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## **The Europeanization of Solidarity: Between Global Markets, National Institutions and European Regulations**

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**Abstract:** The internal market, the monetary union and the fifth EU enlargement have a considerable influence on the living conditions of the European population and require a coordinated modernization of national employment and welfare policies. It is shown that the Europeanization of solidarity and social inequalities will occur in a hybrid form combining national, European and global forces transforming the EU in a particular global space. This space is characterized by liberalized markets, strong national redistributive policies, and the legal harmonization of national systems of social security, limited supranational transfer payments and open forms of coordination.

(1) In his research agenda for globality studies, Wolf Schäfer [1] stresses the end of European history as leading global history: “the preeminence of Europe has ended with World War II.” At least since 1945 Europe cannot be analyzed any longer as the forerunner or the role model for other world regions. Its history has ceased to be “the” global history. It has become once again a regional history, which can be analyzed only within the “paradigm of globality.” While Karl Marx in the preface to the first German edition of the “Capital” vol. I (1867) could still claim that “the country that is more developed industrially only shows, to the less developed the image of its own future,” today such a statement is no longer possible. Neither the USA nor the European Union or a single European country could claim to be the paradigmatic case for other world regions: “Understanding past, present and future regional histories in a global context calls for spatio-temporal globality studies.” [2]

(2) In a similar vein, the concept of “multiple modernities” refuses the assumption of cultural and structural convergence of western and non-western societies and analyzes the emergence, the development and the transformation of multiple, contested and shifting modernities: [3] “the idea of multiple modernities presumes that the best way to understand the contemporary world (...) is to see it as a story of continual constitution and reconstitution of a multiplicity of cultural programs and cultural patterns of modernity.” [4] An essential feature of such a

heterogeneous and reflexive modernity is the continual construction and reconstruction of identities and boundaries in a global context: “the construction of political boundaries and those of the cultural collectivities become closely connected (...) territorial boundaries for such collectivities were emphasized and a continual tension between their territorial and/or particular components and broader, potential universal ones developed.” [5]

(3) For the social construction of Europe, these two debates on multiple modernities and the globality of world regions imply a double challenge: On the one hand, particular solidarities and identities cannot be taken any longer for granted. This is especially true for national patterns of identification and solidarity: These patterns cannot be conceived as substantial, objectively definable entities. This does not mean that national patterns of solidarity and identity do not exist any longer. They clearly do. However, they should be conceived — as Brubaker et al. [6] remind us — as “fluid and contingent products of reiterative and cumulative processes of categorizing, coding, framing, and interpreting (...) a cognitive approach encourages us to ask how, when, and why people interpret social experience in racial, ethnic, or national terms.” On the other hand, European patterns of solidarity have to take into account the global context of particular bases for social cohesion: “Multiple processes of globalization constitute and require globality as a historical benchmark.” [7] Europe therefore has to reconstruct and reinvent itself as a globally integrated region.

(4) This general framework may also be helpful for the analysis of the current crisis of the European Union (EU), which has manifested itself in the refusal of the constitutional treaty in France and the Netherlands, the reservation of the European population to the start of the negotiation talks with Turkey, the opposition to the further liberalization of the service markets, the difficulties to agree upon a new EU budget for 2007-2013 and the generally fragile support of the population for the project of European integration. *We assume that this crisis reflects the threatened, primarily national bases of solidarity and the need for new, transnational bases for social cohesion and new forms of social security.*

(5) This necessity is above all (and in a somewhat paradoxical way) a consequence of the three biggest successes of the European integration: the internal market, the Euro and the fifth enlargement. The free movement of persons, services, goods and capital (1993) and the liberalization of public services (telecommunication, transport, energy, health ...) increased the competition between the formerly relatively closed European economies. Given inflexible labor market and wage structures, the introduction of the common currency (1999) might have contributed to the low growth rates and the high unemployment ratios in larger continental-European countries. The fifth, the so-called Eastern enlargement of the EU (2004) increased the wage and tax competition also for the former member states of the EU.

(6) The increased economic, monetary and political integration of the European states and the associated challenges are a major reason for the failure of the constitutional treaty: In autumn 2004, the majority of the population in only ten out of 25 countries was in favor of the European constitutional treaty (among them the Dutch population who refused the constitution in a referendum in June 2005; cf. European Commission 2005). Important reasons for this refusal were the neglect of the social dimension of the European integration (10 % of the European population) and the fear, that the constitution is too liberal (7 %). The continuation and deepening of the European integration therefore seems to depend crucially

on the ability to handle the social and occupational consequences of the European integration. The European states and the European Union have to develop new ways of dealing with social inequalities.

(7) This implies a double challenge: On the one hand, the established patterns of national solidarity and social security are challenged by the globalization of the economy: European patterns of solidarity and social integration therefore have to take into account the globality of Europe: Even if the EU “recognizes and respects the entitlement to social security benefits and social services providing protection in cases such as maternity, illness, industrial accidents, dependency or old age, and in the case of loss of employment” (Article II-94 of the Treaty establishing a Constitution for Europe), the question is whether the EU and the European nation-states can guarantee these entitlements confronted with a global competition which is also a product of the European integration. A crucial question of globality studies therefore also has to be the question with what strategies a global region can defend and redefine its “regionality.” On the other hand, the concept of multiple modernities implies that universally applicable models of solidarity and social security in open, transnational spaces do not exist. Given the varieties of social security — for example the liberal, market-based forms in the US, the family- and company-based patterns in Japan and East Asia, the state- and insurance-based forms in Scandinavia and continental Europe [8]— functional necessities for compensating “globalization losers” [9][10] do not determine the concrete patterns of solidarity and social security in a globalized world. On the one hand, the EU therefore has to modernize the current, mostly national patterns of social security and social integration; on the other hand, it cannot rely on established and globally recognized supranational ways of dealing with social inequalities but has to invent its own pattern of European solidarity.

