

EUROPE!

PRIZE WINNER: BEST ESSAY BY AN AUTHOR UNDER 30

Antoine Levy

**Reforming Europe by the people,
for the people: an adaptive,
acceptable, and accountable
reform programme**

Abstract

Europe's lack of economic dynamism and mobility, the so-called *Eurosclerosis*, is not a fatality. Barriers to entry and exit for workers, firms, innovators and investors reduce the continent's ability to transition to a modern knowledge economy, and create powerful vested interests resisting change. However, there exists a potential coalition ready to challenge the *statu quo ante*, on the condition that they feel empowered in the design of reform through appropriate governance structures; that they be fairly represented in the distribution of their benefits; and that they be granted democratic control over their implementation.

To answer this triple-D social demand, a triple-A rating for the supply of reform processes is needed. The three guiding principles should answer the need for adaptability of the design, acceptability of the distribution, and accountability of the democratic control. This translates into very concrete and specific policy proposals, including, but not limited to: the use of European Social Impact Bonds to finance innovative provision of collective services; the compensation of losers from reforms by growth-indexed entitlements to better align incentives; the use of "opting-out" clauses for entitlement reforms, and of "grandfathering rights" to deal with transition periods; the design of "European competence clubs" of countries willing to step up integration on specific policy topics; or the recognition of relevant local scales of democratic legitimacy, including some overlapping existing jurisdictions.

Introduction: dealing with dispossession

If the cliché had not been worn-out by countless witty references, one would readily admit that a spectre is haunting Europe – the spectre of populism. The European ideal has been under attack, not merely from the outside, given foreign State and non-State violence threatening the integrity of Europe's borders and the safety of its citizens, but also and above all from the inside, **as populist movements gained steam by portraying Brussels and globalization as the sole source of their country's domestic failures, and demonizing elites and progressive ideals in the name of a lost golden age.** While one should be careful not to see in the British vote to leave the European Union the interpretation one is looking for, Brexit clearly and ominously signals the feeling of powerlessness of **those who feel most affected by the structural trends of globalization, Western de-industrialization, rising migration, and democratic dispossession.**

Economic considerations play a key role in triggering such attitudes. **Productivity growth has remained subdued, dragging living standards back, while high unemployment and an aging population have prompted States to accumulate debt in order to sustain extensive social protection schemes.** Reflecting upon this grim backdrop, many European citizens fear that they and their children will not achieve the same gains in purchasing power and prosperity obtained by the post-war generations, and that **the continent is stuck in a low-growth, weak-mobility trap, making any policy debate sound like a zero-sum game,** whereby some can only gain at the expense of other people's loss.

Guaranteeing that Europe reverts to a trend of fast, employment-creating, environmentally compatible and fairly distributed income and productivity growth requires bold reforms, both at the national level and at the continental scale. Mobilizing a larger share of the population into the labour force, improving the efficiency of public services, ensuring a fair degree of economic competition while allowing for the emergence of large-scale Europe-based companies: many of these objectives are widely shared, but the specific policy reforms to achieve them fail to gain acceptance. **While some of these measures do reach the support of a broad consensus, large segments of the population balk at the mere suggestion of most of them, either because they represent a direct threat to some vested interests, or because they involve cultural and social "leaps of faith" that many citizens are reluctant to take.**

I. A diagnosis: *Eurosclerosis* is back

For the last few decades of the 20th century – at least since the end of the golden age of post-war productivity catch-up with the United States – the main concern about continental Europe, viewed from across the Atlantic, was labelled *Eurosclerosis*. Behind this ominous name, lied a somewhat dramatic economic condition, characterized by a lack of dynamism, low growth, and weak upwards mobility. **Barriers to entry and exit were deemed omnipresent: for firms entering new markets; for workers moving across firms or jobs; for inventors creating new processes and disseminating innovative technologies; and for investors willing to finance disruptive projects.** Such obstacles allegedly prevented European nations from achieving their full potential, by hindering the reallocation of production factors and the adaptation to technology or economic shocks. Some analysts blamed it on excessively protective regulation of labour, products and financial markets, or too heavy a taxation burden; others were more fatalistic, accusing specific European cultural traits of hampering a more rapid pace of economic progress.

