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"An economy that works for people" is what the European Commission called its third priority in its work programme. With this area, it is pursuing the goal of further developing the social market economy of the EU and promoting the growth of the national economies of the Member States. At the same time, the EU is also trying to reduce poverty and inequality. Furthermore, major projects such as the Capital Markets Union must be completed and the Economic and Monetary Union must be deepened. These are many challenges that the EU must meet in a shifting global order. This issue of the Future of Europe Observer therefore takes a closer look at the EU's economic policy against the background of the current crises.

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Future of Europe Observer

accompanies the debate on governance and regulation in the European Union. Authors are ZEI Scholars, Master of European Studies Fellows, and Alumni.

Conflicting Goals and Challenges of EU Economic Policy

Economic policy is probably the most integral part of the European Union, but this field in particular, and global trade policy in specific, is facing numerous challenges as a result of various developments and crises. Existing multilateral rules and organisations, and with them the global order, are increasingly being called into question. Extreme supply bottlenecks, energy shortages, price increases, one-sided dependencies and a shift in the conditions of competition are forcing the EU to act.

In the current situation, the EU is faced with the task of asserting itself as a centre of economic activity and achieving its overarching goal of strategic autonomy, while not betraying its core values of liberalism and multilateralism, which in the past were seen as a guarantee for prosperity. It is confronted with the challenge of preserving open markets as far as possible in this complex situation and developing its trade policy in a forward-looking manner in its own interest (Matthes, 2021). As Christine Lagarde emphasised in her keynote speech in April 2022, it is important "to strike a careful balance between insuring against risk in areas where our vulnerabilities are excessive and avoiding protectionism" (Lagarde, 2022).

At the same time, the EU is in the mAt the same time, the EU is in the midst of a far-reaching economic transformation process in the wake of the Green Deal. The EU has the ambition to lead the way in climate protection and, at the latest since the beginning of the von der Leyen Commission, has placed sustainability as a central value at the heart of its economic policy. For example, one of the EU's goals is to achieve corporate sustainability and the decarbonisation of global supply chains, as these account for a large share of global carbon emissions (Gülenç, 2022). But the consequences of the transformation and the accompanying energy transition and the necessary digitalisation is the drastic increase in demand for critical raw materials that can only be sourced from a few countries, which makes Europe even more vulnerable as a business location.

In addition, the EU's trade policy aims to promote social justice and the implementation of human rights globally. This claim was reaffirmed only last year with the Commission's Communication on "decent work worldwide for a global just transition and a sustainable recovery" (COM(2022)66 final). The drive of global companies to reduce costs in order to protect their market position and competitive advantages exacerbates social and environmental problems such as forced and child labour and the generation of hazardous waste in their supply chains (Gülenç, 2022). Specifically, the EU expresses an interest in promoting effective legislation against child labour, social welfare programmes and improved access to education among its trading partners. In addition, the EU wants to introduce due diligence requirements for large companies and sectors of relevance in order to identify and prevent negative impacts and human rights violations along global supply chains (COM(2022) 66 final). In view of China's emerging economic power and the concomitant systemic competition and differing ideas of values and norms, this is a bold endeavour if it is to succeed without weakening its own business location in the process.

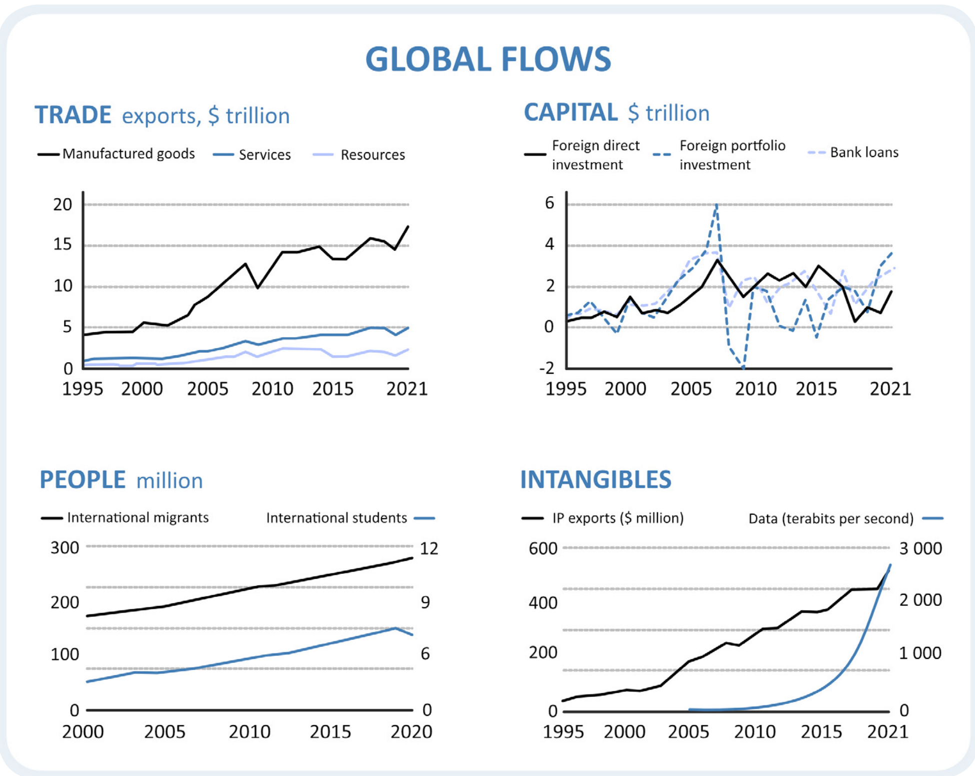
European economic and trade policy is facing major challenges and conflicting goals, which are examined in detail in this issue of the Future of Europe Observer by ZEI and its staff and international students. The numerous issues that fall under the third priority of the European Commission's work programme, "An Economy that Works for People", are dealt with primarily against the background of the crises of our time. This contribution will be continued on the next page.

Henrik Suder, *Research Fellow at ZEI, University of Bonn.*

Conflicting Goals and Challenges of EU Economic Policy in the Face of (De)Globalisation

We live in an interdependent world linked by global flows of goods, services, capital, people, data and ideas. The EU is located in a mesh of global value chains that have essentially contributed to the continent's current prosperity (Seong et al. 2022). But global interconnectedness is under increasing pressure, and not just since the COVID-19 pandemic or the war in Ukraine. Even before that, national egoisms and geo-economic conflicts have gained in importance. Various types of fear of loss led to efforts for protectionist measures and national sovereignty, as can be observed above all in the USA and Great Britain (Matthes, 2021). Moreover, in 2020, India's Prime Minister Modi proclaimed a new era of "self-reliance" and Japan in the same year put together a support package for companies moving production back home. In addition, China has recently started to focus on domestic consumption and intra-Chinese supply chains, which can be seen, among other things, in the massive expansion of its own automotive sector in the electrical sector (Vasari, 2022). In general, China's emergence leads to enormous challenges for global trade, be it in the form of geopolitical rivalries for supremacy in the 21st century, escalated in the form of a trade war between China and the USA, or with a view to multiple distortions of competition that entail economic problems and thus ultimately endanger globalisation and multilateralism (Matthes, 2021). These are all reasons why there is now talk of deglobalisation in the public debate, a development that has been further exacerbated by the pandemic and the war in Ukraine.

Both crises have exposed two massive vulnerabilities of the European economy: First, the dependence and vulnerability on global supply chains. As global supply chains have become leaner and more efficient through just-in-time production, they are also extremely vulnerable to disruption in the face of global shocks that affect multiple sectors simultaneously. During the pandemic, for example, global value chains were shown to transmit and amplify shocks to a significant extent (Lagarde, 2022). Over the past few years, the prices of numerous raw materials, intermediate products and goods of all kinds have risen significantly. Companies sometimes have to wait weeks or months for ordered materials that were normally available within a few days (Treier & Herweg, 2022). Which has contributed to a surge in industrial goods inflation during the recovery phase due to the mismatch between growing global demand and limited supply. Thus, half of the increase in manufacturing producer prices in the euro area can be attributed to supply constraints. Moreover, it has become clear how much global production depends on critical commodities, especially when they are sourced from only a few countries and are risky trading partners among them (Lagarde, 2022).



(Global Flows: McKinsey & Company, 2022)

The second vulnerability revealed is in the dependence of European energy supply. This exists because the EU imports more than 50 per cent of its energy needs. A dependency that has even increased in recent years, despite the increased share of renewable energy (Seong et al. 2022). The large share of natural gas imports from Russia, which amounted to 40 per cent before the Russian war of aggression, proved particularly problematic (Lagarde, 2022).

Does this mean that globalisation and the benefits and progress it brings are actually in decline?

As is often the case, reality paints a more nuanced picture. The world remains closely interconnected and flows have proved remarkably resilient during recent crises. Despite the disruptions caused by the COVID 19 pandemic, most global flows continued to increase in 2020 and 2021. In addition to trade flows, there is also a brisk exchange of people, capital and intangible goods globally. While traditional global trade has stabilised in recent years after 30 years of rapid expansion, new drivers of globalisation are now flows associated with knowledge and know-how that are driving global integration. The growth of global flows is now driven by intangibles, specifically the exchange of data, services and talent. Flows of services, international students and intellectual property grew about twice as fast as flows of goods in 2010-19. Within services, flows of knowledge-intensive services, including professional services, government services, IT services and telecommunications, are growing the fastest. Data flows grew by almost 50 per cent annually (Seong et al. 2022).

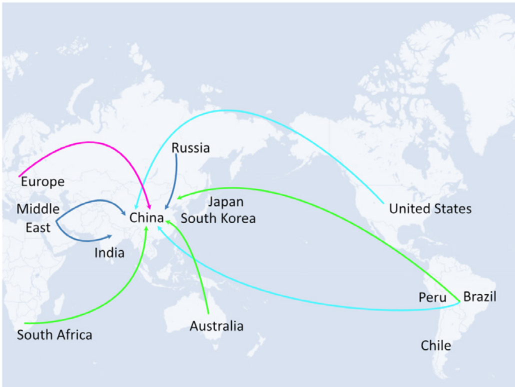
REGIONAL SELF-SUFFICIENCY

No region is close to being self-sufficient.

Europe 30

50% of energy ressources (especially from Russia, the United States and the Middle East)

> 50% of minerals (including from Asia-Pacific and Latin America)



Asia-Pacific

> 25% of energy ressources (especially from Russia and the Middle East)

> 25% of China's minerals (especially from Australia)

~ 10% of key crops (especially From the United States and Brazil)

Largest interdependencies, by share of consumption met by net imports
Economy-to-economy flows: Agriculture Energy Minerals Electronics Pharmaceuticals

(Regional Self-Sufficency: Gülenç, 2022)

Another important insight is that no region of the world is self-sufficient. Not only Europe is dependent on imports, but North America is also a net importer of both industrial goods and mineral resources. In turn, the Asia-Pacific region is the most important partner for both. For example, North America imports about 15 per cent of its electronics needs, with the Asia-Pacific region accounting for about 85 per cent. Furthermore, North America also imports about 10 per cent of its mineral consumption, again with Asia-Pacific being the largest partner.

But the Asia-Pacific region, including China, is also far from self-sufficient, as about 25 per cent of its energy needs, as well as important intermediate products, have to be imported. Energy resources from the Middle East and Russia supply China and India with energy. China also imports more than 25 per cent of its mineral needs; the world's largest mineral corridors run from Australia, Brazil, Chile and South Africa, supplying the raw materials for China's manufacturing hub. In addition, Europe and North America supply much of the advanced machinery and intangible know-how that supports the production of advanced electronics such as semiconductors. Something similar can be said about any other region of the world, such as Latin America, Sub-Saharan Africa, the Middle East or North Africa (Seong et al. 2022).