(8) So far, the theoretical bases for dealing with the emergence of supranational patterns of social solidarity and social inequalities are extremely weak. Social classes and social security are analyzed almost exclusively in national categories. Yet we have to ask: How shall we understand the Europeanization of solidarity and social inequalities? Let me start with a definition: *'Europeanization of social inequalities' refers to transnational processes caused by the European integration, which shape the distribution of scarce and desired goods and positions thus shaping the life chances, the social identities, the interests and values of individuals and social groups* (for instance families). [11][12][13] The Europeanization of solidarity refers to the political level where decisions on the extent and the shape of social inequalities are made: The EU level plays a significant role not only for international transfer payments, but also for the coordinated modernization of national systems of social security, [14][15] and the development of functional equivalents to a redistributive social policy—for example by a higher employment level and an increased competitiveness.

(9) My thesis therefore is that the current crisis of the EU reflects the Europeanization of social inequalities and the difficulties of developing new, transnational forms of solidarity “beyond” the national one and “below” global patterns of solidarity expressed for example in the Charter of Human Rights. Inspired by the debates on the globality of world regions and on multiple modernities, I therefore claim 1. that social inequalities, i.e. the unequal distribution of scarce goods and positions, are no longer determined exclusively by national institutions, actors and strategies, 2. that the opening of national patterns of solidarity and inequality is an indicator for the increased “globality” of social inequalities in a functionally differentiated society, 3. that European patterns of regulation

have a substantial impact on the emergence and the handling of social inequalities giving rise to European patterns of solidarity thus redefining former, mostly national models of social security and solidarity in a global context.

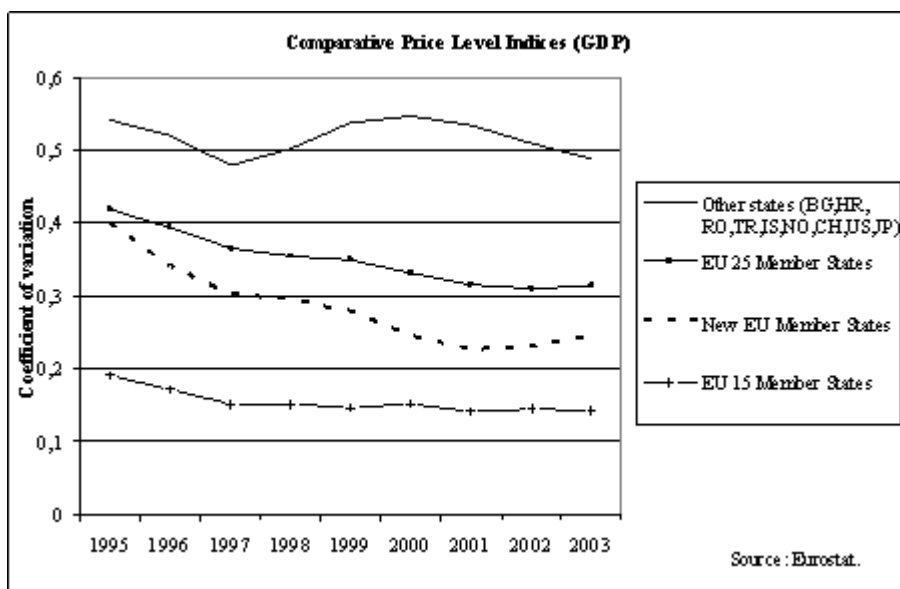
(10) The following three sections will theoretically and empirically analyze these three dimensions of the shifting national patterns of solidarity and social inequalities in Europe starting with the examination of the theoretical bases of the “methodological nationalism” [16] of current debates on social security and social inequality and their limits.

## **The dominant role of national structures of social inequality**

(11) The “methodological nationalism” of the research on social inequalities is based on the idea that social classes, mobility processes and inequality-generating and regulating institutions can and should be analyzed within the context of nation-states. [17][18][19] This “methodological nationalism” reflects the fact that norms of social equality are institutionalized mainly on the level of nation-states. Social inequalities are not any unequal distribution of resources and social positions or any stable limitation of the access to desirable social goods or social positions. [20] Only if there are standards of equality which justify calling the uneven distribution of resources and social positions unequal, do social inequalities exist; otherwise the notions of “heterogeneity” and “disparities” are more appropriate. [21][22] So far, such norms of equality and solidarity are hardly institutionalized above the level of nation-states. The analysis of social inequalities therefore has focused mainly on the analysis of national inequalities, since disparities between members of different states are not evaluated as violations of an equality standard. This is true also for the international comparison of national patterns of social inequality. [23]

(12) This situation is changing due to the European integration in two dimensions. On the one hand, the structures of social inequality are shaped by the European liberalization of the goods, services, capital and labor markets. One of the most effective forms of social closure (M. Weber), the nation-state, is challenged by the creation of the Common Market. An indicator for the effectiveness of this market is the convergence of national price levels, which is indicated in Figure 1 by the decreasing coefficient of variation (standard deviation divided by the mean). Already in the 1990s, the gradual integration of the ten new EU member states in the Common Market induced a rapid convergence of the price levels. This indicator refers to an intensified competition within the enlarged European Union and thus to a European impact on the structures of social inequalities.

