Dr. sc. André Brie, MEP

European Social Policy: The Demolition of the Social State Historical Roots and Processes. Current developments

In the appendix: Eight Theses for an Alternative from the Left

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Introduction: The exploded dream of unified, social Europe

The common experience of resistance against the regimes of Hitler and Mussolini and the occupation policies of the "axis powers" already during World War II led to debates within the broad anti-fascist spectrum concerning the necessity to unify Europe. From diverse national groups there emerged a European movement, which after the end of the Second World War experienced a brief idealistic blossoming. For this movement, the creation of a *social Europe* as one consequence drawn from having had to overcome fascism and war stood at the top of the agenda. It consciously advocated a European perspective (*United States of Europe*) of reconstructing democracy, which was to be nourished from the different traditions of anti-fascist resistance.

Thus the "Manifesto of Ventotene", inspired by Altiero Spinelli and his fellows in the later on socio-libertarian Italian *Partito d'Azione*, already in 1941 demanded a new ordering of Europe, aimed at a mixed economy and socialisation of the key industries: "The European revolution has to be socialist in order to do justice to our needs; it must strive for the emancipation of the working-class and the creation of more human conditions of life. The needle of this compass, however, should not be swung into a purely theoretical direction, according to which private ownership of the means of production should be abolished completely or only be tolerated temporarily, if there is no other way. (…) Private property must, on a case-by-case basis, be abolished, constrained, corrected or expanded and should not be handled according to a mere dogmatic moralising stance. This guide-line fits in perfectly with the developmental process of a European economic life liberated from the alp of militarism as well as national bureaucracy. The rational solution should replace the irrational one, also in the consciousness of the working people."

The Manifesto also demanded to ground the reconstruction of the European economy on the principles of the social state: "The almost unlimited capacity for mass production of existential goods thanks to modern technology today permits to everyone to secure at relatively minor social costs dwelling, food and clothing, as well as a minimum of comfort indispensable to human dignity. Human solidarity towards those who succumb in economic battle, however, should assume no charitable forms, which would humiliate the recipient and provoke precisely those ills, whose consequences one seeks to combat. One should, on the contrary, adopt a series of measures which enable each and everyone to have a decent standard of living, whether he or she can work or not, without on the other hand lowering the incentive to work and to save. Thus nobody will be forced any longer to accept strangulating work agreements out of misery."

The Hertensteiner programme of the German *Europaunion* of 1946, based in this tradition as well, demanded a federated, united and social Europe: "The European Union cares for the planned reconstruction and economic, social and cultural cooperation as well as for the employment of technical progress exclusively at the service of humanity. The European Community is not directed against anyone and renounces to all power politics, however, it also refuses to be the tool of any foreign power."

In this last claim, there already surfaces the conflict with the new ordering of Europe by the USA on the one and the Soviet Union on the other side. But still in 1950, when in the newly founded Federal Republic the first enthusiasm was already fading, the German Council of the European Movement demanded a European policy of full employment, of employee mobility and the build-up of a comprehensive system of social protection. It was oriented towards the "ideal of unified European social insurance and protection law", which would "provide for all-European reciprocity of benefits and take the necessary steps for clearing and equalisation at the maximum." (Mühlbach 1950). The European movements were thus aiming at the step-by-step construction of a European social and welfare state.

With the growing "systems' competition" and the beginning of the Cold War, the possibilities of the European Movements to implement their visions in the practical shape of policies declined. The idea of a unified, social Europe as a "Third Way", in opposition to "Soviet Communism" and "US Capitalism", defended by Social Christian, social democratic and trade union circles in the European movement, increasingly lost its grounding. Eastern Europe, following the notion of "people's democracy", was firmly tied to the Soviet area of influence. In Western Europe, the USA and the West European political elites linked to it (e.g. Adenauer, Schumann, Monnet) certainly pursued an independent European integration project. However, it was only aimed functionally at the creation of a West European market space and the restoration of capitalism. Yet, at the national level, not necessarily the West European level, the West European project was quite certainly linked to the build-up and extension of structures of the social state.