The global financial crisis of 2008 and its repercussions seemed, for a while, to have made such differences appear less pronounced. European politicians blamed the US's free-market institutions for the meltdown of global economic activity, and, as unemployment initially jumped to Europe-like levels in the United States, the very factors that partly account for Europe's lack of growth made it more resilient to global negative shocks. **The initial post-crisis years indeed seemed to vindicate, to some extent, the virtues of a generous social model for those affected by unemployment, of a welfare State accustomed to the use of automatic stabilizers, and of rigid employment protection legislation limiting the use of layoffs.**

A few years later, however, the sense of *Schadenfreude* felt by some in Europe has faded away. While the US almost fully recovered from the crisis, with unemployment moving back to its long term, structurally low level, and growth approaching the brisk pace of yore, Europe remains stuck in a stagnation trap of low economic dynamism, fuelling populist anger directed at Brussels and at traditional political institutions. **Production capacities remain under-utilized, discouraged workers have quit the labour force *en masse*, and despite the strong stimulus offered by low interest rates, a weak common currency and cheap hydrocarbon-based energies, the *Eurosclerosis*, more than ever, appears to have taken its toll on the recovery.** A few emblematic conflicts, such as those over new car-lift platforms competing with taxis services, or labour market deregulation reforms, embody the difficulties of would-be reformers to build a consensus over growth-enhancing policy measures.

II. Reforming Europe: Recreating a sense of ownership

The zero-sum trap

European leaders and civil society, when conducting reforms or discussing the state of affairs, sometimes sound as if they had gradually come to accept such a structural stasis as a fact of nature. They struggle to attenuate the consequences of the *Eurosclerosis*, rather than affect its root causes. **Political preferences – and public resources - went to protecting existing jobs and sectors, defending insiders, while ensuring some degree of static redistribution among categories and subsets of key political constituencies, rather than enhancing an agile, adaptive, and fair society.**

Reform processes, in other words, have worked on the shared assumption that the status quo ante would prevail along most dimensions, and therefore, successful political platforms have been based on a vision of society and the economy pitting “us” versus “them”, natives versus immigrants, insiders versus outsiders, workers versus takers. Economic policy has been

targeted towards the preservation of existing entitlements without concern for their present and future costs, and towards the protection of structures (companies, public services, or institutions) rather than individuals.

Such a stagnation trap is no longer sustainable. **It fosters defiance and distrust towards institutions and other citizens**, further hampering economic activity; **it jeopardizes the financial soundness of social risk-sharing schemes**, fuelling expectations of their eventual demise and a fear of the future; and **it excludes many of Europe's most fragile populations**, be they the young, the descendants of immigrants, or the poorly educated, from the benefits of globalization, a fertile breeding ground for anger and anomie.

“How” Europe reforms itself will determine “whether” Europe remains relevant

Growth policies, in themselves, will not solve this despair nor cure this economic angst. “Structural reforms” have long been a keyword of administrative discourse in the region, and the need for “sacrifices” and “efforts” a trope of political speeches. **A truly growth-enhancing reform programme for Europe, therefore, should not be about cherry-picking a few measures likely to marginally improve productivity, reduce frictions or complete existing markets.** Political enthusiasm and trust in national and regional institutions will not be rekindled solely by achieving a few additional basis points of GDP growth; nor will a brighter outlook on future economic perspectives for the many stem out of a visionless, technocratic reform masterplan, imposed from the top without concerns for design, distribution, and democracy.