**Figure 1:** Price convergence indicator (coefficient of variation of comparative price level index for gross domestic product in %; 1995-2003)



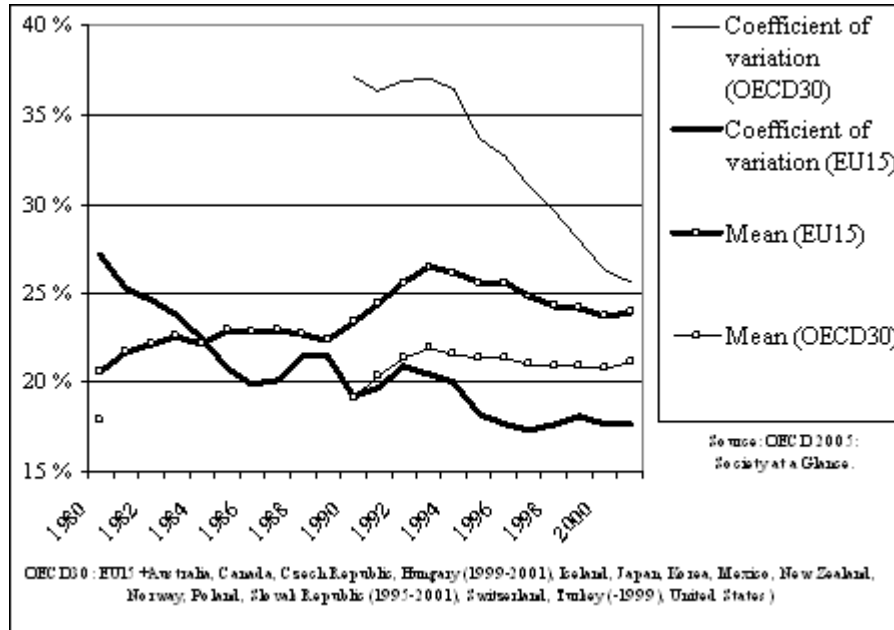
(13) A decisive factor for the transformation of the national structures of social inequality is the question of whether the increasing European integration of the national economies has an impact on the social situation of the European population and their perceptions of social inequalities. An indicator for the impact is the public expenditures for social protection as a share of the gross domestic product (GDP) for the former 15 EU members and further 15 OECD countries. A slight decrease of the average amount of social protection can be observed since 1992. This decrease is higher in Ireland, Finland, the Netherlands and Sweden. Germany, Greece and Portugal, however, have increased their social protection expenditures. Altogether, a clear convergence of the public social expenditure ratios both in the EU and in the other OECD countries can be observed (see Figure 2). This indicates that the national welfare states can face the challenges of an aging population and a liberalized economy only within the financial limits defined by increasingly intense international competition on costs and taxes. The national states cannot decide largely independently on the organization and the extent of their own social protection systems.

(14) On the other hand, supranational norms of equality are gradually emerging within the economically and politically integrated European Union. This is demonstrated for example by transfer payments between richer and poorer EU countries especially since the “Southern enlargements” of the EU (1981 and 1986). In addition, the perception of income inequalities is no longer focused exclusively on the average national income. This explains why two thirds of the Portuguese and half of the Greeks, but only one quarter of the British and the Irish design themselves as poor, although the proportion of “objective” poverty, measured in relation to the national median, is nearly the same in these countries (approximately one fifth; cf. Table 1). The number of the households in financial difficulty is more strongly correlated with the average gross domestic product per inhabitant than with the respective national poverty ratio. This points to the fact that the own standard of living is perceived ever more in an international context. Gallie and Paugam [24] notice:

Clearly, in countries where there are still some very poor regions, those who live in them may feel frustrated when they compare themselves with those in other, better-off regions of their country, or even elsewhere in Europe, whose living standards they know more about, partly because travel is

more frequent and partly through the media.

**Figure 2:** Development of the public social protection expenditures in 30 OECD countries (1981-2001)



**Table 1:** Divergence between objective and subjective poverty (1997; 2001)

	Gross domestic product per inhabitant (2001; PPS)	Income inequality (1997; P90/P10)	% living in households at risk of poverty (2001) (a)	Dissatisfaction with financial situation (%; 1997)	households in financial difficulties (%; 1997)	% who consider themselves poor (2001) (b)
Belgium	24,000	3.6	13	53	29	32
Denmark	25,800	2.5	10	30	23	9
Germany (c)	22,500	3.6	11	61	21	14 (c)
Greece	15,100	5.8	20	93	83	54
Spain	18,900	5.3	19	77	62	34
France	23,500	3.7	15	70	40	30
Ireland	26,300	4.1	21	63	52	24
Italy	22,400	4.6	19	82	42	41
Luxembourg	43,600	3.3	12	56	35	8
Netherlands	25,400	3.1	11	46	36	18
Austria	25,500	3.1	12	49	39	16
Portugal	15,800	5.7	20	90	67	66
Finland	23,300	2.7	11	60	36	30
Sweden	23,800	2.6	9			20
United Kingdom	23,600	4.9	17	51	35	27

(a) European Community Household Panel, threshold of poverty risk: 60% of the national median income, "modified" OECD scale, in which the first adult of the household counts 1, others aged 14 years or more count 0.5, and children under 14 count 0.3.

(b) Eurobarometer 56.1, Poverty and social devaluation, 2001. These are the percentages of individuals whose total net income is below what they consider absolutely necessary for a proper standard of living.