Despite the not entirely one-sided dependence, it cannot be denied that most of the world's metals are mined in China. Especially those needed for Europe's transition to green technologies and the digital transformation. China is the world market leader in about 20 mineral raw materials. This is why the expansion of renewable energies, in the form of wind turbines and solar plants, high-tech devices, microelectronics or the expansion of e-mobility, linked to batteries for electric cars in the EU, are disproportionately strongly linked to China (Vasari, 2022). Although there were early indications that the situation would develop in the way it has now and there have been reliable findings at least since the "EU Report of the Ad-hoc Working Group on Defining Critical Raw Materials" from 2010 or the study "Minerals, Critical Minerals and the US Economy" published in 2007, the EU remained inactive for a long time (Bogaschewsky, 2022). Moreover, the supply of critical raw materials from China brings with it another problem that is diametrically opposed to the EU's actual intention of greater sustainability. The extraction of the required raw materials and their processing outside the EU is very CO2 intensive, which is mainly related to the energy-intensive production and the energy sources used. The energy mix in China consists of about 58 per cent coal, which is why we have to speak of an externalisation of emissions at this point and the goal of a sustainable circular economy is still missed. In this essential point, the EU is entirely dependent on its trading partners and, if they exist, their own efforts towards more sustainability (Reisch, 2022).

In the meantime, however, the political actors have also recognised this imbalance in the dependencies mentioned and the resulting challenges, and the EU has recently tried to counteract this with a whole catalogue of measures. Of particular political importance are the fourth list of critical raw materials and the action plan to promote resilient raw material supply chains, both published by the European Union in September 2020. The EU Crtical Raw Materials List now comprises thirty substances, the best known of which include cobalt, rare earths, the platinum group of metals and lithium (Reisch, 2022). Furthermore, this year the EU Commission made a proposal for the "European Critical Raw Materials Act" (COM(2023) 160 final), which is intended to strengthen the various stages of the European CRM supply and value chain from extraction to recycling. The strategic issue of dependency should be addressed through diversification and improving the EU's ability to monitor and mitigate risks in the event of CRM supply disruptions. In this regard, the EU should focus on the Indo-Pacific region beyond China, as it offers considerable opportunities for the European economy to develop new sources of raw materials, reliable supply networks and growing sales markets (Hilpert, 2022). Furthermore, at least within the internal market, the free movement of CRM should improve the level of environmental protection by improving the circular economy and sustainability. With regard to negative externalities, the proposal for a Directive on "Corporate Sustainability due Diligence" (COM(2022)71 final) should bring an improvement. The European Commission's proposal aims to hold both EU and non-EU companies accountable for human rights and environmental violations committed by their subsidiaries and established business partners. Companies with a turnover of 150 million euros in the EU will have to set up a mechanism to identify, prevent and mitigate violations of international human rights and environmental conventions. Accordingly, they must establish risk analysis mechanisms as part of due diligence procedures for their supply chains, including lower-tier suppliers, to prevent possible violations.

Among the measures for more autonomy, the EU review mechanism for foreign direct investment (EU) 2019/452), the instrument against economic coercion by third parties (COM(2021) 775 final), an updated European industrial strategy with a focus on climate neutrality and digitalisation (COM(2021)66 final) and the European chip law (COM(2022)46 final) stand out. These laws and measures grant European industry and business some protection against unfair competition and against non-European trading partners seeking to exert political coercion on the EU. They are thus manifestations of an emphatically defensive orientation of trade and industrial policy (Hilpert, 2022).

In all these measures, it can be seen that the EU is primarily trying to reconcile and promote its goals of strategic autonomy with the two transformation processes of the European Green Deal and digitalisation. In the process, the intention to strengthen Europe's self-assertion and the sustainability of trade is brought to life through numerous new instruments and measures. However, issues such as social justice and human rights are increasingly out of focus and are hardly prioritised by the EU. The EU's promise of openness and liberalisation is also increasingly relegated to the background and is only half- fleetingly pursued in favour of autonomy efforts.

The EU faces the challenge of harnessing the benefits and shifts of global interdependence while managing the risks and disadvantages of dependency. However, it remains to be seen whether the EU will actually succeed in diversifying the most important supply chains and making them more secure, thus securing its own future projects. At the moment, the European Union is making enormous efforts to achieve this and the first important steps have been taken. But success depends on the reorientation of the global value creation strategy and the offensive development of new supply and sales markets. The costs of the EU's delayed reaction and the competitive disadvantage that has arisen will nevertheless be considerable and undesirable developments will probably only be reversible at very high cost.

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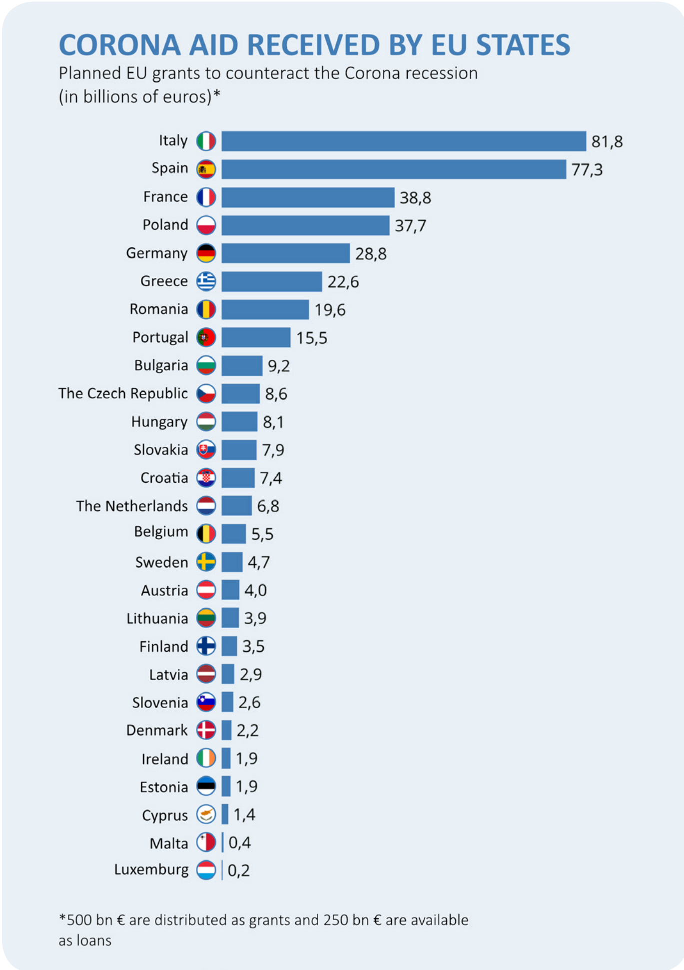
Economic and Monetary Union under Pressure from the Pandemic

The COVID-19 pandemic caused a significant upheaval in every aspect of our modern world, and Europe was no exception. In particular, the EU Economic and Monetary Union has been massively affected by the pandemic. It has created a tremendous disruptive shift in global social, economic, and geopolitical systems. Furthermore, the COVID-19 pandemic indeed caused massive economic shocks to the Eurozone. These economic shocks led to a sharp decline in the GDP of member states, a rise in unemployment, and a reduction in consumer spending. Moreover, the COVID-19 outbreak also altered the European Commission's priorities and the general discourse on the European Union's economic plan. The von der Leyen Commission will surely be remembered for dealing with the biggest pandemic to hit humankind in modern history.

Fortunately, Europe has learned lessons from the 2008 recession and Eurozone crises. Instead of enacting austerity policies, the European Union lifted spending restrictions for member states, and the European Central Bank bought up trillions of debts. In addition, the European Central Bank bravely responded to the pandemic by introducing a range of new measures, such as quantitative easing, to support the Eurozone economy. But by far, the standout was the Commission's approval of Next-Generation EU (NGEU), the multi-billion recovery plan, which is a vital and unprecedented move to oppose the economic backlash of the pandemic. Notably, the European Commission has taken a further step in financing member states that would enable them to implement reforms and investments in line with European Union priorities and help economies recover. It is reported that an astronomical amount of 723.8 billion euros, which includes loans (385.8 billion euros) and grants (338 billion euros), were planned for that aim (ZEI Observer, 2022). Despite this, EU member states are still on the fence regarding concrete actions, not considering how the Commission's priorities will adapt amidst the war on Ukraine. For instance, one of the Commission's objectives is to reach an EU employment rate of at least 78 per cent for 20- to 64- year-olds by 2030. Subsequent to the COVID-19 crisis, EU27 countries reported an average employment rate of 73.1 per cent in 2021. Notably, in 2020, the European Commission contributed towards standard instruments like the Support to mitigate Unemployment Risks in an Emergency (SURE), which has approved loans to finance short-term job retention schemes. But while unemployment hit an all-time low, rising salaries fail to keep up with inflation. As a result, too many European employees still face the wrath of salary cuts (Rayner and Grossi, EPC, 2022).



(Corona Aid: Statista, 2020)

After two turbulent years of the pandemic, the European Union's economy steadily recovered when Russia's war on Ukraine brought about new uncertainties and instabilities. For the European Union, the actual growth for 2022 is now likely to be at +2.7 per cent, lower than previously projected at +4 per cent. The reality is that European citizens now face inflationary pressure due to the sudden increase in energy, goods, and services prices and supply bottlenecks. For instance, member states and their citizens continue to be affected differently by the economic aftermath of the war, as some countries have a greater dependence on Russian gas and trade links with Russia than others. The Commission implemented a new state aid framework to respond to these macroeconomic shocks and efficiently navigate the war's impact on member states. In addition, it proposed to extend the General Escape Clause (GEC) for an additional year until the end of 2023 (De Angelis, EPC, 2022). Furthermore, initiatives were taken to create a fiscal tool for the eurozone (i.e., Budgetary Instrument for Convergence and Competitiveness), finalize the banking union, exploit the flexibility of the Stability and Growth Pact (SGP) to sustain the economy, and adjust the European Semester.

It is important to note that regardless of the measures provided by the European Commission to bolster the European Union economy, all EU member states' economies are showing different reactions, as countries' economic recovery is distressed by various other factors. Hence, there is no one-size-fits-all approach to the pressure that the COVID-19 pandemic and the current war on Ukraine placed on the Economic and Monetary Union. Neither is there a magic bullet to handle the complexities of a fully integrated and functional Economic and Monetary Union. One school of thought holds that there was a silver lining around the dark COVID-19 cloud, as it facilitated the acceleration of European Union integration. But, be it as it may be, a more pertinent question is to what extent the European Monetary Union influenced the degree of the Economic Union among the member states. Therefore, more than ever, the current Commission has demonstrated decisive leadership to ensure that the EU27 remain united and deepen their level of cooperation (ZEI Observer, 2022). Lastly, the COVID-19 pandemic and Russia's invasion of Ukraine have drawn attention to the EU's Economic and Monetary Union and the further need for EU integration to ensure the sustainability of the Eurozone.

