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Europe's Crisis: Market Competition Instead of Social Bonds

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How others (still) see us...

- ‘There won’t be a bill to pay. We do it a bit differently here. In the National Health Service, we don’t charge for medical treatment’. (British nurse to American visitor in casualty ward)... quoted in Reid, *The United States of Europe*, p. 145.
- ‘This widely shared sense of the government’s social responsibility to everybody is another unifying force that makes Europeans feel they all belong to a single place – a place they believe, that is definitely not American.’ Reid, p.146.

A European Good Thing?

- Europe has built a **distinctive economic and social model** that has combined productivity, social cohesion and a growing commitment to environmental sustainability. (Kok, 2004: 7)
- Preserving our **European social model** - our specific combination of market economy, welfare state and democracy - requires action not only at the European level but also at the global level. (Lamy, 2004:18)

But times have changed?

‘The European social model has already gone’

Mario Draghi, President of the European Central Bank, Interview with Wall Street Journal, 24 February 2012

Overview

- What makes Europe European?
 - European Social Model as *national* welfare states
- The EU and the European Social Model
 - Paradoxically the EU undermines the ESM
- Who speaks for Europe?
 - European elites destroying Europe...

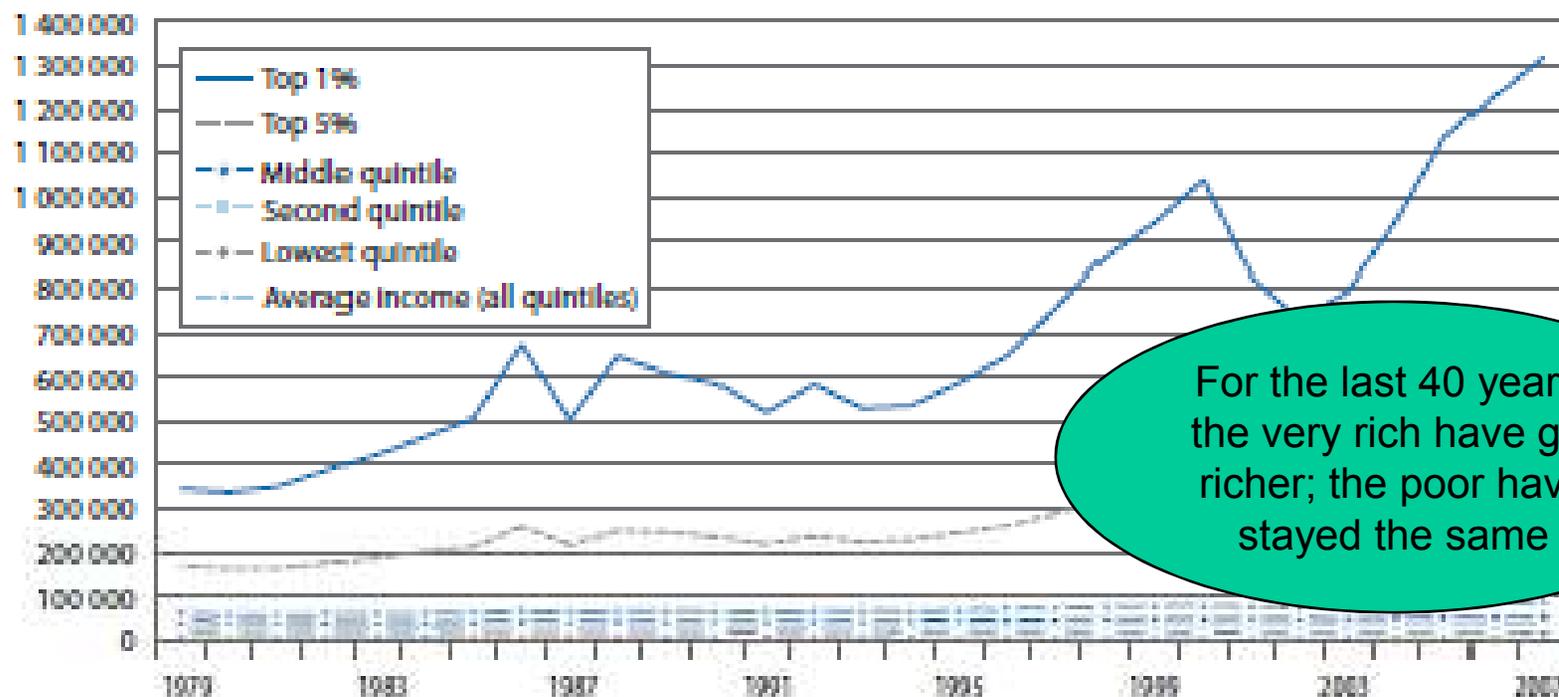
Four elements of the ESM

- (Relative) equality
- Social citizenship
- Economic citizenship
- Backbone state

Notice that these are largely to do with national states

Growing inequality in USA...