(c) Western Laender of Germany: 11%, eastern Laender: 24%.

Source: Eurostat Structural indicators; Eurobarometer 56.1; European Communities, 2002: European social statistics. Income, poverty and social exclusion: 2nd report. Luxembourg: Office for Official Publications of the EU.

(15) In conclusion, the European countries are strongly integrated

economically. The creation of the Common Market and the Eastern enlargement are indicators of an economic liberalization, which has limited the expansion of the public social security expenditures. This indicates that the social situation of the European population is increasingly shaped by supranational developments and decisions. Also for the subjective perception of poverty, the national space is no longer the only framework of reference for the evaluation of social inequalities. This refers to an opening of national conceptions of equality and inequality and to the increasing impact of transnational causes of unequal life chances. In defense of the “methodological nationalism,” it can be shown however, that the nation-state is still the most important arena for the analysis, the perception and the regulation of social inequalities. This can be explained by the path-dependency of national welfare systems, employment regulations and industrial relations as well as by the institutional complementarities between these different institutional orders. In this perspective, the “Europeanization of social inequalities” points to the fact that supranational actors and organizations increasingly decide on the distribution of scarce and valuable resources and positions. But this does not undermine the dominant factor role of national arrangements.

### **The individualization and marketization of social inequalities**

(16) In the context of a system-theoretical perspective, the Europeanization of social inequalities can be interpreted as a stage on the way to a completely globalized, functionally differentiated society. So far social inequalities have been articulated and regulated in the national context, i.e. in a territorial segment of the global political system. The Europeanization and globalization of the economy induces a gradual shift to supranational forms for the articulation and regulation of social inequalities. [25] In the context of a functionally differentiated world society, segmentary forms of differentiation such as the nation-state are increasingly replaced or forced to adapt. Since social inequalities are the result of different social systems, which are only partially organized on a territorial basis (economics, professions, education, science, technology, families...), the Europeanization of national class structures can thus be interpreted as an indicator of the limitations of a primarily political and national regulation of social inequalities.

(17) In this perspective, “Europe” is only a “bridging concept” between the concept of a national society and a functionally differentiated world society, whose implementation has been effectively supported by the liberalization of the European markets. Stable European patterns of social inequalities similar to the national class structures are highly improbable in view of the limited financial resources of the European Union and the open economic, political and socio-cultural borders of Europe. In this diagnosis, system-theoretical considerations come to the same conclusions as the “euro-pessimistic” view of Scharpf [26] and Streeck. [27]

(18) Thus, the Europeanization of social inequalities therefore refers above all to the transformation and opening of national patterns of social inequalities caused by European liberalization processes. “Europe” is analyzed as a step to global patterns of social inequality. These patterns will probably be characterized by a stronger impact of market processes on the social situation of the individuals. The Europeanization and globalization of the goods, services, capital and labor markets reduce the scope for redistributive programs; the social situation depends more

strongly on individual employability. The state can ensure at the most only equal starting conditions - in particular by a good education — but not equal outcomes. [28] The redistribution between different social classes becomes increasingly difficult. An indicator for a stronger dependence of the social situations on the market positions of the individuals would be an increase of the income inequalities in the member states of the European Union. This can be actually observed in most European countries (with exception of Denmark; see Table 2).

**Table 2:** Overall Trends in Income Distribution: Summary Results from National and Cross-national Studies

	Mid/Early 1970s to Mid/Late 1980s	OECD Study 1980s	Mid/Late 1980s to Mid/Late 1990s	Development of the decil ratio (D9/D1)
Austria	0	0	++	2.89 (1997) – 3.73 (1997)
Belgium	0	+	+	2.77 (1988) – 3.19 (1997)
Czech Republic	na	na	+++	2.37 (1992) – 3.01 (1996)
Denmark	na	na	-	3.22 (1987) – 2.85 (2.85)
Finland	-	0	+	2.59 (1987) – 2.9 (2000)
France	-	0	+	3.46 (1989) – 3.54 (1994)
Germany	-	+	+	2.99 (1989) – 3.29 (2000)
Hungary	na	na	++	3.39 (1991) – 3.47 (1999)
Ireland	-	0	++	4.23 (1987) – 4.33 (1996)
Israel	--	-	++	3.91 (1989) – 4.48 (2000)
Italy	0	+	++	2.94 (1987) – 2.98 (1999)
Netherlands	na	na	++	3.51 (1986) – 3.59 (1999)
Poland	-	+	+	2.71 (1987) – 2.96 (2000)
Sweden	++	+++	++	3.79 (1986) – 4.58 (1999)
United Kingdom	++	++	++	5.71 (1986) – 5.45 (2000)

- +++ Significant rise in income inequality (more than 15 percent increase)
- ++ Rise in income inequality (7 to 15 percent increase)
- +
- Modest rise in income inequality (1 to 6 percent increase)
- 0 No change (-1 to =1 percent change)
- Modest decrease in income inequality (1 to 6 percent decrease)
- Decrease in income inequality (7 to 15 percent decrease)
- Significant decrease in income inequality (more than 15 percent decrease)
- na No consistent estimate available.

