy"-quoting the words of Josep Duran Lleida, President of the Democratic Union of Catalonia. An economy which is well aware of the rights but which hardly contemplates the duties, which necessarily ends losing its emphasis on the efforts of the individuals and of the families as the founding basis for progress and welfare and putting the state's role ahead of the ones played by society, by the people, and by the families.

Indeed, the problems of the welfare state rest in the very concept postulated as desirable or true; somehow implying that the welfare is mainly competence of the State, while we believe that welfare is the result the efforts of individuals, families and companies. Moreover, this concept involves the idea that more wealth automatically means less effort and less work - some even speak of "moral hazard" or moral danger associated with the grant economy. Others, however, who like us, are supporters of a social market economy, believe that more welfare means more work and effort, if you will, a real ethic of work and effort. This, within the subsidiary role of the state of solidarity - unbridgeable gap during socialism the first, and during neoliberalism the second.

Some want to use the current European crisis to dismantle the welfare state and the benefits it built. Others, like us, however, rather than dismantling models want to emphasize the advantages and strengths of a social market economy which respects the rights, without neglecting the duties, and which aspires to a responsible exercise of freedom.

I hold that to this conception of the welfare state, understood as the grant economy, a social market economy that is economically competitive,

environmentally and socially sustainable, and fiscally responsible is preferable and desirable option. If desired, a welfare society rather than a welfare state.

Neither the Chilean socialism has been comfortable with the concept of the welfare state, typical of European social democracy, nor has Christian democracy fully assumed the social market economy potential. It is time to assess positions and to distinguish (in order to unite, as Aquinas says) on the basis of the strengths and weaknesses of both concepts. Somehow not negligible, what we have been doing for 20 years around the concept of "growth with equity", which is located at the antipodes of neo-liberalism and neo-populism while sharing elements with both concepts. Some of us will argue in favor of the benefits of a social market economy and others will do it of the merits of a welfare state. We both should translate this concept into Latin American perspective without mechanical copying the European reality taking into consideration the economic, social and cultural diversities existing in our region, in search of a higher and virtuous synthesis.

CDI-IDC Supports European Union in Its Effort to Solve the Debt Crisis

1. Causes of the Euro Debt Crisis

The international financial crisis having its origin in the real estate bubble in the USA and in unregulated financial markets leading to high-risk and unserious investment strategies, has its most present form today in the debt crisis of the Euro Zone. High debts by the Member States became possible, because the rules of the Growth and Stability Pact had been broken, and furthermore, those rules were even diluted. To overcome the most severe recession since the Great Depression of the 1930's, the Euro Member States added to their public debt by additional deficit spending. Some member countries lost competitiveness by allowing themselves wage rises beyond inflation and productivity gains. The trust of the public and the financial markets was lost.

2. First Steps toward a European Stability Union

The European Union recognized the big challenge to overcome the lack of trust by initiating steps to restore trust, solidity and competitiveness. The European Office of Statistics was given the right to control data delivered by the statistics offices of the Member States. It introduces a „European Semester“. The budget drafts of the governments of the member States have to be checked by the European Commission before presented to the parliaments of the Member States with comments and recommendations of the European Commission. The European Union strengthened the Growth and Stability Pact significantly. Permanent European Stability Mechanism (ESM) combined with a Fiscal Treaty will give the Euro Member States in need the necessary time to consolidate

their budgets until they can raise money again in the financial markets and to reform their economy. Thus, the European Union has a balanced approach of self-help and solidarity. First signs of progress become visible. New debt rates are receding, the external trade deficits are reducing, and the economies become more competitiveness. The public are no lured by populist voices as the most recent elections in the European Union prove.

3. Support for the Way Ahead

The IDC fully supports the European Union to decide on a road map for the solution of the Euro debt crisis before the end of that year. We encourage the Europeans to build a Banking Union by deciding on how to establish an effective banking supervision. We encourage the Europeans to create a Fiscal Union going beyond the Fiscal Compact to ensure stability and sound financial policies as a precondition for a stable Euro. We encourage the Europeans to form an Economic Union going beyond the "Euro-Plus-Pact" thus ensuring that all Member Countries can face the competition of a globalized economy successfully. Finally, we encourage the Europeans to strive for a Political Union fostering the effectiveness, the democratic control and the transparency of the European institutions. By doing so, we are convinced that Europe becomes a vital actor contributing significantly to the solution of global problems.

The populist wave. Cause or effect of weak politics?

Everywhere you look, one or more movements have developed rapidly, sometimes tumultuously, that owe their success to the attitude of being *against*. Against democratic agencies, political parties, in general against taxation, beginning with personal taxation. They deny, in terms of principle, the idea itself of general interest and have common profiles: rampant individualism, particularism, localism.