Chart 16: Average after tax income, by brackets in the US 1979-2007 (in 2007 dollars)



For the last 40 years:
the very rich have got
richer; the poor have
stayed the same

Source: Congressional Budget Office, <http://www.cbo.gov/publications/collections/collections.cfm?collect=13>



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Europe compared to the USA

- Overall income inequality lower
- Less extreme poverty
- No universal trend to greater inequality
- BUT growth of super-rich especially in UK
- Attitudes more supportive of income redistribution by state

Lots of national variations – some authors (e.g. Alber, Baldwin) claim these outweigh differences between even EU15 and USA

Social citizenship

- Education, health, housing, income support...
- Rights not charity
- Baseline for participation in society
- Financial costs (taxation)
- Rights mean obligations
- Restrictions on diversity ('thick citizenship')
- Binding in the 'middle class'
- *Measurement: levels of welfare expenditure*

Economic Citizenship

- Labour market regulation
 - Employment protection
 - Working time
- Health and safety
- Rights to information
- Rights to representation
 - Trade union membership
 - Trade union coverage
 - Workplace representation (Betriebsrat, European Works Council)
- Anti-discrimination
 - Equal pay (including pensions, benefits)
 - Equal opportunities (recruitment, promotion)
- Work-life balance
 - Parental leave
 - Right to flexible working
- *Measurements: Trade union density and coverage, Employment Protection Index (EPI)*



Backbone state

- Public realm
 - NOT market, NOT personal
 - Importance of state service (Beamte, service public, civil servant)
- ‘This social capability is supported by a conception of the public realm whose underwriting of public science, public transport, public art, public networks, public health, public broadcasting, public knowledge and the wider public interest gives European civilization its unique character while offering many of its enterprises competitive advantage.’ (Hutton, 2002: 258-259).
- *Measurement: state employment, state expenditure*

European states as welfare states

- Origins in late 19c (Bismarck...)
 - National state creates national market but protects citizens against market extremes
- After WW2
 - Christian Democracy and Social Democracy as alternatives to communism
 - Convergence with USA *until 1970s*
- Social cohesion
 - Through welfare not warfare or religion
 - Restrained patriotism

EU AND THE ESM

Emergence of social Europe

- 1956 Treaty of Rome
 - Retraining for those effected by industrial change
 - 1974 Social Action Programme
 - Response to enlargement; 1960s militancy
 - Employee rights, equal opportunities
 - Maastricht Treaty 1991
 - Social Charter of Fundamental Rights of Workers
 - 1990s Delors promoting 'European Social Model'
 - 'A market economy, not a market society' (Jospin)
 - Social expenditure to contribute to competitiveness
 - In parallel to single market programme
- Up to this point slow growth of single market **flanked** by social protection*

New century, new directions

- 2000 Lisbon Declaration and beyond
 - ***The Union has today set itself a new strategic goal for the next decade: to become the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion***
 - An employment-based social policy – what matters is getting people into work
 - Intergovernmentalism ('Open Method of Co-ordination') and 'Soft law'
- 2009 Charter of Fundamental Rights part of EU law
 - Charter was adopted in 2000 but only got legal status after Treaty of Lisbon entered into effect. BUT severely constrained by national competences.