Source: Smeeding (2002); last column own addition on the basis of [www.lisproject.org](http://www.lisproject.org) (accessed 8/8/2005)

(19) Another indicator for a stronger economic dependence of social situations would be the increase of regional differences [29] — an increase, which, paradoxically, may be accompanied by a convergence of national levels of economic prosperity, since the less wealthy countries usually achieve higher economic growth rates. In 16 of the 21 European Union member states, for which the appropriate data is available, the regional inequalities increased in the period 1995-2002; only in Italy could they be clearly reduced (Table 3). The regional inequalities in the Central European countries and in Portugal, Finland and Sweden increased most. This increase refers to the fact that in open, transnational spaces inequalities increase in the national territory, since some regions - mostly capital regions - successfully assert themselves as regional centers in global networks of communication, exchange and value-creation —



especially after the forced homogenization of the national territory in the socialist period. However, the still low level of regional inequalities, for instance in Sweden, Spain, Greece and the Netherlands, points also to the fact that such a trend can be politically shaped. In particular, the Western European nation-states can still reduce quite effectively the level of regional inequalities, if this goal has a high political priority.

**Table 3:** Regional inequalities of economic performance (change of the national coefficient of variation 1995-2002 of the regional – NUTS III – GDP per inhabitant)

Country	1995	1996	1997	1998	1999	2000	2001	2002	Change
Poland	0.26	0.25	0.25	0.25	0.28	0.43	0.43	0.46	77%
Latvia	0.34	0.34	0.39	0.46	0.50	0.52	0.50	0.56	64%
Czech Republic	0.31	0.30	0.33	0.38	0.39	0.40	0.44	0.44	44%
Portugal	0.26	0.26	0.27	0.29	0.29	0.29	0.29	0.37	43%
Hungary	0.38	0.40	0.42	0.42	0.44	0.49	0.47	0.51	34%
Sweden	0.14	0.15	0.17	0.18	0.18	0.19	0.18	0.18	30%
Estonia	0.23	0.24	0.26	0.28	0.27	0.29	0.29	0.30	27%
Finland	0.20	0.21	0.21	0.23	0.25	0.24	0.24	0.25	26%
Ireland	0.21	0.22	0.23	0.26	0.25	0.24	0.23	0.26	25%
Slovakia	0.42	0.42	0.43	0.44	0.44	0.45	0.47	0.48	16%
France	0.43	0.44	0.46	0.46	0.46	0.47	0.48	0.48	10%
Netherlands	0.19	0.20	0.20	0.20	0.21	0.21	0.22	0.21	10%
Slovenia	0.23	0.23	0.22	0.23	0.24	0.24	0.24	0.25	10%
United Kingdom	0.52	0.52	0.55	0.58	0.57	0.57	0.56	0.57	10%
Germany	0.40	0.40	0.40	0.41	0.41	0.42	0.42	0.42	7%
Greece	0.23	0.25	0.23	0.22	0.21	0.23	0.23	0.23	1%
Belgium	0.37	0.38	0.37	0.38	0.38	0.37	0.37	0.37	0%
Denmark	0.28	0.27	0.27	0.25	0.27	0.27	0.27	0.28	-1%
Spain	0.22	0.22	0.22	0.22	0.22	0.22	0.22	0.21	-1%
Austria	0.30	0.30	0.30	0.29	0.29	0.29	0.29	0.29	-2%
Italy	0.35	0.35	0.34	0.34	0.34	0.34	0.34	0.33	-7%
EU 21 average	0.48	0.48	0.48	0.49	0.49	0.48	0.48	0.48	1%
Decile ratio	3.44	3.41	3.10	2.98	2.95	2.91	2.99	3.05	-11%

Source: Eurostat, REGIO-Database (accessed 8/8/05)

(20) In conclusion, in the context of a system-theoretical approach the emergence of a European welfare state cannot be expected since the relative closure of such a new, supranational pattern of segmentary differentiation is extremely improbable given the global reach of functionally differentiated social systems. In addition, a European or global solidarity cannot rely on the same motivational resources as the national welfare state. Therefore, in the tension between economic and political determinants of social inequalities, the income and life chances of individuals will be shaped more strongly by the respective market situation. Indicators for this are an increase of individual income inequalities and larger regional differences in most of the member states of the EU. At the European level, however, this does not lead to an increase of social inequalities. The reduction of the respective decile ratio (last row of Table 3) even indicates a convergence of the economic performance per inhabitant in the strongest and the weakest European regions, since poorer countries and regions grow faster than the rich ones.

### **On the way to a European-wide class structure and welfare regime?**

(21) Instead of a gradual opening and globalization of national arenas, it can also be expected that, in the long run, the European Union evolves into a new, state-like political regime. [30] From this perspective, an Europeanization of social inequalities would imply the emergence of European-wide patterns of social inequalities, European-wide equality standards and a European-wide regulation of social inequalities. The congruence between equality norms, economic boundaries and sociopolitical forms of regulation which has been lost at the national level could be reestablished at the European level. Thus the question arises as to whether Europe can attain such a new supranational equilibrium between economic challenges and regulatory capacities favoring perhaps on a long-term basis even the emergence of European class structures. These questions can be discussed on the basis of the approach proposed by Stein Rokkan. [31]

(22) Boundary building and structuring are the two crucial concepts, with which Stein Rokkan analyzes the processes of state formation in Europe. The ethnic, religious, social and economic disparity of the premodern Europe has been reduced by the creation of the relatively homogeneous Western European states. The gradual development and solidification of national boundaries made it possible for the emerging Western European States to develop internal military, administrative, economic, social and cultural structures. National boundaries were the indispensable prerequisite for state-building, the development of a national identity, the emergence of a democratic order, and the development of redistributive systems of social security. [32]

(23) The European integration changes this national pattern of boundary creation and internal structuring. On the one hand, the opening of national borders in the course of the current denationalization processes may cause a partial “unfreezing” of national cleavages and conflicts as well as an increase of social inequalities on the national level. At the European level on the other hand, a return of pre-national disparities within Europe, attempts at its European-wide regulation can be expected and also efforts to stabilize the borders between “Europe” and its neighbors. Table 4 and the following six points summarize these potential developments.