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A Gas Market That Works for People

The European Commission has proclaimed "an economy that works for people" as one of its six priorities in the 2023 Work Programme (EC, 2022a). This comes in the middle of one of the biggest energy market crises in the European history, caused by Russia's invasion of Ukraine. The extent of the crisis can best be illustrated by the fact that the gas prices broke a new record in late August 2022, where gas prices reached 321 euro per megawatt-hour, compared to 27 euro set a year ago (Liboreiro, 2022). In parallel, the share of Russian gas in the European gas imports fell from about 40 per cent pre-invasion to around 9 per cent in September 2022 (Riekeles & Lausberg, 2022), forcing the EU member states to purchase gas elsewhere

A central question of this contribution is what an economy that works for people means in the context of the EU gas market and how it could be achieved. Simply put, such an economy should aim at ensuring at least two things: (i) security and consistency in supply of sufficient gas quantities for everyone and, (ii) the availability of gas at affordable prices for households and businesses. Considering the interdependency of countries within the EU Single market and monetary union, this contribution argues that the "gas market that works for people" could be most successfully, if not exclusively, achieved through enhanced coordination at the EU level and further Europeanisation of energy issues. In the attempt to achieve the goal of the "gas market that works for people", the EU member states have introduced various measures. These range from efforts to reduce gas demand through various subsidies, down to the implementation of a gas price cap.

To date, EU efforts aimed at reducing gas demand have been uncoordinated and until recently, insufficient (McWilliams et al., 2022). The first step towards more coordinated demand reduction was the adoption of the Regulation (EU) 2022/1369 in August 2022, which introduced voluntary 15 per cent demand reduction. Only by coordinating measures aimed at reducing gas demand at the EU level, it would be possible to recognise the positive externality of any national gas saving, leading to price reductions across the EU (Neuhoff, 2022).

While Tesio et al. (2022) claim that the centralisation of gas procurement in the EU would not only be difficult to implement but also potentially very inefficient once established, a number of authors argue in favour of it (Raimondi & Bianchi, 2022; Boltz, et al., 2022; Riekeles & Lausberg, 2022). Boltz, et al. (2022) argue that thanks to the joint purchasing of gas, the EU might behave as a monopsony in relation to all gas exporters with significant market power. Without a joint procurement mechanism, member states may end up competing for non-Russian supplies to ensure enough gas for their own citizens and businesses (Raimondi & Bianchi, 2022). Furthermore, a lack of coordination risks exacerbating already asymmetric hardship by rich countries securing

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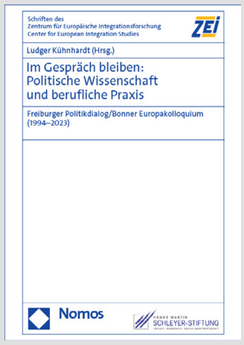
Im Gespräch bleiben: Politische Wissenschaft und berufliche Praxis
Freiburger Politikdialog - Bonner Europakolloquium (1994-2023) - Ludger Kühnhardt (ed.)

Baden-Baden: Nomos, 2023, Schriften des Zentrum für Europäische Integrationsforschung, Vol. 85, 792 pages, ISBN 978-3-8487-8247-5

Political scientist Ludger Kühnhardt has remained in conversation with his doctoral students for three decades. During regular, legendary seminars between former and current doctoral students, the academic exchange of ideas was combined with personal encounters. The "Freiburg Political Dialogues" and "Bonn European Colloquia" found their logistical home in the Münstertal (Black Forest). The seminars were made possible by the Hanns-Martin-Schleyer-Stiftung's funding initiative "Dialogue between young science and practice". The keynote speeches of these seminars - initially given by external speakers, later presented exclusively by former and current doctoral students - are documented in this volume. „Im Gespräch bleiben" ("Staying in conversation") shows how the academic learning community can stay alive beyond the formal time of studies and how an alumni network can remain productive. The volume concludes with a farewell lecture of Ludger Kühnhardt reflecting on his work as university professor in more than three decades.



all the gas and leaving the most dependent countries more vulnerable (Boltz et al., 2022).

Since the start of the crisis in September 2021, the EU member states have allocated and earmarked more than €600 billion, of which Germany alone has earmarked €264 billion, for subsidies to shield consumers from the rising energy costs (Sgaravatti et al., 2021). A subsidy race can hurt EU member states with worse budgetary standings in two ways: (i) gas could be completely sucked into the nations with the largest subsidies first, and (ii) in case of, say Germany and Italy, where the former has a lot of fiscal room to support its businesses, unlike the latter, it could lead to significant market disruption (Tagliapietra et al., 2022). The role of the EU should be at least to spread good practice, ensuring at the same time that national schemes do not have detrimental effect on the integrity of the gas single market (Pollitt, 2022).

The recent EC proposal to establish a market correction mechanism in order to protect citizens and the economy against excessively high prices seems to be a step in the right direction (EC, 2022b). The proposal aims at limiting the price of gas in situations of extreme volatility by introducing price ceilings on the price of certain gas exchanges on the Title Transfer Facility. Such measure would prevent uncoordinated ad-hoc interventions following a supply interruption, and provide early clarity to reduce market risks before a supply interruption (Neuhoff, 2022).

Karplus et al. (2022 cited in Neuhoff, 2022) argue that the EU could benefit from cooperation with other countries and coordination of programmes to reduce gas demand in case of the security of supply incidents. The EU must maintain the benefits of interconnection, particularly among EU member states and with similar-minded nations, like the USA, as the new energy environment is predicted to encourage regionalism and fragmentation into blocks rather than full autonomy (Raimondi & Bianchi, 2022). The fact that a response of the EU as a whole may be insufficient in certain cases clearly shows how inadequate it is to tackle the energy market crisis predominantly at national levels.

In conclusion, this analysis shows that the most efficient way to build an economy that works for people in the gas sector would be not only to coordinate measures at the EU level but to pursue further European integration of the energy market. It has to be noted that the EU leaders took some initial steps in that direction; however, it remains to be seen whether they will be politically brave enough to continue.

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Inflation in the EU: Causes, Effects and Consequences

The dramatic development of the inflation rate in the EU last year is absolutely unprecedented. In 2022, the average inflation rate across the EU was 9.2 per cent. This compares to 2.9 per cent a year earlier (Statista 2023). The intensification of inflationary pressures in the Eurozone has forced the European Central Bank to act more drastically and implement a monetary policy with a view to achieving its objective of stabilising inflation at 2 per cent. This has meant stopping the acquisition of public and private debt from member states and undertaking an increase in interest rates, the first move of its kind in more than a decade. This article aims to explore the causes of inflationary pressures and the measures taken to mitigate their impact on the economy.

Main Reasons

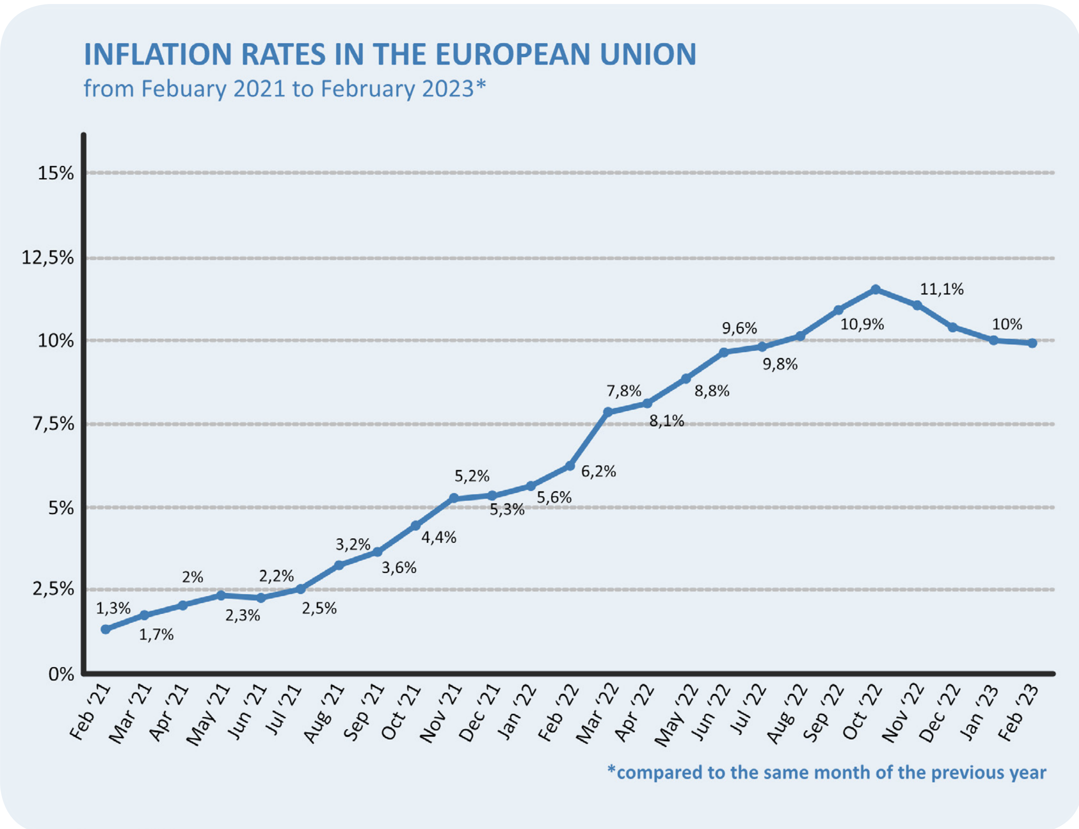
First, the COVID-19 pandemic has been an unprecedented shock to the world and therefore to the European economy. Its effect on economic activity remains clearly negative, and doubts remain about the magnitude and duration of the impact. The disruption of production and supply chains caused by the Covid-19 outbreak has had a major impact on the overheating of the economy and, as a consequence, on rising prices (Bodnár, 2020).

Secondly, the present trade war between China and the United States has exerted a decelerating effect on global economic growth, notwithstanding a limited number of countries that have experienced positive externalities via the relocation of production. Nonetheless, the current situation has engendered a state of ambiguity, thereby leading to volatility in financial markets, particularly in the realm of equities. In response to this economic disruption, governmental regulatory bodies across the globe have implemented counteractive measures aimed at mitigating the deleterious consequences of the conflict (NIESR, 2021).

Thirdly, the invasion of Ukraine by Russia has hit the world economy hard, especially in such areas as energy, commodities, and food markets. This has caused a drop in supply and a record-breaking surge in prices. The euro area, which relies heavily on energy imports, has been hit particularly hard by the economic fallout of the Russian invasion. The war added strongly to the inflationary pressures built up in the euro area during the post-pandemic recovery and pushed up consumer prices, especially energy and food prices. While in 2022 energy inflation was by far the most important driver of inflation, more recently the largest contribution has come from food inflation. Food prices increased by 14.1 per cent in January 2023 compared to the previous year (Arce, 2023).

Effects

At the macro level, the dearth of essential resources and the escalated expenses associated with manufacturing, among other factors, have resulted in a pronounced escalation in prices, consequently precipitating a contraction in consumer demand. Monetary policy had not acted on interest rates since



(Inflation Rates: Statista, 2023)

2008, but the need to cool down the economy has conditioned the banks to do so, driving them to 2 per cent, thus being the aspirin to recover the economy (European Central Bank, 2021).

For individuals, the inflationary climate and the associated non-uniform price increases invariably, erodes the spending power of some consumers, resulting in a significant decline in their real incomes, which represent the main cost of inflation. Conversely, workers have suffered significant repercussions as their purchasing power has been eroded due to insufficient wage increases in line with the rate of inflation. This is evident in collective agreements, which stipulated a rate of 2 per cent, while inflation exceeded this figure. This again leads to the inclusion of the wage revision clause in the collective agreements.