They embody feelings of fear, insecurity, hostility towards everything that can happen, that power does not want to stop and that are able to jeopardise the safety and advantages which in many cases have been earned through hard work and sacrifice.

The left and right winged populism are consequences of political weakness of the institutions. As well as the State difficulties to adopt the basic solutions and in some aspects the conflict between income, expenses and high financing levels.

In many circumstances, political *elites* have failed to take adequate measures to manage radical changes of scenario and perspectives which have occurred in recent years.

Political courage, an antidote of populism. The Algerian example.

If we are to constitute anything general about this third millennium, it would be that what is referred to as chronic impotence of politics to take

responsibility on social development issues and job creation. It is in this tumultuous time, suitable for opportunists who rub shoulders with populism, nihilism and other denials where they are working toward catastrophic goals after more than a century of building democracy.

Populism is an easy discourse because the masses only hear what they want to hear and so are comforted in their hopes. It points to solutions that are nothing but lifesaving actions which do not offer anything for a global recovery and are strictly electoral while at the same time far away from constructive proposals of a system which reconciles a genuine social regeneration and an operational policy of economic development.

Real solutions are often found in the speeches of the anti-populists because they are structured by an ideology that does not come from political opportunism, but rather by political necessity, namely the current policy to offer a credible alternative that does not sacrifice on sake of social urgency, but on the principles of economic development as the foundation of all structural capacity of the state to sustain its social objectives.

Solutions that call for social and economic commitment and for a collective and individual responsibility in support of a development process or the promise of success which is contingent upon a sustained force, hard, dotted with pitfalls, failures and collective challenges, but which shows itself constructive in the long-term as history has shown on many occasions. In short-term, populism is displayed as a "savior" and miraculous in disorder but in long-term offers no opportunity to the society to take charge in the economy, or economically to be a carrier of a hope of social salvation.

In the past, Algeria has gone through a socialist experience which was built on the absence of a real economy to the extent that left empty coffers in the fastest possible way but which was predictable due to the destruction of income caused by the fall of oil prices in the international market. What meaning can be given to full employment with a production area that has not been developed or produced but has seen the success of social equality.

This structural crisis for both the social model which has to be managed as the economic model that had no chance to survive rather than to continue to hold the oil revenues because of the low price this is conducive to generate two parallel processes which should eventually face each other and crash. First supported by the democratic forces of progress that democrats then christened "the family that moves" and secondly by the Islamist fundamentalist forces sustained by the regression at the time called "the family which retreats."

Between these established positions structural differences emerged: they were not opposed to the political scene to see who came to power to run a

government but rather opposed to an ideological scene to see who will give Algeria a social project: that proposing populist and regressive fundamentalist Islam or that progressive republican movement proposed by democrats?

Democracy and economic liberalism essentially social which in Algeria naturally should be the result of a historical evolution where prerevolutionary socialist experiment which was from the beginning a need had passed and found itself in populism with a hint of Islamism, and when flat out in favor of the economic crisis, the pulse to compromise between the power to seduce with populist dogmas, in the context of a difficult social context and the power to do republican policies slowed by a financial crisis even more.

After a chaotic experience and an unparalleled violence in Algeria, the proof is here, historically the Algerians and our North African and Mediterranean neighbors on both sides, Algeria shut itself inward. Republican political forces that are not only convinced opponents of anti-political populism confronted by Islam, have failed to prove the political instruments which have discredited them in the eyes of history, all to test the operational validity of one development policy that is fair with knowledge of social balance and construction of economic imperatives. The success of the latter was naturally the first guarantee of permanence, which is the purpose and cause.

We are in a difficult historical context where the challenges are multiple while obligations are of many holders. But it seems clear that only the speech which you can hold credible in the long term and thus give the architects of democracy the double opportunity to counter destructive populism and put political alternatives.

Nothing has been done, the context is difficult but one position is worth, the consistency and political courage.

Proposing, explaining and defending a plan for the future.

Politics become weak when they lose the function of offering a social plan which is possible and generally acceptable, one that is able to confront and provide good answers to the challenges of the time and to propose rules and institutions that can implement them.

Our challenge is to defend and strengthen the institutions to achieve global, national and local governance. The Aquila's heel of globalization is the lack of institutions which ensure democratic governance. There is a big challenge to create institutions for the XXIst century. If we want to avoid to be governed by globalization then we have to build institutions (rules of the game) to ensure governance.

After World War II European history was created mainly by the actions of political parties, the Christian Democrats and the Social democrats, who

created and governed in different countries the parliamentary democracy of the people, the social market economy, the welfare state.