**Table 4:** Structuring and boundary building in Europe

	National level	European level
Boundary building	Opening by processes of denationalization (23.1)	New borders between European Union and its environment? (23.5)
Regulation (“structuring”)	“Unfreezing” of national cleavages (23.2)	Development of new, European-wide patterns of regulation (23.6)
Patterns of social inequality	Increase of social inequalities in the national context (23.3)	Return of the European disparities (transformation of disparities into social inequalities) (23.4)

(23.1) The denationalization and globalization of the economy can no longer ensure the congruence between economic and political challenges and decision-making capacities on socio-political issues. [33] National borders are increasingly open.

(23.2) The transfer of competences to the European level and the liberalization of the economy may contribute to the “unfreezing” of national, up to now institutionally crystallized cleavages and conflicts. [34] Thus regions, which, up to now, have had a peripheral position in the context of a nation-state, can now

position themselves as local interfaces of transnational exchange processes. [35] National social classes are also confronted with new chances and risks by the opening of national spaces: In particular, younger, urban, well-trained persons belong to the “winners” of Europeanization processes, while older, less qualified employees in rural regions are confronted with the risks of open boundaries. [36]

(23.3) The “unfreezing” of formerly nationally domesticated and regulated cleavages and conflicts manifests itself in the increase of social inequalities.

(23.4) At the European level the enlargement and deepening of the European Union is accompanied by a return of the pre-national heterogeneity. The socio-cultural and economic inequalities between the different European states can now be politically articulated in the context of the European Union — for instance in the negotiations on the EU budget and the amount of transfer payments. A strict separation between national spaces characterized by civil, political and social equality norms, and international spaces, which are structured in the context of the “Westphalian order” exclusively by the mutual recognition of sovereign states without any standards of social equality, cannot be maintained any longer.

(23.5) On the basis of the approach proposed by Stein Rokkan it can be asked whether the EU succeeds in developing new external boundaries. Such boundaries interrupt transnational exchange relations and thereby prevent exit options. Bartolini [37] doubts that such a European border can be developed. He states that European integration is characterized by “the fundamental *openness* of the new system and (...) its limited capacity to generate European-wide territorial consolidation while actively removing inner-European boundaries.” He substantiates this claim with the openness of the European Common Market, with the transnational, deterritorialized character of European law, the purely technical orientation of the European monetary policy and the continuous enlargement processes, which prevent a territorial consolidation. [38]

(23.6) Rokkan [39] explained the creation and consolidation of the West European nation-states by a self-reinforcing process between the creation of external boundaries and internal processes of structuring: “State building, nation building, mass democracy, and redistribution are the four ingredients and at the same time the four time phases of territorial system building in modern Europe.” [40] If the EU is an open space as Bartolini assumes it, it can be assumed that also the possibilities for the development of European patterns of social integration are limited. The European Union would not be a secluded space as a nation-state, but an open, transnational field, which has at least within the conceptual framework of Stein Rokkan only extremely limited possibilities to develop own patterns of social integration.

(24) However, the diagnosis of an open European space underestimates the processes of economic and legal closure in Europe. On the one hand, a globally integrated market does not exist. The globalization of the economy is even statistically mainly the effect of a stronger regional integration in

Europe, Asia, and America. [41] Especially the European national economies are strongly interconnected among themselves. On the other hand, this strong regional integration is made possible by the Community *acquis* (the total body of EU law accumulated so far). The EU is a common legal space; clear and guaranteed legal rights are an important condition for transnational investments. The economic and legal integration of the European markets is documented in extraordinarily intensive commercial exchanges between the EU member states (see Table 5). In 2002, nearly two thirds of the foreign trade of EU states was directed to other EU member states. The exceptionally intensive trade and capital integration between the European states points to the fact that the EU is much more than an open space. It is evolving in the direction of a transnational space characterized by the spatial agglomeration and intensification of social relations, value-chains and governance structures. This space cannot be compared with a sovereign nation-state which is characterized by a monopoly on the legitimate use of physical force (M. Weber) in its territory, but it is nevertheless characterized by dense patterns of communication, a high degree of economic integration, a common political framework and by a legally guaranteed homogeneity of institutional and economic conditions.

**Table 5:** Europeanization and globalization of external trade in Europe

	Share of trade in national GDP (1990)	Share of trade in national GDP (2002)	Share of trade within EU15 (2002)
Austria	39.0	51.7	64.4
Belgium	69.9	82.0	71.8
Czech Republic	43.9	66.3	
Denmark	33.3	41.5	68.2
Finland	23.5	34.5	59.3
France	21.7	26.1	63.7
Germany	25.1	33.9	54.9
Greece	23.0	25.1	48.0
Hungary	...	65.1	
Iceland	33.6	38.6	61.5
Ireland	54.7	85.2	65.6
Italy	19.7	26.5	55.7
Luxembourg	102.2	136.9	82.3
Netherlands	52.6	60.1	65.1
Poland	23.4	31.3	
Portugal	36.2	33.9	79.1
Slovakia	29.9	75.4	
Spain	18.0	29.1	69.3
Sweden	29.4	40.7	60.0
Switzerland	35.1	40.5	68.5
United Kingdom	25.3	27.7	55.7
EU15	38.2	48.1	61.1
United States	10.3	11.7	20.0
Japan	9.9	10.6	13.9
OECD average	32.0	43.1	

Share of trade with EU15: Percentage of imports from EU on total imports plus percentage of exports to EU on total exports divided by 2.