Two forms of EU integration

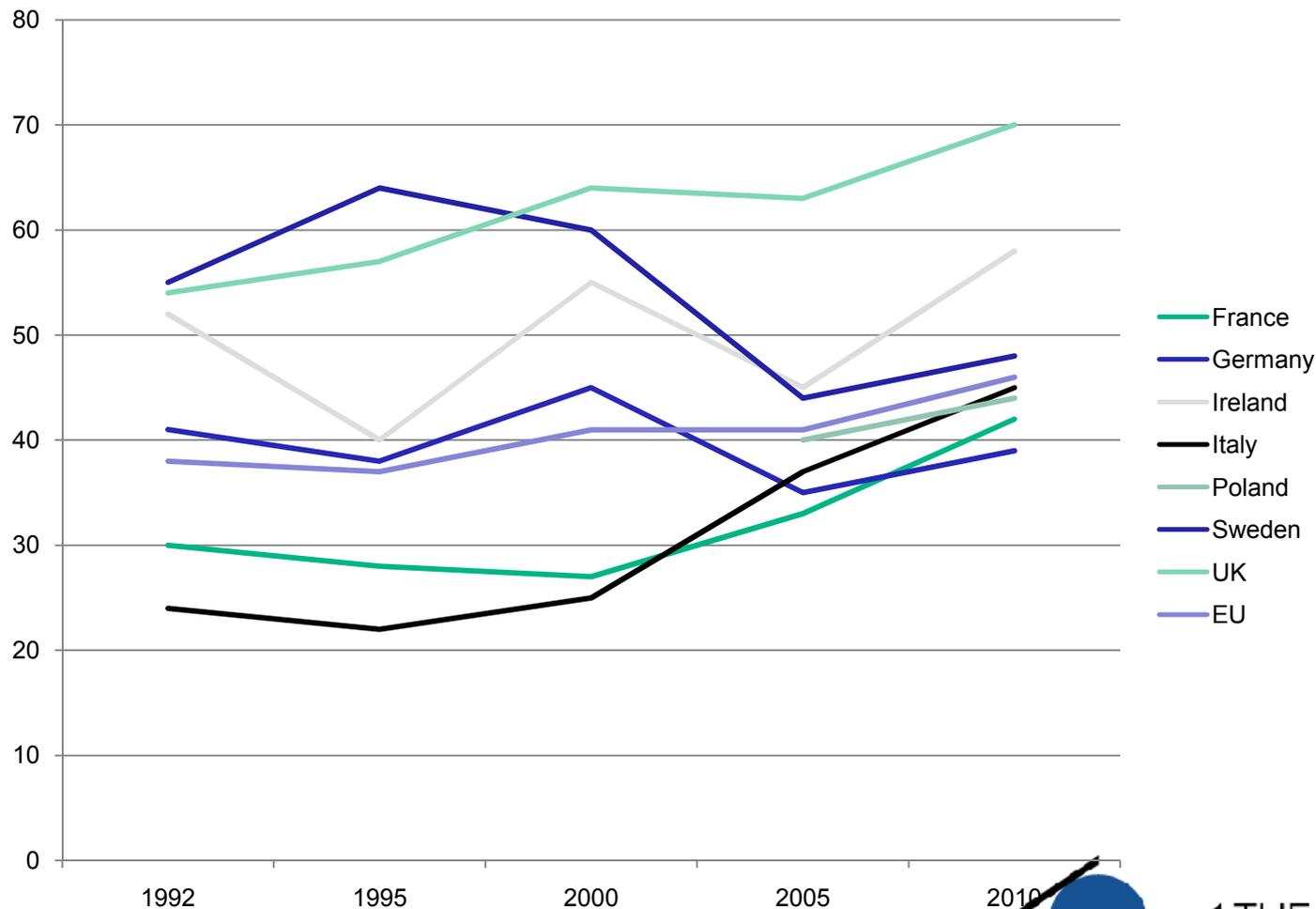
- **Positive** integration:
 - Creates the *socio-political compensation and framework* for the market at Union level
 - Crucial: a floor of social and economic rights across the Union
 - Some EU funding of social policies, urban and regional policies, research, training
 - **But** limited: Most EU activity is regulatory not redistributive, EU budget tiny compared to member states
- **Negative** integration
 - Removal **national** barriers to competition to create a single market
 - The basis of the EU since the Treaty of Rome
 - **But** now destroying public services and even national welfare states?
- **Together**
 - EU undermines national states without any compensation at EU level

EU and privatisation

- EU is regulatory not redistributive
 - (It regulates, it does not tax and spend)
- Market-making role
 - Anchored in origins of EU in Treaty of Rome ('common market')
- Since the 1990s the EU has clearly increasingly undermined **national state enterprises** through competition policy:
 - Examples: electricity, transport, telecommunications are increasingly privatised
- No clear impact yet (?) on delivery of **state services**
 - Education, health remain state-funded and state-delivered
 - BUT modified services directive in force since 2007!
- Growing impact on pensions and push towards 'asset-based' welfare

WHO SPEAKS FOR EUROPE?

National and/or European? Trends over time



Nationality
only by
country

In most
member
states
'nationalistic'
identity has
been
growing

Being European...

'Being European...is [also] about shopping across borders, buying property abroad, handling a common currency, looking for work in a foreign city, taking holidays in new countries, buying cheap airline tickets, planning international rail travel, joining cross-national associations – and a thousand other actions facilitated by the European free movement of people and goods.'

Favell (2005) quoted Mau & Verwiebe

Not just about political attitudes for or

Who is more likely to do these things?