Consequences

When there is a simultaneous occurrence of low demand and high-interest rates, individuals may refrain from borrowing from banks despite facing financial constraints, leading to a stagnation of economic activity. This circumstance can result in a dwindling economic growth and exacerbation of socioeconomic disparities, disproportionately affecting the most vulnerable nations. The European Central Bank assumes the responsibility of implementing monetary policies to counteract such a predicament. Consequently, it is only plausible to anticipate a restoration of equilibrium amidst this economic scenario through the actions undertaken by the Central Bank.

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Clean Energy Race - Europa's Answer to the U.S.-Inflation Reduction Act

In the face of global challenges to secure energy supplies, clean technologies in particular have taken on new relevance. The rapid growth of the global net-zero industry has not only resulted in greater demand but also in a significant increase in production capacity. Thus, countries such as Japan, India, or the USA put forward policies to combine climate, industry, and energy security strategies in order to invest and introduce support measures to strengthen their production capacities (EU Commission, 2023).

This is also the context of the U.S. "Inflation Reduction Act" (IRA), which came into force in the USA on 1st January this year. The overall investment budget amounts to 370 billion dollars and aims to counter high inflation and promote climate protection in the USA. During the ten-year period it targets to lower energy costs, accelerates private investments in clean energy solutions, strengthen supply chains, and create good-paying jobs. The main components are the clean energy tax incentives. Incentivising organisations to switch to clean energy by offering tax credits. New direct payment and transfer options will also allow certain non-taxable entities to directly monetize certain tax credits. This accelerates the process and makes is more efficient. (White House, Inflation Reduction Act Guidebook) In order to receive the tax credit, certain criteria must be met, this includes requirements as "Buy American" or "local content" to strengthen the national economic power (Krämer, 2023).

In the EU, the law has triggered concerns about the future of Europe as an investment location. The main concern about the IRA is that such a comprehensive subsidy package could cause European industries to move their operations to the U.S. and leave Europe and therefore will disadvantage European industry as well as minimize Europe's competitiveness on the international market. On 16 March 2023, the European Commission responded by proposing the "Net Zero Industry Act" (NZIA). The NZIA is part of the Green Deal Industry Plan, which aims to makes Europe's carbon-neutral industry more competitive and accelerates the transition to climate neutrality. The main object is to produce 40 per cent of the annual EU demand for net-zero technologies in Europe by 2030. This is intended to strengthen Europe's economy and to decrease dependencies on other countries. In order to achieve this goal, the legal act defines eight "net-zero technologies" for which the development of production capacities is to be facilitated. In particular, the law aims to

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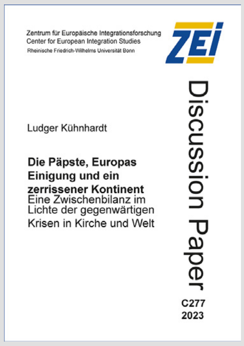
Die Päpste, Europas Einigung und ein zerrissener Kontinent. Eine Zwischenbilanz im Lichte der gegenwärtigen Krisen in Kirche und Welt - Ludger Kühnhardt

The relationship of the Popes to the continent of Europe has been and remains ambivalent. It oscillates between the global orientation of the Roman Catholic Church and the defense of the faith, but also between a reserved and skeptical attitude towards Western modernity and an almost naïve hope for ecumenical dialogue with the Russian Orthodox Church. In the midst of the current global political crisis, ZEI Director Ludger Kühnhardt reconstructs the perspectives of seven popes during seven decades of European unity and the ongoing disunity of the European continent.



improve conditions for investments in "net-zero technologies" by shortening approval procedures and streamlining permit-granting and administrative processes (one-stop shop). Projects shall be supported by member states and the Commission in administrative obligations and funding advice (EU Commission, 2023).

Unlike the IRA, the NZIA focuses on administrative support, such as cutting red tape for green industries. The reason for this is Europe's "complex nature," as the provision of subsidies is not normally an action taken by policymakers at the EU level. Therefore, the Commission wants to incentivise member states to provide subsidies and tax incentives themselves (Xiaoying, 2023). The U.S., on the other hand, can create direct subsidies and incentives through its quick and bureaucracy-avoiding procedures. Under this competitive pressure, the IRA should be a wake-up call for Europe not only to minimize bureaucracy, but also to rethink investment and taxation policies.

According to estimations, it is said to be almost impossible for the EU to meet its clean energy installation targets by 2030 if it is to rely on domestic production at all stages. For example, China was the EU's largest importer of wind turbines and solar panels in 2021. Statistics from the EU show that it imported nearly 10 billion Euro worth of solar panels in 2021, 89 per cent of which came from China (Xiaoying, 2023) In addition, large production capacities would be required for both hydrogen and batteries, as these value chains are just being established. (Lorentz, 2023). Whether the implementation of the proposal is effective or not is one question. The other question is to what extent the internal enforcement of the proposal will be successful, as a lot of disputes already arose during the drafting of the NZIA. There was a lot of discussion about the role of nuclear energy in the decarbonisation process of the EU. For that reason, the Commission decided to find a middle way in its proposal (Claeys, 2023). Thus, nuclear energy is not listed among the eight clean energy producers, but is nevertheless mentioned as "advanced technologies for generating energy from nuclear processes with minimal waste from the fuel cycle, small modular reactors" and therefore an important contribution to decarbonisation (Messad, 2023). It remains to be seen what changes the Council and Parliament will make in the further course. What is certain, however, is that the internal differences and divergent interests of the individual member states are impairing the effectiveness of the NZIA. Especially in the light of many EU countries worrying about their economies and potential competitive disadvantages, the primary interest should be to reinforce EU's ability to act jointly and not to question Europe's Single Market. On the upside, there is still the opportunity to demonstrate real capacity to act. The most important part of the ambitious European Industrial Plan is still being worked out by the Commission and is not due to be published until this summer: the EU Sovereignty Fund, which will accompany the European targets with financial resources.

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The European Central Bank in the Field of Tension of Multiple Crises

The primary objective of the ECB consists of maintaining price stability in the Eurozone (Art. 282 (2) TFEU). However, the ECB's political role in managing the financial- and euro crisis suggests that the ECB exceeds the traditional understanding of a central bank (Tokarski, 2021). Hence, multiple intersecting financial challenges require the ECB to mediate carefully between different economic policies.

Today, the EU economy is facing numerous challenges. Firstly, the core inflation rate continues to be on a high level. On the one hand, this is due to the effects of economic recovery from the COVID-19 pandemic. Thereby, increased demand after the pandemic, at a time when supply disruptions had not yet been resolved, caused bottlenecks in production and supply. On the other hand, high costs of energy in correlation with Russia's war on Ukraine translated into high core inflation. Nonetheless, these inflationary dynamics should fade out eventually, due to stabilised supply chains as well as lower energy inflation. While those circumstances should consecutively pass through to lower food and core inflation, opportunistic behaviour by firms to increase their margins as well as potential wage-price spirals pose challenges to the process of deflation. Therefore, it is difficult to distinguish between supply-demand imbalances and self-sustained inflationary dynamics (Pancetta, 2023).

Secondly, recent insolvencies in the US banking sector have increased the risk of another banking crisis. In addition to the impacts on the confidence of investors, banks themselves have become more prudent about lending. On one side, this may result in a drop in credit growth. On the other, the supply of lending may contract, which decreases the available liquidity of the EU and the global economy (Pancetta, 2023). Thirdly, the climate crisis poses a significant financial risk to the EU economy due to the immense costs of environmental catastrophes. Fourthly, various member states within the Eurozone remain with significant public debt in the aftermath of the euro crisis, amounting to over 12 trillion euro by the end of 2022 (Eurostat, 2023).

While there are a number of instruments available to tackle these challenges, the ECB needs to navigate between under- and overreacting. With regards to the tensions in the banking sector, the ECB mainly acts upon its role as banking supervisor. Thereby, the ECB is empowered to take action and establish recovery plans for banks who do not meet the requirements of the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD). Hence, the ECB emphasises its ability to react quickly in avoiding bank failures, which reassures the confidence of investors. Concerning inflation, the ECB holds two main instruments. First, to decrease demand and thereby lower the inflation, the ECB has significantly increased the key policy rate over the course of the last year. Second, the ECB has reduced the rate of securities purchases. Thereby, the monetary policy transitioned from quantitative easing to support the markets from economic shocks during the pandemic, towards quantitative tightening. However, monetary policies of the ECB challenging inflation need to be adjusted sensitively, because increased interest rates and less liquidity of the market worsen the overall economic environment of the EU, and thus further burden indebted states of the Eurozone. Moreover, the combined effects of quantitative tightening and rate hikes, due to more prudent lending policies of banks, are unclear.

With regards to climate policy, the partial reinvestment of its bond holdings in favour of bonds issued by more sustainable companies is one of the most impactful instruments available to the ECB. As the largest buyer of corporate bonds, the ECB's primary market orientation towards 'green bonds' thus sends a significant impulse to 'greening' the economy (Tokarski, 2021). However, the political stance of the ECB in climate policy contradicts its guiding principle of market neutrality. What's more is that efficient monetary climate action requires long-term investments, contrary to short-term price stability. Hence, it is uncertain to what extent the ECB can and should intervene into the market in the area of climate policy. Lastly, the ECB's communication to the public also holds significant impact on managing crises. To this end, officials of the ECB continuously emphasise the prudence and data-dependence of their monetary actions, to avoid a de-anchoring of inflation expectations or destabilising the market through volatile policy actions (Pancetta, 2023).

In short, the ECB holds an important role in facing multiple crisis to the euro economy. Each monetary instrument needs to be calibrated carefully, in order to avoid unwanted side effects.

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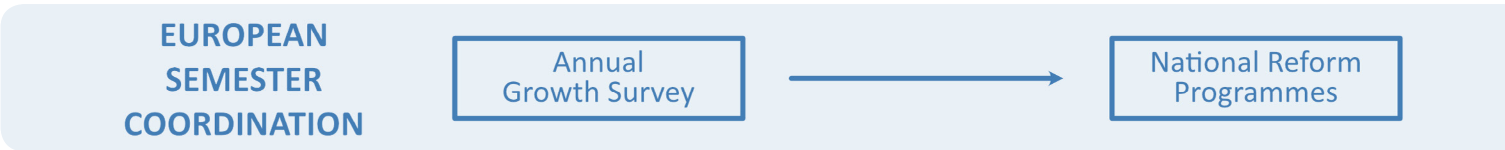
Transformation of the European Semester

The motivation behind the introduction of the European Semester following the financial crisis in 2011 lies in achieving effective coordination of macroeconomic and monetary policy tools, especially in the countries of the Eurozone (Halleberg, et al., 2012). Since its inception, it has been adapted to the changing conditions and contexts of the European Union while perfecting the nuances of the policy mechanism.

Perhaps the biggest change so far has come with the introduction of the Recovery and Resiliency facility plan, as a response to the Covid-19 pandemic and its economic consequences (Moschella, 2020). The new fund has been linked and embedded in the Semester's calendar and tools, making it a new part of it. The granting of the funds to the member states is directly connected to national reform programs and policy priorities set by the institutions (European Commission, 2022). This recent development further shows boost the confidence of citizens in the EU by demonstrating the effect and influence in their lives via direct policy action.

The Semester is a complicated policy mechanism which relies both on intergovernmental and federal concepts. The European Commission holds some power and capacity to directly implement measures in areas where it has exclusive competence, however most of the policies require shared competences through which close cooperation with the member states is necessary (Dehousse, 2016). The introduction of the Recovery Fund only strengthens this dualism by linking the delivery of funds to National Reform Programs (NRP) and policy programmes which are deemed a priority.