Share of trade in GDP: Average of imports and exports (of both goods and services) at current prices as a percentage of GDP

No data available for Cyprus, Estonia, Malta, Latvia, Lithuania, Slovenia.

Source: OECD Factbook 2005 and Eurostat.

(25) Given the relatively open boundaries of the European space, the emergence of a European welfare state similar to national welfare states

cannot be expected. This does not mean however that the European Union will not become an important layer in dealing with social inequalities. A paradigmatic example for this is the Open Method of Coordination. This method has been developed since the European Councils of Amsterdam (1997) and Lisbon (2000). It should contribute to the modernization and homogenization of the national economic, social and employment policies. This method takes into account the institutional diversity of the national orders and the reluctance of nation-states to transfer the corresponding competences to the European level.

(26) The Open Method of Coordination is characterised by processes, in which Member States jointly review and compare the attainment of commonly-agreed objectives, for example on the basis of national action plans and peer reviews. Such a comparison facilitates reciprocal learning. If the objectives are not achieved, this does not result in any formal sanctions. In its most advanced form, the OMC is characterised by common guidelines and objectives, by (partially quantified) indicators, by the elaboration of national action plans, by a joint evaluation of the results and by the exchange of best practices. This method is characterized by the principle of subsidiarity, by the crucial role of mutual, recursive learning processes, by the absence of sanctions and by participative patterns of decision-making. [42][43] It is used in particular in the field of employment, poverty and pension policies.

(27) The Achilles heel of the Open Method of Coordination is its effective implementation at the national level. Up to now, it is open to question whether the objectives, guidelines and recommendations developed on a European level will be accepted on the national level, since the guidelines are not legally binding and participation is limited to high-ranking national and European experts. Meyer and Umbach [44] examined the implementation of the European employment strategy (EES) and answered this question as follows:

- In many countries (in particular Belgium, France, Portugal, Sweden, United Kingdom) the EES led to considerable procedural innovations. Cooperation within and between the ministries was improved — for example through working groups and ad hoc meetings.
- At the end of the 1990s a general reorientation of the national employment policies can be observed: “Most significantly the EES impacted on promoting issues such as shifts towards a preventive approach and active labour market measures, gender equality, lifelong learning, tax and pension reforms and a stronger coordination of educational, training and employment policies with the EU member states.” [45]
- The interest of the national public media in the EES - with the exception of Austria and the Netherlands - was low. The public labor-market discussions are still largely dominated by national interests and issues. For a limited circle of experts and political elites, however, the EES contributes to a change in the orientations and perceptions.

(28) There is some evidence that national debates and strategies on labor market reforms are only marginally influenced by the EES: So far learning takes mainly place within the small circles of the national administrative elites; the objectives and models of the EES are hardly ever made public within the national context. The participation of national parliaments, regions, social partners and non-governmental organizations is still in its infancy.

(29) A European-wide coordination of the social and employment policies

is still at the beginning. Nevertheless, the EU has already developed promising instruments, in order to contribute to the European-wide regulation of social inequalities in the enlarged union. Complementary to the redistributive EU policies (in particular the agricultural and structural policies) and in addition to the legal harmonization of the national systems of social security, the OMC can contribute to a modernization of national social and employment policies. The European Union could thus evolve into a new societal field, characterized by European patterns of perceiving, articulating, and regulating social inequalities.

(30) In conclusion: A perspective inspired by the approach of Stein Rokkan [46] permits to position the debate on the Europeanization of social inequalities into a broader perspective. European patterns of social inequalities are the result of national opening, liberalization and re-regulation processes and the European-wide creation of new boundaries and regulation structures. On the one hand, it has to be asked whether the opening of national spaces causes the “unfreezing” of national cleavages and institutionally regulated conflicts (for example between capital and labor) and on the other hand, whether an external European boundary and European-wide ways of dealing with social inequalities can be established. While the first question can be answered with a “Yes,” the characteristics of the EU have to be taken into account in order to answer the other two questions. The EU is not a superstate, but a relatively closed space characterized by intensive patterns of communication, exchange, and regulation integrated in global communication and value chains. Confronted also with national competences and traditions, it can regulate social inequalities in an indirect and procedural way.

### **Social inequalities between national institutions, globalization and European regulations**

(31) The “paradigm of globality” [47] and the concept of “multiple modernities” [48] assume that a single global future does not exist any more; European or other regional trajectories cannot assume to show less developed ones “the image of its own future.” In addition, the “end of European history” also implies that European nation-states and the European Union (EU) have to face their economic, political and socio-cultural challenges only within a global context.

(32) This has been illustrated by the example of the current crisis of the EU. This crisis reflects on the one hand the threatened patterns of national, mostly redistributive solidarity and the increasing social inequalities within most of the member states of the EU which can be attributed also to the processes of European integration (especially to the liberalization of the European markets, the Eastern enlargement, and to the introduction of a common currency). On the other hand, the crisis of the EU indicates the necessity of new patterns of social solidarity. The deepening of the EU will not be possible without new ways of dealing with social inequalities.

(33) In this contribution, three different perspectives for the analysis of the Europeanization of social security and social inequalities have been discussed (Table 6): *Firstly*, it can be assumed that the increasing economic interdependencies in Europe are causing substantial new challenges for the national social security systems. Due to the institutional heterogeneity of national systems of social security and the reluctance of nation-states to delegate the respective competences to the EU, a

fundamental change of national patterns of social security and social inequalities cannot be expected. National class structures and national ways of dealing with social inequalities will also be in the future the dominant way of dealing with the challenges of economic Europeanization and globalization processes.