Creating European society

- *Horizontal* social interaction that crosses national borders means that people of different nationalities interact with each other
 - *Migration*
 - *Education*
 - *Professional organisations*
- These are strongly linked to social class

Intra EU migration

Used to be about work and poverty

Low skilled moving from poor to rich areas

Now about skills, wealth and/or leisure

Directly links to *higher* education

Increasingly not about work (lifestyle choice, love miles)

Heliotropic migration (to the sun)

Retirement migration

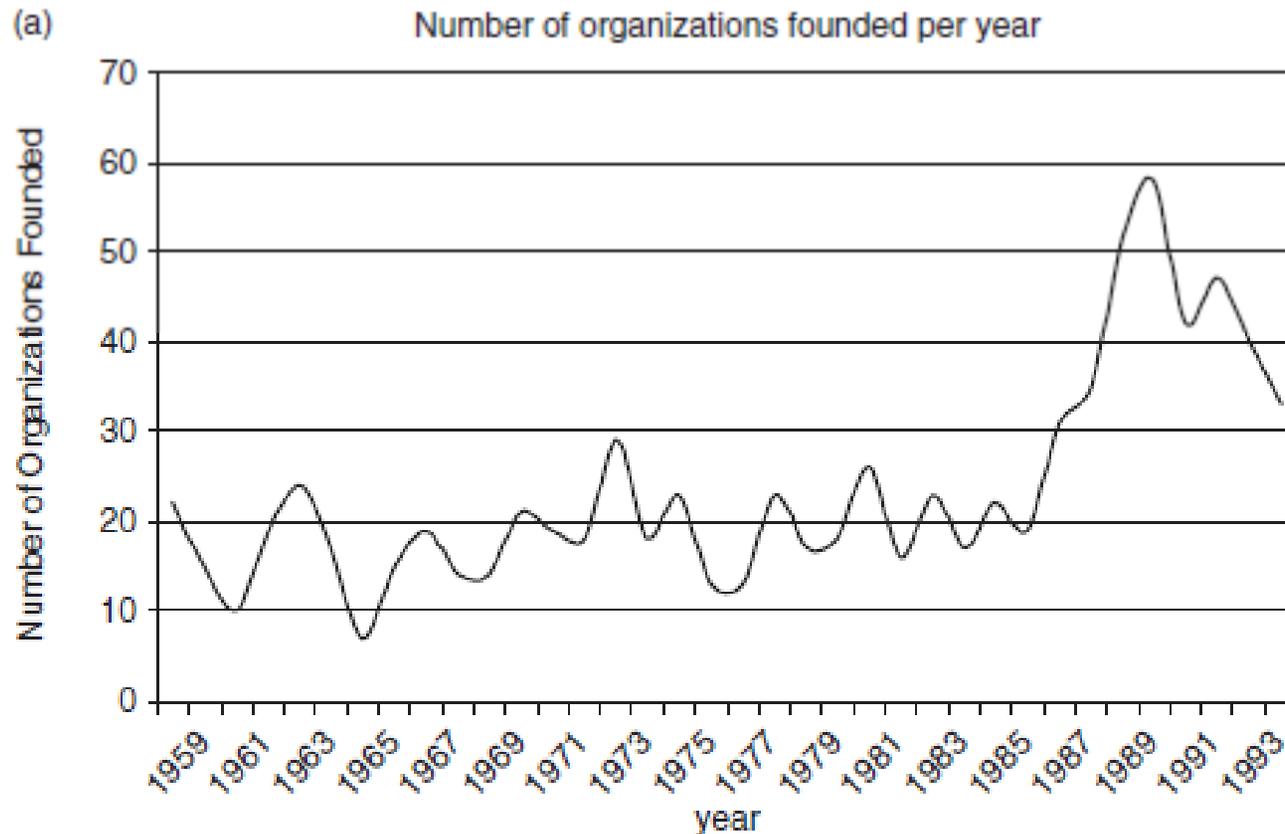
Recchi (2008)

NMS migration only partially challenges this

Education

- Student mobility
 - Intra European exchanges
 - Student migration East->West
 - Growth elite educational market
 - *But* also part of 'globalisation'
- Educational curriculum
 - Relativisation of *national* story
 - In most of EU towards a 'European' story, but in Britain towards a 'global' or multi-cultural story (Faas 2007)

European organisations



Continual growth in 'European' organisations (professional, sporting, leisure, business..)



Winners and losers

- Winners
 - Young, educated, affluent, elite
- Losers
 - Those protected by *national* welfare states (recipients of services, of benefits, in protected industries)

Final paradoxes

- EU policies are now undermining Europe's distinctiveness
- Those who once benefitted most from being 'European' are now the most anti-European