What has been lacking is **a vision incarnating growth into visible achievements, which improve overall living standards while respecting collective and individual sovereignty.** Economic reforms should naturally aim at targeting barriers to productivity and efficiency, lowering obstacles to entry and empowering individual decision-making. But they should in parallel **strive to recreate a sense of belonging, an architecture of individual free choice and collective trust, which form the necessary underlying infrastructure to a sustained period of shared prosperity.** Successful reforms require not only skilful quantification and implementation, but also a broad understanding and ownership by vast segments of the population.

A few principles for successful reforms: triple-A for triple-D

The coalition of vested interests balking at reforms and preserving the status quo is not the only possible one. There exists a progressive, reformist majority in Europe, **ready to accept economic changes as long as they feel empowered in their design, fairly represented in the distribution of their benefits, and in command of their democratic control. To answer this triple-D social demand, a triple-A rating for reform processes is sorely needed. The three guiding principles should answer the need for adaptability of the design, acceptability of the distribution, and accountability of the democratic control.**

We shall further exemplify in the next section the interpretation of such structuring values for specific policy reforms, such as fixing our immigration systems, reducing the civil service headcount, introducing common standards for digital services or deregulating labour markets. One should already note that they constitute, to some extent, a possible answer to the questioning of current institutions embodied by the Brexit vote:

- *Adaptability* involves the need for a flexible design of policy reforms, tailored to the individual national context, rather than a common framework from Vilnius to Lisbon. Critics in the coattails of the “Leave” campaign have often argued for a greater degree of discretion and subsidiarity in the application of broad European principles.

- *Acceptability* suggests that when reforms, such as further trade openness or deregulation of licensed professions, are likely to produce aggregate gains, the distributive impact of their implementation should be a key element of the discussion. The geographic and sociological map of the “Leave” vote has amply demonstrated that even when overall growth is relatively strong, distribution matters in its political sustainability.
- *Accountability* means that no reform should go without correlated representation: populations affected by policy measures should have a say in their elaboration *ex ante*, but also in the control of their success *ex post*, so as to make those in charge responsible for the medium-term consequences of their actions.

Beyond the GDP factory

Comparing best performers and conducting a rigorous diagnostic of Europe’s binding constraints to growth, helps to identify a number of levers apt to increase the continent’s productivity potential. **Europe, when compared as a whole to its natural counterpart, the United States, does not lack the necessary production factors in a modern knowledge economy, such as skilled labour, sound institutions and intellectual capital. Rather, it suffers from a relative disadvantage in mobilizing and allocating these ingredients into efficient production and trade activities.** Most of the reforms identified by the June 2015 *McKinsey Global Institute’s* report on unleashing Europe’s growth potential revolve around either a better mobilization of labour (be it senior and young labourers, or relevant immigration targets), capital (such as public investment in infrastructure, or R&D expenditure funding), or improved allocative efficiency (via increased trade openness, standardization of norms and fair competition throughout the single market, or streamlined management of public services).

Europe, however, is not a single, large GDP factory, where mixing the ingredients in the right way would magically produce a manna from heaven called economic growth. It is also a complex polity of diverging interests, a confluent of cultures, social models, and traditions, and above all, the original locus of a democratic conception of political action. **If reforms are to achieve significant strides in Europe’s way to a more prosperous economy, they should take into account these national differences and this need for legitimacy;** for, if they don’t, policymakers will soon be reminded that a well-functioning market economy can only thrive when embedded in networks of social trust, solidarity, and respect for its governing institutions.

III. Adaptability, acceptability, and accountability in action

Any successful reform plan should strive to meet the triple-A rating of large-scale economic policy changes: it must be *adaptive, acceptable, and accountable.* In this section, we explore some of the potential applications of these three principles to specific economic policy measures, and the way they would help align political economy incentives with growth-enhancing reforms.

1. Design is key: the role of adaptability

The first keyword to keep in mind when designing reforms to boost Europe’s growth potential is adaptability. The fiction of a one-size-fits-all, uniform policy programme to be applied throughout Europe, must be abandoned: national traditions, social structures and past trajectories matter when designing the appropriate steps of a reform process tailored for an individual country.