One crucial aspect is the common investment of the EU for the first time. A measure approved by the European Council, which gave the mandate to the Commission to establish these funds and which are allocated by the Commission based on different criteria, with the Parliament only having an observatory role. In this regard, this new aspect of the Semester, which was already a mechanism with mostly intra-governmental traits (Zeitlin & Vanhercke, 2018), further



the impact which crisis have on European integration, by boosting its deepening and enhancing its outreach. In this case, establishing an investment policy directly related to the political priorities of the Commission, the Green Deal, and the Digital Transition. With this latest innovation, the European Semester has switched from an exclusively monetary policy coordination mechanism to a tool to oversee investments and changes in European economies and infrastructure, having more similarities with an industrial policy than an exclusively economic one. The Next-Generation EU funds have the potential to change the European Semester by fostering a complete economic policy that not only focuses on debt and monetary matters, but also on boosting European economies through direct governmental action in a more Keynesian manner, leaving the austerity discourse behind (Corti & Nuñez Ferrer, 2021).

This new branch of the semester presents a new opportunity for European leaders to establish the importance and the potential political and economic power of a deeper integrated Europe, showing the investment and reaction capacity to challenges, by offering solutions, particularly in energy-related and digital matters (Agnieszka, 2022). This problem-solving capacity by European institutions can also increases the role of national leadership and the Commission in EU policymaking, enhancing the member state based system, rather than moving towards a more federal, parliament-based Union.

How this process evolves can only be analysed in the future and it has to be taken into account the effects of the Russian invasion of Ukraine. For the time being, we can conclude that the new funds which have been linked to the Semester are a step forward in the policymaking capacity of the European Union, particularly the Commission and the European Council, with little involvement by the Parliament. This new reality changes the nature of the Semester by shifting away from exclusively monetary and macroeconomic policy and presents a big opportunity to deepen European Integration and expand the policy capabilities of the Union with new common action in some areas, however it seems this process is being done by prioritising intra-governmental mechanisms instead of federal options.

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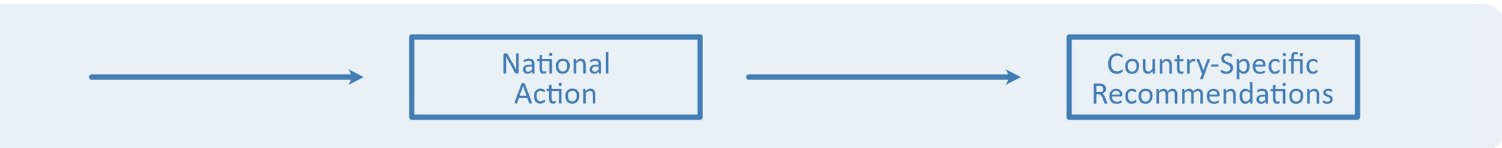
Limitations of the European Semester

The EU took sweeping measures to enact policies to strengthen its economic governance, return its economic growth, job creation, and financial stability, and uphold an economy that works for all. In 2011, the European Semester (ES) was introduced as the EU's response to the weaknesses in the EU's financial and economic crisis. This was done with new legislation reinforcing the doctrine of Stability and Growth by harmonising the timetables of other members with their financial frameworks (European Commission, 2023a).

During the European Semester, member states align their budgetary and economic policies with the rules agreed upon at the EU level (Bostic, 2021). The ES allows member states to discuss their economic, social, and budgetary plans with their EU partners at specific times so that national action can be agreed upon in the second part of the year, notably with the adoption of the budgets. This early interface allows for comments on each other's plans and collective monitoring of proposals (European Commission, 2023a). The European Semester ensures that member states discuss their economic, social, and budgetary plans with their EU partners in the year's first half (European Council, 2023).



The European Semester was mainly an economic plan, but today it has evolved into integrating other relevant policy fields (European Council, 2023). Yet, activities within the member states and their many citizens have shown unequal wealth distribution and a growing poverty level (European Commission, 2023a). Productivity is reduced, economic growth is driven by unrealistic figures, and explosive population growth is driven by migration (Reformjersey, 2023). This exposed a significant flaw in the Economic and Monetary Union (EMU), as a lack of national compliance with the Stability and Growth Pact (SGP) rules has led to a coordinated failure regarding macroeconomic changes within member states (Vanheuverzwijn, 2017). The European Semester socioeconomic policies still need a comprehensive framework to monitor socioeconomic inequalities among members. The focus on inequality is missing in social investment areas, such as childcare and the accessibility of social services (Antonucci & Corti 2020). Meanwhile, Indicators of job insecurity, financial insecurity, and job tenure insecurity in Europe are missing.

Concerning macroeconomics, studies reveal a focus on budgetary stability and debt reduction in health and pension; this indirectly shows a weakness in issuing directives that might negate the values or financial prowess of the receiver. Indicators from country-specific reviews reveal that the macroeconomic framework described in the Semester ignores straight cuts and reductions in public expenditure; rather, it indirectly affects member states' capacity to use public resources to redistribute public investments and set difficult conditions (European Commission, 2023b). This further expands the feelings of inequality and a limited focus on general development. The current Macroeconomic Imbalance Procedure (MIP) scoreboard needs to show more macroeconomic indicators that define dimensions of inequality.

The European Semester's socioeconomic coordination process is complex, and the different constructs are often difficult to separate; ES may be considered economic and social. However, subsuming social policy goals into economic cycles of governance only sometimes results in the subjugation of social policy to economic imperatives; hence there is still an opportunity to achieve complementary modes of coordination (Bekker, 2015).

National policies have significant cross-border implications making coordination necessary, but member states make sovereign decisions primarily based on national considerations. Discussion around macroeconomic imbalances should focus on critical macroeconomic and cross-border relevance issues. The European Semester is challenging to explain, but communication of important decisions and recommendations could be significantly improved to make them more accessible to national policy-makers. Concluding, the economy is only really working for some of the EU citizens in the sense of proper funding and monitoring of projects by member states. The EU should initiate a Youth Skill development centre catering to new member states, and financing should be available. This, in no small way, will increase integration and allow for all involved economies rather than propagating legislation that will hamper growth.

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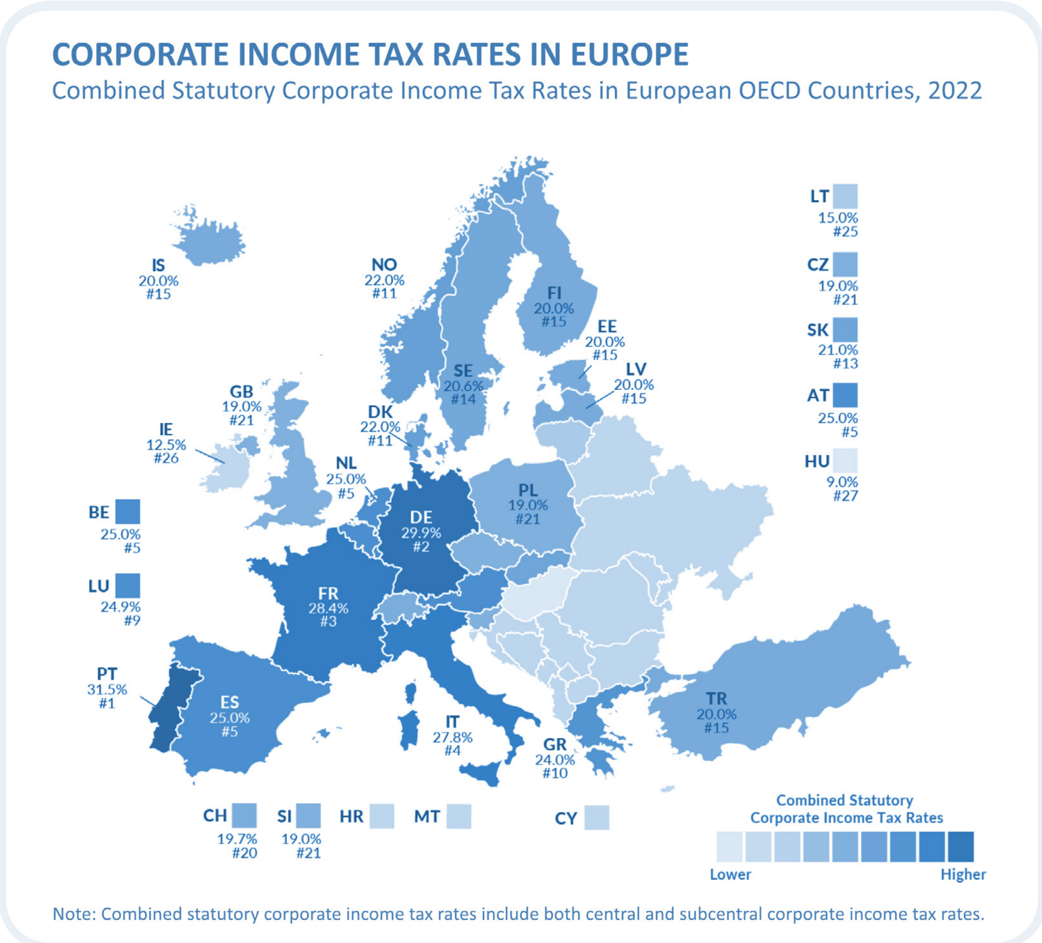
A Common Corporate Tax for the European Union

In a world characterised by globalisation and digitalisation, corporations have more and more possibilities to shift profits and move capital investments around the globe to minimise their tax burdens. Companies like Apple, Microsoft, and Amazon, which enjoy high corporate reputation, are among those with some of the lowest corporate tax rates and with the highest profits (Johnson et al., 2020). Countries, on the other hand, rely on tax revenues to fund public expenditures, such as investments in infrastructure, public services, or social programmes. Ranging between 3 per cent and 3,5 per cent of GDP (OECD, 2022), corporate tax revenue is a considerable source of income for both poorer and affluent countries. Hence the question arises, what can be done to prevent the development towards an ever-greater gap between corporate profits and their effective taxation? Recently, the international community has been debating about the introduction of a minimum global corporate tax rate. Over the years, there have been several attempts by the EU to establish a regulatory framework regarding corporate taxation for its member states.

In the Maastricht Treaty, the EU enshrined the principle of "subsidiarity", shifting competencies for policy-making increasingly towards the EU with taxation still being applied and enforced by the member states. The subsidiarity principle also means that each member state should be permitted as much tax sovereignty as is proportional with the goals of free trade and free competition in the Single Market (Cnossen, 2018).

Globalisation and digitalisation are certainly among the highest rated buzzwords in our modern economies. With regards to corporate tax policies, they are, however, especially important and pose significant challenges to governments. The challenge of taxing Digital Multinational Corporations can be broken down into two parts:

1. The tax challenge of multinational companies due to the "swift and often anonymous movement of capital to avoid taxation" (Kudrle, 2021, p. 2).
2. Challenges in attributing company revenues to a singular jurisdiction for the purpose of taxation. It is common for MNCs to use intrafirm transactions to shift profits from high- to low-tax countries (Faccio & Lacono, 2022).



(Corporate Income Tax Rates: TaxFoundation, 2022)

The first formal and strategic approach to analyse corporate taxation using game theory was developed by Zodrow and Mieszkowski (1986), who created the basic tax competition model. They do not only show that interjurisdictional competition may eventually lead to a capital income tax of zero in an extreme scenario, but also that in consequence, competing governments would reduce their public spending to "inefficiently low levels of public service" (Zodrow, 2003, p. 655). The original tax competition model was developed under ideal assumptions of perfectly mobile capital, immobility of labour, no variation in sizes of competing jurisdictions and with capital and a fixed head tax as the only revenue source for jurisdictions (Zodrow & Mieszkowski, 1986). Different authors have made extensions of the model with several modifications to those assumptions without changing the main finding of the model, which is the outcome of an inefficiently low level of tax rates among competing jurisdictions. The only assumption which cannot be changed without altering the tax reduction result is capital mobility (Zodrow, 2003).