During that long period, politics had a plan, historically valid and shared, and the system of rules and institutions within States and between States worked. Anti-political movements at that time were insignificant and the other ills of representative democracy, polarisation of consensus toward the opposite extremes and the weight of the oligarchies could also be said to be under control.

The financial crisis has highlighted European institutional weakness. The Europe of the old Treaties is probably no longer sufficient and the times must ripen and lead to the decisions necessary for a new stage of agreements aiming toward political union.

To cope with the inevitable attacks of market forces, the technical machinery has so far intervened with measures to contain financial and monetary stresses. The agreements made so far have been of great importance. But it is becoming increasingly clear to all that monetary union cannot last without a common *fiscal policy* within a new institutional system more advanced than the existing one, moving in the direction of a broad and deep integration.

The gist of sovereignty.

It has been said that in Europe today events are playing out that are crucial for global equilibrium and prospects.

It should be added that the novelty and originality of the European institutional paths – peaceful transfer and sharing of national sovereignties – may be of great importance for the necessary reform of the international institutions called upon to gain back the role that is slipping out of their hands. This may be the paradigm of a peaceful revolution capable of responding to a profoundly changed world in search of a common and participatory design.

The necessary pooling of the instruments of economic, monetary and fiscal policy opens up fundamental questions of legitimacy in respect to the constitutional ordering of existing Member States.

No taxation without representation – this is the historical foundation of parliamentary democracy. History contains no precedents of such an experiment which appears to be an essential model but which cannot be taken completely for granted. This is the challenge facing the peoples of Europe, called upon to decide voluntarily on major concessions of sovereignty by the respective Member States. It is a complex process that can only be implemented by degrees within a constructed and accepted design.

Such decisions must be upheld by the will of the peoples, who will only give up what they have if faced with the prospect of a future possible and

better plan that is clearly suggested to them of a new and open society with free institutions with which they can identify.

A choice that unites and discriminates

The choice for or against the political unity of Europe will be crucial in this early part of the new century. It will be the dominant position for possible political and social designs for the continent and a constantly important question at global level. Nowhere in the world can there can be any neutrality towards these concepts.

In Europe it will represent the key overriding element that will dominate coalitions, alliances, conflicts.

In individual Member States and in the whole of what makes up Europe, a coalition must be built which is in favour of political integration and able to contest and beat by current nationalists currents.

This is already a fact today, and will be ever-increasingly a decisive strategic factor for the formation of political majorities and governmental alliances. In the global balance all of this must be understood.

The decisive role of the parties and movements of Christian inspiration.

Disbelief, scepticism and hostility are widespread and powerful.

It is important, and little has as yet been done in this regard, to clarify the ethical, political, social and economic values and principles which can historically embody the idea of Europe.

The new continental dimension must enshrine the paradigm that the life of nations sprang from the interweaving of democracy and respect for civil rights and freedoms, of economic growth, justice and social cohesion in resources and the level of justice and social cohesion.

The quality and extent of the historic challenge bestow on parties and social formations of Christian inspiration a natural task, in view of the merits and credibility acquired in victorious battles fought during the twentieth century against the errors and deviations of right- and left-leaning totalitarian governments.

They must take the lead in the processes under way and prevent the European crisis to become uncontrolled. We call together to give better opportunities to turn into welfare for millions of Europeans which are excluded now by the benefits generated by the State. It is now time to launch Christian democracy to assume leadership, needed all over the world.

Their contribution will contribute in a decisive way to enabling the road to political unity. The Christian background should be aware of their role and accept the obligation to acknowledge their duties.

The transformations of capitalism and the recurrent debt crises render impractical the social democratic recipes for growth and prosperity. On the other hand, within social reality, the lack of values and negative anthropology of consumerism allocate large areas of power and domination to the oligarchies that use the nationalist incentive and nurture the discredit of representative democracy. Our societies need to recover a political and moral leadership that knows how to point the way and rebuild the reasons for hope.

It is therefore up to the Christian background to hold up a real European Union flag to voters.

We should focus to build a new monetary, fiscal and political Union. through a complex but peaceful process, implemented with intelligence and courage, not with weapons.

The Peace of Westphalia ended three decades of devastating wars and forged the Member States.

The new Europe can be arrived at peacefully cooperation, development and integration. It is a matter of sharing sovereign powers, transferring them to common democratic institutions which are capable of recovering the autonomy of decision that today's nations are unable to exercise. We can get there, but only after forming a European political identity, a common citizenship based on a shared sense of belonging.

The CDI has the compromise to redesign the State from a Christian perspective, in the past we have achieved it, now we must create the necessary conditions where now in the present and in the future we will be able to proudly raise the flag which will beckon our values in the European countries and reach all the corners of this tumultuous world.

This is the great challenge of contemporary European democracy.