Transforming EU institutions into a policy fablab

European institutions should no longer be perceived as a blind administrative bureaucracy, but as a field for experimentation and interaction. They should focus on **promoting best practices of governance and reform across the continent, by analysing, selecting and advertising successful reforms in specific member states or areas**, and reflecting on how best to adapt them to other national contexts.

With such a trial-and-error mind-set, European institutions will be able to promote true convergence, not only in fiscal or monetary stability terms, but on competitiveness, regulation, and democratic processes. They should convert into a repository of successful “best practices”, rather than impose a single “Brussels consensus” broad reform programme to each and every European economy while overlooking structural differences.

EU institutions should have the objective of turning into a policy fablab, where new measures are experimented, evaluated and adapted to specific national contexts. In practice, **specific Europe-wide contests for the innovative provision of public services, financed by European Social Impact Bonds, would do a lot both to foster a spirit of innovative efficiency in fields where it is currently lacking, and in improving the image of European institutions** in the mind of the continent’s citizens. European Social Impact Bonds would constitute a mild form of debt mutualisation, but would however remain acceptable to guarantor countries because of their success-based formula: financing would only be offered to those projects likely to economize on future public funding while improving growth and prosperity outcomes in fields such as education, professional training, or healthcare.

Similarly, in each major field of governance, instead of a council of European ministers which tends to veto any kind of reform not in accordance with its own national government’s policy orientation, one could suggest **the creation of transparent lists of potential reforms. Such European Reform Repositories would not be binding: on the contrary, each country could choose to adopt and adapt a number of them**, while taking advantage of the diversity of national traditions and institutions to obtain feedback and evaluation from each national experiment with adaptive reform frameworks. **Reforms would then be ranked according to clear criteria of success, and European structural funds would be allocated in priority to countries willing to adopt those which have proved the most efficient** across the continent.

A European league of competence clubs

From a governance perspective, Europe should no longer aim at fully centralized integration in all respects and across all topics of governance. Rather than a multi-speed Europe, what is sorely needed is an acknowledgment of the diversity of goals and objectives targeted by communities throughout Europe, upon the background of common principles and values. **Europe should take into consideration the existence, within its internal market, of converging interests across subsets of nations, regions, or cities, and allow them full flexibility to associate within “European clubs” and pursue further growth-enhancing reforms, without requiring the participation of each and every member state.**

Such “competence clubs” would be based upon two basic tenets. **The first one would be a “ratchet principle”: these arrangements could only be concluded in order to secure more integration than the baseline European model**, rather than less, across their members. This would avoid a disaggregation of existing successes of the single market through the formation of “Euro-sceptic” clubs. **The second principle would involve a “free entry criterion” for EU members: any member state or region should be able to join**

a club if it asks to (and only EU member states should be allowed to join), in order to maintain the long-term objective of full integration and avoid the partition of Europe into exclusive sub-unions.

One could, for example, apply such competence clubs to the case of immigration policies. It has long been argued that better adapting the immigrant population intake to the economic needs of European countries is a legitimate objective, apt to improve labour-market matching of immigrants and reduce the risks of immigration for the financial soundness of benefits schemes. An immigration “points system”, with clear weights given to experience, training, industry or other characteristics could help objectivise the debate over immigration and undercutting populist slogans. However, full convergence of all 28 member states on the criteria to be weighted is unrealistic within a reasonable period of time. **Therefore, the creation of a “competence club” specifically targeted towards the creation of a common immigrations points system would help to bring together those countries with sufficiently close immigration needs and political values that they are willing to take a step in the direction of further integration** of their immigration policy, without requiring the consent of each and every European member state.

2. Distribution matters: the need for acceptability

Truly beneficial, growth-accelerating reforms are likely to foster gains and losses, by reducing protections for bastions of low productivity in licensed occupations, by increasing turnover at the firm, worker, and industry level, and by facilitating the reallocation of labour, capital, and property rights, and the adoption of new production methods and technologies. Therefore, acknowledging trade-offs rather than sweeping them under the carpet, and offering compensations to losers in order to gain their support and willingness to reform is key to a successful reform programme.