For the EU we can assume, that capital is indeed highly mobile, in particular "thanks to reforms removing major obstacles to cross-border investments" (Álvarez-Martínez et Al. 2016). Therefore, the EU is particularly vulnerable to the "race to the bottom" to offer the lowest corporate tax rate. This finding can also be confirmed empirically by looking at the development of the statutory corporate tax rates among member states. The average statutory corporate tax rate of the 23 EU member states with available data has decreased by over 10 percentage points over the last 22 years from 31,5 per cent in 2000 to 21 per cent in 2022 (OECD, accessed 25th March 2023).

As a response, a harmonised tax rate among EU member states could be an effective instrument to eliminate the incentive for competing countries to offer lower corporate tax rates. A harmonised tax rate of 25 per cent could have increased tax revenue for EU member states by 170 billion euros in 2021, which is half of the actual corporate tax revenue of the EU in that year (Barake et al., 2021).

The European Commission aware of this issue and in order to address the corporate tax challenges, has proposed in 2011 an Action Plan by presenting the Common Consolidated Corporate Tax Base (CCCTB) in which companies must follow just one set of rules instead of 27 for each member state system (European Commission, 2016). This was replaced by the "Business in Europe: Framework for Income Taxation" (BEFIT), that will provide a common unique corporate tax for the whole EU in the coming years (European Council, 2021).

The current global context, with momentum for a global minimum tax rate, gives the European Commission a window of opportunity, which it should seize by establishing the "Business in Europe: Framework for Income Taxation". By taking the initiative, the EU would move forward towards an increasingly unified fiscal policy. Furthermore, the European Commission could establish itself as a relevant global player in the current tax discussion, reinforcing its geopolitical claim.

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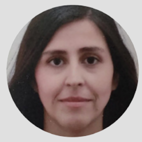

A Digital Euro: Ensuring the Common Currency is Fit for the Digital Age

As part of its 2023 Work Programme, the European Commission has committed to laying down the principles of a digital euro before its potential issuance by the European Central Bank (ECB), to ensure the EU's common currency is "fit for the digital age" (European Commission 2022). Although COVID-19 and Russia's invasion of Ukraine have dominated headlines and shaped much of the EU's current work programme, this proposal reflects the Commission's pursuit of long-term objectives in addition to emergency measures.

A digital euro would be a central bank digital currency intended to complement rather than replace banknotes and coins. It would preserve the role of public money as the anchor of the payments system, protect the singleness of money, monetary sovereignty and the integrity of the financial system, and provide a mechanism for safe electronic payments (European Central Bank 2022; Panetta 2022). The increasing use of digital payments instead of cash, the emergence of new kinds of largely unregulated digital assets like crypto currencies, and the excessive market power of Big Tech have all served to disrupt the traditional payment model, requiring intervention to ensure the continued stability and smooth functioning of the economy (Lagarde 2022; Oehler Sincai 2022). The EU's commitment to exploring the re-

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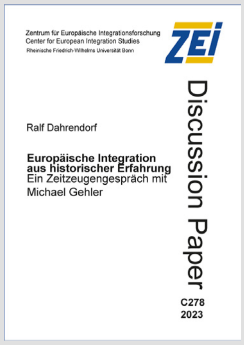
Europäische Integration aus historischer Erfahrung. Ein Zeitzeugengespräch mit Michael Gehler - Ralf Dahrendorf

This interview takes place within the framework of the contemporary witness interviews „European Integration from Historical Experience“, which attempts to record all former commissioners from Germany in interview form. In the case of already deceased commissioners, the conversations were reconstructed retrospectively on the basis of their contemporary interviews, publications, writings and works. In the footnotes to the answers, the year of the statement is given in brackets, so that a historical classification is possible. The answers have been taken over tel quel as they were in the original.



quirements and consequences of a digital euro is therefore timely, particularly given the time required for development and implementation.

Almost half of euro area consumers say they would prefer to pay through cashless means, rather than with physical currency, and the use of digital assets is on the rise, with 10 per cent of Europeans holding or using Bitcoin in 2021 (Lagarde 2022; Tronnier, Harborth and Hamm 2022). However, unlike a digital euro, unbacked crypto-assets cannot perform the functions of money, as they are neither stable nor scalable, and involve slow and costly transactions (Panetta 2022). A digital euro could therefore meet the appetite from consumers for digital payment options, while avoiding the shortcomings of the crypto-assets already in use.

Furthermore, as made clear by the economic uncertainty and disruptions to the European economy caused by the war in Ukraine, a level of strategic independence is necessary to ensure the economy continues to work for people, particularly in times of crisis and uncertainty. Currently, more than two thirds of European card payment transactions are conducted by companies with headquarters outside the EU, and the ECB has raised concerns that the continued entry of Big Tech companies into payments could increase the risk of market domination and dependence on foreign payment technologies (Lagarde 2022). In a time of economic uncertainty and concern over dependency on EU markets, a digital euro could play a key role in the EU’s strategic independence, as it would be based on European infrastructure and would encourage payments innovation in the euro area, and, as a result, support European sovereignty and stability (Lagarde 2022; Panetta 2022; Oehler Sincai 2022).

But would consumers use a digital euro? Public consultation has revealed that users’ biggest concern is privacy, and certainly the full anonymity of cash would not be possible for a digital euro, given that it would contravene other public policy objectives including compliance with anti-money laundering rules and combating terrorism financing (Lagarde 2022; Oehler Sincai 2022; Tronnier, Harborth and Hamm 2022). However, data protection and privacy already play an essential role in the monetary system, and are being taken into account as the designers of the digital euro work to find the balance between privacy and the public interest in preventing illicit activities (Lagarde 2022; Tronnier, Harborth and Hamm 2022).

Ultimately, the digital euro is still in development, and may never come to fruition – whether as a result of privacy concerns, lack of political will, or another unforeseen crisis. However, given that it would meet the needs of users wanting to engage in digital payments, strengthen the EU’s strategic independence, and support the digitalisation of the European economy, a digital euro would function as a logical next step for the common currency, ensuring its relevance now and into the future.

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Youth (Un)Employment: Detrimental Impact and EU Initiatives

Youth unemployment has long been a salient issue in the EU – and the COVID-19 pandemic has now left an additional footprint on the socioeconomic landscape of Europe. Accordingly, the European Commission updated its strategic priority agenda in 2020 with the NextGenerationEU stimulus package. Recognising the specific effects of the pandemic on young people (referring generally to those under 30), such as disruptions to education and delays in entering the workforce, initiatives were added to include unemployment relief and targeted job and training programmes (European Commission, 2023a).

Why is youth unemployment a concern in the EU?

Increased living standards in the EU over time have resulted in lower fertility rates, longer life expectancies, and therefore, population ageing. This can impede economic growth and creates a smaller taxation base and larger tax burden (Smil, 2019). If this trend is not kept in check by an employed younger demographic, the EU economy is in danger of shrinking.

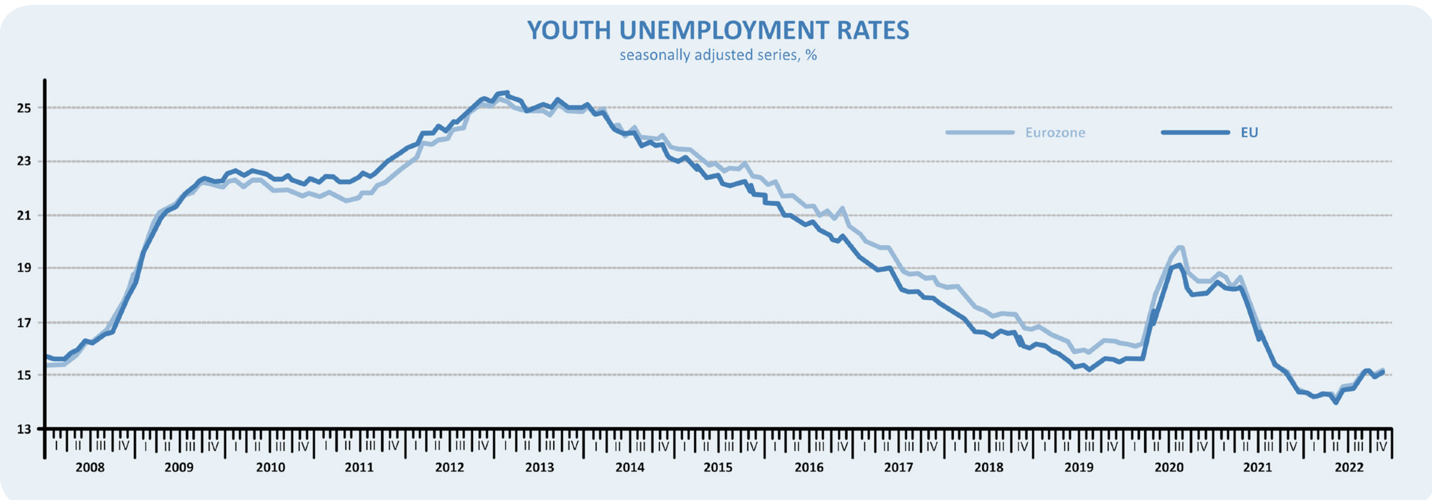
After the 2009 economic crisis, it took ten years until the EU-wide youth unemployment rate returned to its pre-2008 level (European Commission, 2023a). In member states such as Italy, Greece, and Spain, however, it was even higher in 2019 than before the crisis (Wolff, 2020). While the overall labour market seemed to bounce back after the initial shock of the pandemic (Ando et al., 2022), youth unemployment was still higher in 2022 in the EU than in similar regions, such as the United States (Statista, 2022).

Unemployment is a leading emigration driver for young workers: in the years following the euro crisis, youth unemployment surged in many Southern European countries, and Germany and the United Kingdom were the top destination countries (Cavallini et al., 2018). The possible resulting problem is brain drain – human capital flight – from one region to another. Brain drain can lead to brain waste: when skilled workers end up unemployed or underemployed in the country they land in, while creating a possible skill vacuum in the country they left. With swaths of the young and skilled leaving parts of Southern for Northern Europe, existing economic disparities between regions could worsen and erode cohesion.

High youth unemployment also has socioeconomic second-order effects, such as poverty-driven social unrest, exclusion, and higher crime rates (UNICEF, 2020; OECD, 2022). Crises in general tend to affect youth unemployment rates more drastically than overall employment rates (Choudhry et al., 2010). When the youth are unable to gather work experience, they earn lower wages and are less likely to find employment later in life; many will never catch up to reach the income level they would have attained, had job prospects been better when they intended to begin their careers (Stiglitz, 2018).

What is the Commission doing to combat youth unemployment?

The Commission acknowledged the impact of the pandemic on children and young adults and published its findings in a 2022 annual review: measures to mitigate the spread of the virus (e.g., school closures) were more likely to result in a disproportionate learning loss for children from disadvan-



(Youth Unemployment: Eurostat, 2022)

taged backgrounds. The concern is that these children may not catch up and will be unprepared for their entry into the job market (European Commission, 2023b).