(34) *Secondly*, the liberalization of the European states can be analyzed as a phase on the way to a consistent functional differentiation, in which the segmentary differentiation of the political and legal system, i.e. the nation-states, is gradually replaced by global structures. In such a perspective, the Europeanization of social inequalities would be only a stage on the way to patterns of global inequalities. These patterns will be characterized by a stronger dependence of individual living conditions on market outcomes. Indicators for such a shift are the increase of income inequalities in most European countries and the increase of regional inequalities especially, but not only, in Eastern Europe. However, such a linear perspective does not take into account the existence of “multiple modernities”: globalization does not require homogeneous solutions to the challenges of social cohesion in open, transnational spaces.

(35) *Thirdly*, following Stein Rokkan it can be asked whether new patterns of social integration and regulation of social conflicts can evolve at the European level. A condition for this would be the stabilization of a social and symbolic EU boundary. In this case, the European development could follow the example of the nation-states characterized by the interdependency of external boundary building and internal structuring processes: The locking of exit options would be a condition for the opening of European perspectives. Such a development path is quite unlikely, since Europe is not a closed supranational space, but a polycentric space characterized by the concentration of networks of communication, exchange, and value creation. Only to a limited extent can the European Union develop its own ways of dealing with social inequalities. It is limited to an indirect, moderating role, which must take into account the competencies and the established institutional structures of the nation-states and the global reach of many European actors. The globality of world regions does not imply closed, autochthonous regions and autonomous regional decision-makers, but the necessity to take into account global forces, dynamics and interdependencies while designing regional patterns of solidarity and social integration.

**Table 6:** Social inequalities between national institutions, globalization and European regulations

	Continuation of national patterns of social inequality	Emergence of an open European space	European-wide patterns of perception and regulation of social inequalities
System of social inequalities	National patterns of redistribution	EU as arena and/or transmission belt for global liberalization processes	European-wide interdependencies caused by EU monetary, liberalization and social policies
Social conditions	National classes shaped by national institutions	Individualized conditions shaped by increasingly global markets	Crucial role of center-periphery differences for the viability of the EU
Perception of social inequalities	National communities and life styles	Individualization	“Territorialized” view of social inequalities

Conception of social space implied	National spaces as relatively closed “container space”	Open, transnational spaces “between globalization and localization”	Emergence of a relatively closed supranational “container space”
Empirical evidence	Crucial role of national identities and social security systems despite Europeanization and globalization	Increasing social and regional inequalities in European states; open EU boundaries	European coordination of national social and employment policies; European processes of social closure

## Conclusion

(36) The European Union is increasingly confronted with the social consequences of its decisions. In particular, the Common Market, the Eastern enlargement and the monetary union have a substantial impact on the living conditions of the European population. This increasingly affects the popular support for the integration project (for example in the referenda on the new constitutional treaty) and the bargaining and exchange processes at the European level (for example on the new European budget 2007-2013). This indicates the limits of the “methodological nationalism” of the inequality research which assumes that norms of social equality, social classes, social mobility and inequality-reducing institutions can be situated and analyzed only at the level of the nation-state. Both the creation of social inequalities and their regulation are now already shaped largely by the decisions and regulations of the European Union. However, despite the predictions of the compensation thesis, [49] this will not lead to a European welfare state which resembles the national welfare states. Rather the methodological nationalism rightly points to the central role of national institutions and their inertia. Secondly, the system-theoretical perspective points with equally good reason to the open boundaries of Europe. Thirdly, the interdependencies of boundary building and structuring which are at the core of the Rokkan approach point to the possibilities of the European institutions to develop relatively autonomous ways of regulating social inequalities at the European level — a possibility which has been discussed taking as an example the Open Method of Coordination.

(37) The Europeanization of social inequalities therefore will occur in a complex form, which can be analyzed only on the basis of all the three perspectives mentioned: The dominant role of regulative (instead of redistributive) social policies at the European level and the low impact of European-wide norms of equality and solidarity refer to the national perspective, the stronger market dependence of social situations and the regionalization of social inequalities point to the system-theoretical perspective which expects a functionally differentiated global society with a reduced scope for political interventions, while the European-wide coordination of national social and employment policies and the impact of European-wide redistributive agricultural and regional policies point to the role of the European governance level also in the field of social policies. In contrast to the nation-states, which exclusively occupied a social space and whose institutions all referred to the same space, Europe thus is a transnational space shaped by the intersection of several social, national, European and global institutional orders. The patterns of social inequalities in Europe are therefore the result of global market interdependences, European governance structures and national institutions and redistributive policies.



## Notes

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[38] See Stefano Bartolini, *Restructuring Europe*, 370-74: “if there is no relation to some level of operational closure, a single market becomes only a section of the global market (...) This openness of the national as well as European legal systems can be seen as (...) a ‘privatisation’ and ‘de-territorialisation’ of the production of rights and of stabilised and generalised behavioural conformity associated with the truly transnational character of the new ‘Lex Mercatoria’ (...) The EMU cannot be used to reintroduce a level of closure of the European economies that is coherent and useful to the desired structure of the European system, and, in the end, functional to the EU interests and economic hegemony (...) the current ongoing and apparently unbound enlargement process (...) continuously redefining the borders of the system, also continuously redefines the scale and the complexity of its decision-making processes.”

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