Compensating losers: the role of frontloading

Would-be reformers should drop the convenient political fiction of unanimity, and the pretence of contenting every stakeholder with a single, one-size-fits-all reform. **Opening protected industries to foreign trade, or reducing distortive subsidies to socially wasteful activities or products represent canonical examples of reforms which are likely to produce aggregate growth gains, but also to have deep distributional effects** and generate uncompensated losses for some segments of the population. Such diverging interests are a normal by-product of reforms in modern economies, where most low-hanging fruits have already been seized and the activation of remaining growth levers involve harder trade-offs.

Neglecting or denying these trade-offs is of no help. On the contrary, reformers should avail themselves of the margins of manoeuvre offered by growth-oriented reforms to compensate losers in an innovative and incentive-compatible way. **Moreover, such compensations should be, as much as possible, frontloaded: the longer governments wait to compensate losers, the larger the losses they have incurred, and the more entrenched their opposition becomes.** Taxi services are a case in point of the cost of back loading: while reasonable compensation for their lost monopoly rights could have been envisaged when some forms of competition began to appear, governments in most European countries chose to postpone the problem, only to find out years later that the value of the required compensation had only gone up as competitor services gradually drove down the value of monopoly rents to next to nothing.

Compensating losers: innovative growth-indexed entitlements

“Paying to reform” should therefore never be a taboo, all the more so when the (concentrated) costs of buying back rents are low compared to the expected (but diffuse) benefits of deregulation or opening up to competition. Besides, **innovative financing schemes can have relevant applications in the process of buying-back rents: for example, offering GDP growth-indexed shares to workers in industries affected by foreign competition would help to align their incentives with those of the broader national community.**

Growth-indexed entitlements, in general, would have many benefits both for governments (by virtue of their counter-cyclical burden on public finances) and for those who receive them as compensation, by ensuring that their objectives better match those of the general public rather than opposing narrow interest groups.

Offering opting-out possibilities

Making reforms acceptable also requires offering citizens and affected constituencies a say in the process, for example through opting-out possibilities, or through the granting of “grandfathering rights”.

Opting-out of democratically accepted reforms should always have a cost, in order to avoid secessionist tensions and the temptation to simply withdraw from the national community. One example of an area where “opting-out” possibilities would be likely to improve the buy-in of those affected by the reform is the protective status civil servants enjoy in most European countries. Some countries, with a view to reduce civil service figures, while not reneging on their implicit or explicit pledge of life employment for their members, could offer the option of selling away the special status, effectively buying back rents. **An auction system could be designed to achieve specific headcount reduction objectives, with those tendering their status being offered a buyback amount, up to the point when the global downsizing target has been met.** Thus, civil servants who are unwilling to abandon their protective status at any cost would be able to opt out of the reform process, but they would lose their rights to compensation.

When designing the structure of individual choices, however, lessons from behavioural economics should be taken into account. If one believes that individuals sometimes fail to choose the best path for themselves and society, because of a lack of information or anticipation capacity, then **default options or other “nudging” mechanisms must be considered in order to channel the choices of those least informed in the direction of growth-improving outcomes, without denying them the right to individual choice, a necessary condition for political acceptability.** This is the case, for example, for retirement decisions: since the individual retirement decision exerts an externality on social benefits schemes by reducing contributions and increasing expenditures, default options for the retirement age should be set towards the higher end of the targeted range, while offering the individuals the possibility to opt out of reforms raising the retirement age if they are willing to do so, at a pre-determined cost for their pensions.