As a cornerstone of its youth employment policy area, the Commission committed to a 'reinforced' Youth Guarantee in 2020, which aims for more coordination to 'ensure that all young people under the age of 30 receive a good quality offer of employment, continued education, apprenticeship, or traineeship within a period of four months of becoming unemployed or leaving education' (European Commission, 2023c). The Commission has also developed the European Alliance for Apprenticeships, which coordinates apprenticeships between member states and incentivises SMEs to organise apprenticeship opportunities (European Commission, 2023d). In her 2021 State of the Union address, President von der Leyen declared 2022 as the Year of Youth (European Commission, 2021), which, among other initiatives, promotes job mobility through an EU-wide job portal and encourages member states to adopt labour- and education-related programmes for the youth (European Union, 2023).

In November 2022, the European Employment and Social Rights Forum was held in Brussels, which centred around the European Pillar of Social Rights, established in 2017. The forum addressed youth employment initiatives: apprenticeships, training, and education programmes that not only have the potential to bring down youth unemployment, but aim for a just transition to greener jobs. Surveys presented at the forum showed that since the pandemic, young people have been especially concerned about access to employment protection. By hosting this forum and commemorating the fifth anniversary of the pillar, the Commission signalled that it sees an 'economy that works for people' (European Commission, 2023e) as closely tied to social rights – and that young people have an important role to play in the economy.

Through youth employment support, the Commission can strengthen the economy, prevent social exclusion, and facilitate pathways to advancing on other strategic priorities.

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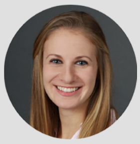
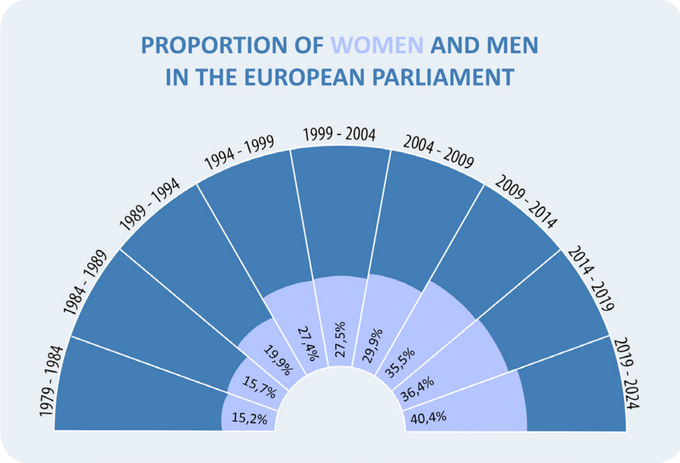


An Economy that works for Women?

Since first entering on the job market, until this day, women have been struggling to have the equal opportunities and treatment as men. The position of women in the market changed significantly in recent decades, however, approaching the standards enjoyed by men is still a slow and painstaking process. This is also true for the European Union. Even though being a global leader in gender equality with 14 of the top 20 countries worldwide on gender equality being EU member states (European Commission, 2020), the diversity of developments at national level obscures this overall achievement. Progress is much more pronounced in some member states than in others, with millions of Europeans still prevented from realising their full potential because of their gender (Eurofund & EIGE, 2021). The labour market is marked by gender inequality in almost all segments, and the numbers underline this clearly. Gender employment gap stood at 10.8 per cent in 2021 (European Commission, no date), with the biggest disappointment being the fact that it has mostly stagnated since 2014. Moreover, women in the EU earn on average almost 13 per cent less per hour than men (Eurostat, 2021). Although it is well known that eliminating gender inequality would have a positive impact on the economy, sectoral segregation, gender pay gap, employment gap and other types of discrimination persist. Statistics show that improving gender equality by 2050 would lead to an increase in the EU's GDP per capita by 6.1 per cent to 9.6 per cent, which amounts to 1.95 to 3.15 trillion Euro (European Commission, 2020). Also, by closing the gender pay gap by between 1 and 5 percentage points across member states, the population at risk of poverty would decrease by around 1.7 percentage points, mostly due to positive effects on single mothers with children (Alcidi & Ounnas, 2022). These numbers prove that this principle has not only a cultural and social dimension, but it also directly and greatly effects the economy of the EU. Therefore, The EU is taking certain steps towards reducing gender inequality.

The European Commission's latest undertakings are the Pay Transparency Proposal, Work-Life Balance directive proposal and adopting a Gender Equality Strategy. In 2021, a proposal for binding pay transparency measures was made by the European Commission for a new EU Directive (hereinafter: "the Directive") which aims to strengthen the application of the principal of "equal pay for equal work" across EU member states (Deloitte, 2022) through pay transparency and enforcement mechanisms. On 29 March 2023 the European Parliament adopted the proposal and now the ball is in the Council's courtyard. With some experts already being sceptical about the future positive impact of the Directive, it is yet to be seen which results it will give. Furthermore, one of the ways the EU plans to deal with the issues mentioned, is through the Work-Life-Balance Directive that introduced minimum standards for family leave and flexible working arrangements for workers and promotes equal sharing of caring responsibilities between parents (European Commission, 2020). On the other hand, the proposal for a directive to improve the gender balance among non-executive directors of companies listed on stock exchanges was tabled in 2012 but remains blocked, although the boost in the proportion of women on company boards in certain member states seems to be linked to the (national) adoption of legally binding measures on minimum representations of each sex. It should be emphasised that inequality is also manifested in the representation of women in politics, and the EU is not an exception. Although von der Leyen's Commission has the largest number of female Commissioners so far, women are still underrepresented in leadership positions. Also, only 32,2 per cent of members of national parliaments in the EU are female and within the current European Parliament only 39 per cent of elected members are female (European Commission, 2020). When comparing this number to elections in 2014 (37 per cent of female members), it is obvious that the progress in this domain is not significant. Therefore, while pay transparency and better working conditions can have positive effects on facilitating compliance with private commitments, these measures have only a limited reach.

The reality is that women are still mostly employed in less paid professions or with poor working conditions and that employers do not value motherhood as a contribution to



(Proportion of Women: European Parliament, 2022)

the company. Furthermore, breaking the glass ceiling is the exception, not the rule, and there is a deep-seated idea in society that a woman oversees the household. All of this cannot be changed solely by these directives or strategies. Inequality of women, not only in the labour market but also in society, is a multidimensional problem faced by even the most developed member states, which can only be solved both by systematic structural changes in the economy and changes in the consciousness of society. And although the EU, as well as some member states, are making special efforts to improve the position of women in the labour market, the answer to the question whether this economy works for women would not be a positive one. It would be more accurate to say that, after all, women work for this economy and not the other way around.

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Entrepreneurship Education in Schools: A Catalyst for Job Creation

In the recent past, the European Union published measures to strengthen the field of entrepreneurship with the Small Business Act for Europe and the Entrepreneurship 2020 Action Plan. Both stress the significance of entrepreneurship education in building an entrepreneurial society in the EU, which can help strengthen the economy, create jobs and contribute to a social union. It therefore makes sense to take a closer look at this field of entrepreneurship. Whereas the European Council conclusions on entrepreneurship in education and training defined entrepreneurship as "an individual's ability to turn ideas into action". It includes creativity, innovation, and risk taking, as well as the ability to plan and manage projects to achieve objectives. As conventional occupation for-life profession ways become scant, Entrepreneurship gives an extra approach to coordinating youth into the present through changing work advertisements and working on their financial freedom. For a few youngsters, all over the planet, independent work turns out revenue, independence and a unique way for development and the improvement of human resources.

The Entrepreneurship 2020 Action Plan (COM (2012)759 final) addresses this area and is structured on three main parts: Firstly, it deals with entrepreneurial education and training. Secondly, the creation of an environment where entrepreneurs can flourish and grow. Thirdly, developing role models and reaching out to specific groups whose entrepreneurial potential is not being tapped to its fullest extent or who are not reached by traditional outreach for business support. This contribution focuses on these three areas and on the development of entrepreneurial learning for young people aged approximately 12-19 years and attending secondary education schools or colleges. Thus, relevant questions that are raised and addressed in this field are:

1. Is entrepreneurship education in schools actually producing desired results and preparing Entrepreneurs for the future?
2. How will monitoring and evaluation fill the missing gap between entrepreneurship education and desired results?
3. How will entrepreneurship education lead to economic and and job growth?

Insightful results regarding the questions are provided by the Entrepreneurship Report (GEM) 2021/2022 (13 member states) in which a survey of Europe member states was conducted and analysed. Generally speaking, the cross-curricular approach predominates in elementary school. Where entrepreneurship education is integrated into existing subjects, these are usually compulsory. Entrepreneurship is not taught as a separate subject. At the upper secondary level, the cross-curricular approach remains equally widespread, but the number of countries also adopting the integrated approach is increasing, as is the number of elective subjects. Examining the available data from the GEM report (pre-pandemic to 2022) in detail, Northern European member states like Sweden, Latvia, and Lithuania have scored highest in the report. The German education system seems to be quite strong overall, but there are deficiencies in the curriculum in the area of entrepreneurship, so this should be remedied. The low scores could be a consequence of Germany's strong economy with high employment rates and wages. Since in such an environment the incentive to become active as an entrepreneur is not so great. So, this cannot be seen as exclusively negative. Southern European member states , including Croatia, Spain, Italy, Greece, and Cyprus have always low scores in both Pre-Pandemic and Post Pandemic Europe. Italian education conditions scored particularly poorly, which imperatively require long-term and gradual plans for improvement. Sweden and Latvia both scored higher on Entrepreneurial Education, which reflects a strong focus on youth and entrepreneurship. Poland's scores suggest that the government had entrepreneurship as a lower priority. To summarise, there is still a great deal of work to be done in member states to develop entrepreneurial capability in young people in order to equip them for the world of work and in life skills. There is still no depth in understanding entrepreneurship and more needs to be done to develop and train staff as well as students.

It is noteworthy that few member states collect data on how education contributes in terms of entrepreneurship. Most member states reported that they do not publish any data on the implementation of entrepreneurship education in their country. Several member states noted that although no official data is collected directly, secondary sources such as the Global Entrepreneurship Monitor (GEM) give information in a transparent way. Data that is available in some member states often refers to specific entrepreneurship education projects, which collect data on the number of users/beneficiaries. Other member states noted that information from schools is gathered at the public or territorial level and that such information is used for understudies in given courses - albeit no proof was given that such information is utilised (or could be utilised) to give an understanding of the execution of entrepreneurship education. Which points to the fact that more broadly, a valid set of data still needs to be collected in order to make informed statements and measures. However, research has shown that the environment in early youth is an important factor in determining entrepreneurial activity. Since entrepreneurship education programmes are used worldwide as a policy tool, testing their effectiveness is important to provide solid grounds for future policy decisions.