Grandfathering rights to deal with transition periods

Another useful technique to provide compensation to those affected by a reform without losing its broader benefits comes in the form of “grandfathering rights”. **“Grandfathering rights” give specific attention to transition periods, by allowing those who wish to do so to protect their existing status during a reform.** One potential application of these grandfathering rights would be to labour market regulation. Some European countries could, through a “competence club”, decide the creation of a unique labour contract, with gradually increasing rights to social protection, with a view to replace the existing multiplicity of contracts. While incentives would be offered to those willing to join the new type of contracts,

and **they would constitute the standard for newly concluded transactions, the rights of workers holding existing legacy contracts would be preserved during the transition period, to avoid rushing unacceptable changes** on those who made a decision based on former regulations.

3. Democracy at the core: the thirst for Accountability

Ensuring that reforms are acceptable beforehand by a vast majority, and that their conduct takes an adaptive and non-ideological form, are necessary, but not sufficient conditions for success. In addition to adaptability and acceptability of the reforms, guaranteeing their long-term sustainability, both economic and political, requires that politicians and administrative agencies in charge of their implementation remain accessible and accountable to the people throughout the reform process. Mass support for reforms can only come through the legitimacy of a clear mandate, the recurrent appeal to the people to validate the path taken, and a commitment to review the outcomes regularly and change course if necessary.

Independently reviewing objective success criteria

Pro-growth reforms are often based upon the explicit or implicit pledge that short-term pain will produce medium-term gains. However, to ensure their legitimacy and preserve a broad consensus, the gains must be measurable against clear, predetermined success criteria. Only with such benchmarks against which to gauge the success or failure of a reform, and a credible commitment to change course or even reverse policies in case they are not met, will reforms gain broad acceptance.

The feeling of elite-sponsored reforms being imposed “from the top” without any regard for their actual effectiveness on the ground is one of the key drivers of the loss of legitimacy of growth-enhancing programmes. **Committing to the evaluation of results against clear, pre-determined success criteria is a way to tie a government’s hands *ex ante*, by ensuring that unsuccessful reforms will be phased out *ex post*.** Such an evaluation could be delegated to independent administrative authorities, less subject to regulatory capture by either politicians or affected interest groups. The design of success criteria should take into account existing evaluations of policy reforms. It should also select quantitative measures of success that are least subject to manipulation or misreporting by government, in order to preserve the legitimacy of the independent evaluation process.

Introducing sunset clauses

Similarly, the introduction of sunset clauses (or, when more relevant, regular review clauses) for laws and rules, in order to revise them and avoid locking-in future generations of voters, provides powerful support for change against the status quo. One of the main opposing arguments to growth-enhancing reforms lies in their definitive character, and the risk that they will no longer be adapted in a few years’ time. **A pre-determined schedules of reviews and resets thus preserves the interests and freedom of decision of future generations, while offering a chance to experiment with reforms for a given period of time.**

As an example, specific tax breaks to encourage research and development funding are often accused of having lesser and lesser incentive powers while incurring ever increasing costs. Introducing sunset clauses for such measures would therefore help frontload their impact on research financing, while offering the option to phase them out if their efficacy proves to be on a declining path within a few years of implementation.

Identifying the relevant level of political representation

Accountability entails the recognition that the relevant scale of political legitimacy should evolve with the state of technology, social and geographic mobility. Geographic nation-state borders are not always the most appropriate level of economic decision-making, since regions overlapping several states may have common economic interests and would benefit from mutually advantageous reforms.

Thus new reform plans must be matched to a corresponding level of democratic involvement and control, be it at the city, regional, national or supra-national scale. This implies that **a fair degree of subsidiarity should be granted to cities or regional governance structures to hold their own voting consultations on reforms that can be implemented at a local level, such as new infrastructure investments or specific local tax incentive plans.** Such subsidiarity could for example be materialized by **a European charter of local government rights, guaranteeing the recognition of policy measures implemented at the local level by all European partners, and facilitating the option of holding trans-national consultations over relevant policy reforms.**

Indeed, a better match between the scale where political sovereignty is exercised, on the one hand, and the relevant level of economic decision-making, on the other hand, would be a major step in the direction of improved accountability of pro-growth reforms. It would partly alleviate the current feeling of dispossession of those who feel that decisions taken at the national or European level do not correspond to their best interests, and ensure that appropriate programmes are implemented, even though on a smaller scale, when a national consensus cannot be built within a reasonable timeframe.



Conclusion

Declaring that European societies now find themselves at a crossroads has become commonplace; it is no less true. The choice between long-run stagnation, fuelling populism and resentment, or a bold pro-growth reform plan, cannot be postponed for much longer. Inclusive reforms must better mobilize resources and allocate them throughout the continent, while broadening individual and collective perspectives. **Growth is not, or not only, about an additional decimal point of GDP; it will provide the occasion to build a fairer European society, able to preserve the specificities of its generous social model without jeopardizing its long-term prosperity.**

We outlined the triple-A principles that we believe are central to the political economy a pro-growth reform programme for Europe. **Adaptability** involves the acknowledgement that the relevant scale of political imagination and belonging needs no longer be the same for all types of reforms: while some are better dealt with at the supra-national level, others require a national consensus, while some would be better suited to a city or region scale. **Acceptability** includes the need to compensate any potential losers and direct a fair share of attention towards transition periods, rather than ignoring the fate of affected constituencies in the name of large aggregate gains. **Accountability** notably means that reform success should be measured by distinct, quantitative and qualitative criteria, and unsuccessful reforms should be abandoned, reversed, or redirected upon not meeting such requirements.

A few structural propositions should naturally follow from these principles. Hard choices, resource trade-offs and conflicting interests must be acknowledged and openly debated, rather than discreetly swept under the rug, hoping no one will notice. Potential losers must be compensated, and transition periods should not be lightly discarded as mere impediments on the road. Individual choices should be respected, while channelling decisions in the direction of the broader community's interests. Existing institutions must be questioned, and, if necessary, replaced by more appropriate and finer governance structures, precisely tailored and adapted to their objectives. Democratic rules that preserve the interests of local communities and future generations are necessary for reform programmes to gain broad acceptance. Reforms should avoid locking in future generations, remain flexible in their design, and offer the opportunity to change course if results are not living up to expectations.

Reforming Europe to achieve its full growth potential will involve affected constituencies at any point in time, from the conception of the reforms to their implementation and evaluation, to allow citizens to own the reform process, rather than feeling threatened or overwhelmed by outside, top-down widespread changes. Defiance against opaque decision-making and smoky backroom deals shall only be overcome by a radical effort in favour of transparency, legibility and involvement of European citizens.

Selected bibliography

- Acemoglu, Daron and Robinson, James, *Economic origins of dictatorship and democracy*. Cambridge University Press, 2005.
- Esping-Andersen, G. (ed). *Welfare states in transition: National adaptations in global economies*. Sage, 1996.
- Le Grand, J., *Knights, knaves or pawns? Human behaviour and social policy*. *Journal of social policy*, 26(02), 149-169, 1997.
- McKinsey Global Institute, *A window of opportunity for Europe*, June 2015.
- Mogherini, Federica, *Shared Vision, Common Action: A Stronger Europe - A Global Strategy for the European Union's Foreign and Security Policy*, June 28, 2016.
- Olson, Mancur, *The logic of collective action: Public goods and the theory of groups*, Harvard University Press, 1965.
- Piketty, Thomas. *A federal voting mechanism to solve the fiscal-externality problem*. *European Economic Review*, vol. 40, no 1, 1996.
- Rodrik, Dani, *One economics, many recipes: globalization, institutions, and economic growth*. Princeton University Press, 2008.
- Sandbu, Martin, *Europe's orphan: The future of the Euro and the politics of debt*, Princeton University Press, 2015.
- Sunstein, C. and Thaler, R., *Nudge. The politics of libertarian paternalism*. New Haven, 2008.
- Tirole, Jean, *The euro crisis: some reflexions on institutional reform*. *Financial Stability Review*, 16, 225-242, 2012.