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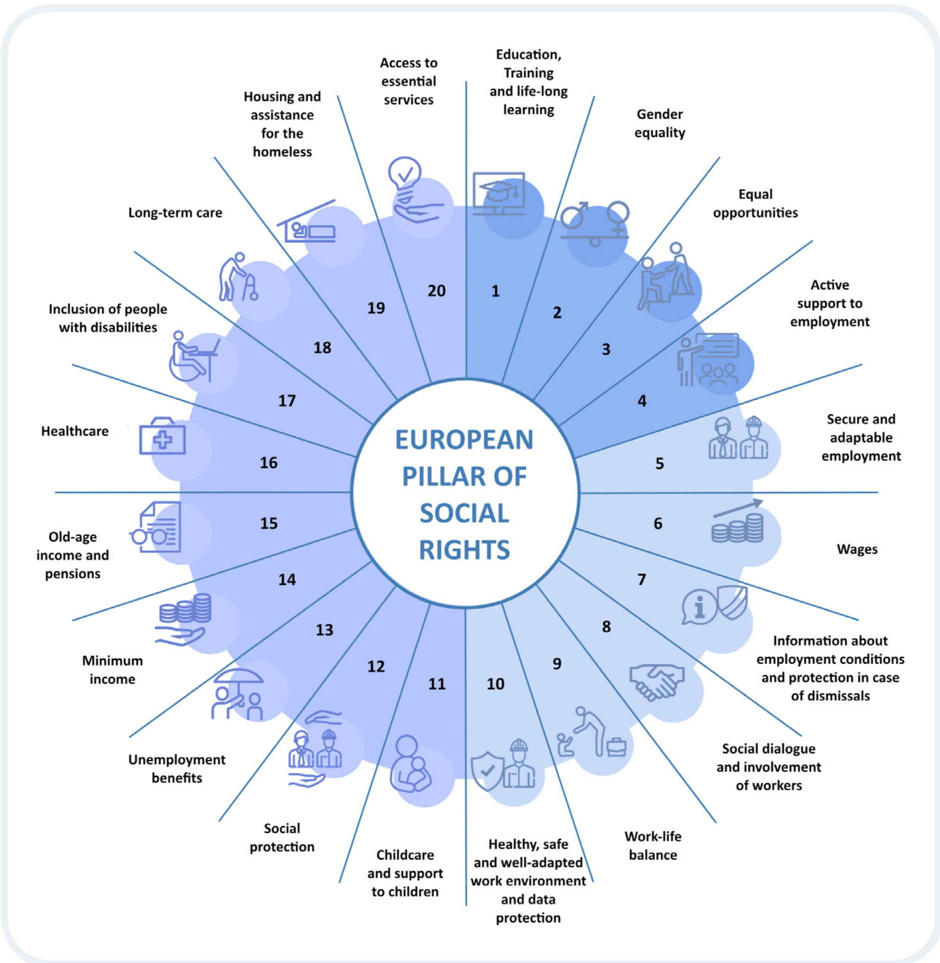
European Commission Actions Uploading EPSR: Fair Working Conditions and Employment Generation Initiatives

The European Pillar of social rights (EPSR) is a set of 20 principles and rights that upholds the fairness and smooth operations of the labour market in the European Union (EU). These principles are controlled under three chapters, wherein the first relates to equal opportunities and access to the labour market; the second is associated with fair working conditions; and the third is linked to social protection and inclusion. All three chapters are interrelated, and to attain the objective of EPSR, supposed to be inclusively read and implemented in the letter and spirit.

The European Commission (EC) adopted the European Pillar of Social Rights Action Plan in 2021 (EC, 2021). This aims to implement the EPSR commitments, in line with the ideas of European leaders (European Council, 2019) and the EU parliament, and to introduce a social rulebook across the EU. It focuses on three main areas, namely employment, skills and social protection. This short contribution focuses on the area of employment.

Initially, the EU institutions took stock of current developments. Among other things, the underlying challenges in terms of employment rates (negative and positive), working conditions at the workplace and gross disposable household income (GDHI) were recorded using various parameters. The EC has identified four key areas and subsequently implemented employment-related measures that align with promoting fair working conditions under the EPSR framework. Firstly, creating job opportunities across the EU is significant for achieving the overall EU and member states ambition of employing 78 per cent of the population aged 20 to 64 by 2030. Schemes like SURE (EU) 2020/672) in combination with the Commission's Recommendation on "Effective Active Support to Employment" (EASE) (EU) 2021/402) were launched during the pandemic for this purpose. Especially in the green and digital sectors, these should be supportive and drive transition. The EC has dedicated policies towards nurturing industrial innovation and competitiveness across the EU and creating better job prospects in such sectors. Innovation has also been the critical focus of the EC when it comes to Small and Medium Enterprises (SMEs) and Entrepreneurship, as they bear a promising potential of sustained employment generation. Steps taken by the Commission include reviewing the Council recommendation of traineeship, evaluating the implementation of SURE in member states, updating the Industrial Strategy for Europe, and adopting an action plan on the social economy to ensure the attainment of sustainability of the EU labour market.

Secondly, the EC focuses on improving working standards, which need to be adapted to current developments. Especially as new forms of organisations and working relationships have emerged in recent years, partly due to digitalisation. The development in this area will continue with the establishment of artificial intelligence, data management and algorithmic decision-making which will also bring new challenges. Whether this



(European Pillar of Social Rights: European Commission, 2021) will have a positive impact on working conditions remains to be seen and is largely determined by the EU. The European Commission has taken steps to address some of the issues that digitisation brings, such as presenting a legislative proposal on the working conditions of platform workers, removing competition law barriers to collective bargaining for some stakeholders, proposing an EU regulation on artificial intelligence and implementing a working time directive, to name a few. In addition, developments have been observed in some EU member states that point to low-paid and low-skilled workers with dwindling collective bargaining systems. To address these challenges and ensure fair wages across the EU, the Commission has launched an ambitious project with the proposal for a Minimum Wage Directive (COM(2020)682 final).

The third focus of the action plan is to ensure workers' health standards and occupation safety, which shall be advantageous for labour productivity, employment and the overall economy. The changes in the working ecosystem and dynamic industry interface lead to the update of norms and regulations, and if needed, new legal and policy instruments to be fabricated in the EU job market. The EC is taking steps like adopting the EU strategic framework on health and safety at work 2021-2027 (COM(2021) 323 final) and reducing workers' exposure to hazardous chemicals (COM(2020) 8944 final).

Fourth and last, the initiative of the EC towards employment generation, henceforth upholding fair working conditions, remains incomplete without labour mobility provisioning in the EU. Fair labour mobility has become an essential aspect of the European job market. Hence, the creation of the European Labour Authority (ELA), the reformation of the EURES portal, and other such revision and implantation of rules to support labour mobility within the EU are fundamental to implementing EPSR objectives. Evaluating the ELAs' performance in 2024 shall be one of the continuing efforts of the EC that reflects its commitment towards standardising the labour mobility norms within the EU.

Apparently, the seed of EPSR rooted in 2017 has grown into a tree and is mutually guarded and nourished by the EC, member states and other stakeholders ensuring just and fair social policy across the EU. Following the ECs approach to implementing the EPSR principles, two major factors have shaped the current policy initiatives. First is the pandemic, which has had damaging economic and social impacts, but has also helped to identify the weakest aspects of socio-economic systems that might otherwise have gone unnoticed. The Second seems to be digitalisation which outlines the future roadmap to policy-making efforts.

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Reconciling the Social and the Market at Last?

In her political guidelines for the 2019-2024 European Commission, President Ursula von der Leyen declared that it was "high time" for the EU to "reconcile the social and the market in today's modern economy" (2019, p. 9) by fully implementing the European Pillar of Social Rights. Yet, while the development of the social pillar has continued under the von der Leyen Commission following its establishment by President Juncker in 2017, its implementation remains far from complete. Rather, it is plagued by insufficiencies that are the consequence of the Union's persistent subjugation of social considerations to concerns over the efficiency of the common market.

This prioritisation of 'Market Europe' over 'Social Europe' (Umbach & Tkalec, 2021) and the subsequent issues facing the social pillar are a consequence of how the Union integrated. After enjoying a brief period of enthusiasm in the immediate aftermath of World War II, the European project faltered over the question of how further integration should be achieved: through a centralised, supranational body, or simply through further coordination between governments. Within this polarised debate, economic integration provided a way forward, as the benefits of the common market were to be gained by all parties. The highly-politicised realm of social policy, on the other hand, was largely abandoned due to concerns over its polarising influence on the fragile union and potentially harmful effects on market efficiency. So while the aims of integration were political, the means used to achieve these aims were economic.

Indeed, 'Social Europe' did not begin to emerge in a meaningful way until Maastricht and the politicisation of the

Verknüpfte Welten. Notizen aus 235 Ländern und Territorien - Ludger Kühnhardt
Vol. 1: 1960-1999, Vol. 2: 2000-2020, Wiesbaden: Springer 2022

As journalist, contemporary historian and political advisor, Ludger Kühnhardt, Director at the Center for European Integration Studies (ZEI) at Bonn University, has recorded impressions, noticed conversations and reflected on links between the different worlds of this one planet. The two volumes of "Verknüpfte Welten", written in German on the spot in all independent states and many non-sovereign territories on all continents for over six decades, offer fascinating reading. The texts are reconstructing the puzzle of a world that has gradually discovered itself as single entity over a period of just over half a century. With the corona pandemic, an intermediate epoch between old resolutions and new connections has come to an end. The unique travel notes taken by a global citizen in 235 countries and territories offer exciting impulses for multi-dimensional reflections and creative re-assessments of the years 1960 to 2020. "Verknüpfte Welten" is a rich and important source of contemporary history.

integration process that accompanied the question of the Union's eastern expansion. Since then, social concerns have played an increasingly dominant role in EU policy-making. The establishment of the social pillar is one example of this trend.

In 2021, the von der Leyen Commission introduced its European Pillar of Social Rights Action Plan, which laid out a series of initiatives towards the implementation of the social pillar. Among a wide range of initiatives, the plan included the European Skills Agenda, a Commission Proposal for a Directive on minimum wages, and a Strategy on the Rights of Persons with Disabilities. To track the implementation process, the action plan designated a number of benchmarks to be achieved by 2030, such as the employment of at least 78 per cent of 20-64 year-olds, the participation in training of a minimum of 60 per cent of adults, and the decrease of people at risk of poverty or social exclusion by 15 million (*European Pillar of Social Rights Action Plan,* 2021).

Yet, despite these ambitious targets, the Covid-19 pandemic served as further confirmation that EU social policy remains insufficient. The Union's ability to act in the social policy realm is restricted by the limited competences attributed to it in the Lisbon Treaty. Within this legal framework, the EU can either exercise its shared competence with member states to implement directives in the area of labour and employment, or try to influence the policy arena and the decisions of member atates through 'soft law' initiatives such as guidelines, handbooks, and opinions (Schütze, 2015). Since 2009, the Union's social strategy has been defined by the latter tactic, which it has employed with varying degrees of success. Ultimately, however, the implementation of the social pillar hinges on the actions of the member states. Moreover, the adoption of legislation by the Union in matters such as social protection and social security requires unanimity voting in the Council, and is subsequently highly vulnerable to blocking by unsupportive member states (Shutter, 2018).

In order to combat its reliance on 'soft law', the Union has attempted to utilise the 'hard law' toolkit of the European Semester by developing legal measures aimed at improving coordination and monitoring of member states' social policies. Yet, despite Union efforts to 'socialise' the Semester by redesigning its long-term budget to align with the principles of the social pillar, its raison d'être is first and foremost to ensure the stability of the internal market (EPRS, 2017). In fact, austerity policies and strict budgetary discipline measures enforced through the Semester have historically hindered member states' abilities to implement their social policies. The net result of these issues is the subordination of the social pillar to the consolidation and efficiency of the common market (Van Hercke and Zeitlin, 2014).

Within this context, what would von der Leyen's 'fully implemented' social pillar actually look like? Some have argued that in order to be effective, the social pillar must be made legally binding and its principles incorporated into the Union's international treaties and secondary legislation (Santamaria, 2022). Whether or not this is achievable any time soon is another question altogether. Further integration, particularly in the highly-politicised realm of social policy, continues to be a contentious and divisive issue. Whether President von der Leyen or her successors will be able to "reconcile the social and the market" (2019, p. 9) within the current framework remains to be seen.

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ZEI Master of European Studies Class of 2023

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