1. Social policy – step child of European integration

The first 30 years and more of West European integration – from the founding of the three European Communities: European Community for Coal and Steel (ECCS), European Economic Community (EEC) and European Atomic Community (EURATOM) in the 1950s to the EC- domestic market project in 1986, were marked by an economic and social developmental model that was widely called the "**Fordist-corporatist welfare statehood**". The basis for it was the establishment of a "class compromise" between workers' movement and business at the level of the national state. This on the one hand stabilised a liberal, open market economy. On the other hand, on the basis of fast economic growth, it made possible income increases for the working people and the cushioning of social risks by social-state mechanisms. EC integration in this era largely served the protection of "Fordist" developmental paths within the national states in the ways described. Especially in the first years, they were designed primarily by US-oriented, anti-Communist politicians of the Catholic-conservative camp. At the European level, there held the primacy of market creation. Social policy was considered as a secondary priority – following the principle of subsidiarity, it was after all regulated and strongly anchored already at the national level.

1.1. Social policy in the EEC (1957 – 1974)

The Treaty for the European Community for Coal and Steel of 1951 already contained some very few social policy provisions. The formulations and fields for action of the EEC Treaty of 1957 in the area of social policy contained for the most part non-committal declarations of intent. They concentrated mainly upon measures to counteract the existing constraints on mobility of workers and employees in the EC.

Therefore, the following fields of actions in the area of social policy could be found in the EEC- Treaty:
● equalisation of social insurance systems (Article 51)
● improvement of life and working conditions (Article 117)
● promotion of cooperation in socio-political questions (Article 118)
● social protection of migrant workers (Article 51)
● promotion of professional and spatial mobility with the help of the European Social Funds (Article 123 to 127).

The European Social Funds was established in 1960 and financed at first predominately re-qualification and re-location measures. Until the mid-1970s, it practically constituted the most important activity of European social policy. In 1970, finally, a European framework for coordinating the social insurance legislation of the national states was created and later on developed further. Thereby, it is to be guaranteed that citizens (women and men), of the member countries can freely move on community territory. If they work in another member country, they may not, in the social security area, be treated worse than the own citizens of that country irrespective of sex. Claims to legally regulated social security can be taken along in part due to the coordination of the systems of the national states (thus pensions, unemployment benefits, health insurance abroad, but not social aid) and claims earned abroad (e.g. pensions) be summed up according to a unified credit system.

In 1974, the first "Social Action Programme" of the European Community was implemented. The social policy programmes as a rule relied on general competence norms (Article 100 and 235 ECT) and presupposed unanimous decisions in the Council. The goals of the "Social Action Programmes" were the protection of full employment, the improvement of life and working conditions with the perspective of their equalisation Community-wide and the increase in the participation of the social partners in the economic and social policy decisions as well as the working people in the fate of enterprises in the whole EEC. In this respect as well, however, the question was not of binding declarations of intent corresponding to the then reigning spirit of "Keynesian global steering". Main points of emphasis of the more concrete European social policy since the mid-70s were specific action programmes concerning security and health protection at the work-place, the integration of disadvantaged groups into the labour market, rules for coordinating social security for migrant workers and for the promotion of equality of chances for women. European policy of equality of chances in fact made a relevant contribution to the rise in consciousness and to partial changes in legislation in the more conservatively imbued member states.

1.2. Stagnation of European integration ("Eurosclerosis", 1979-1985)

The phase of "Eurosclerosis" was marked by a general stagnation in the progress of integration and an increasing re-nationalisation of economic policy. Given the background of the fundamental changes in the economic conditions of exploitation, it, in the final analysis, as it were, ended the economic and social developmental model of the "socially embedded, Keynesian-corporatist liberalism". Above all, the new British government of Margaret Thatcher prevented any kind of progress in the further development of Social Action Programmes and corresponding European legislation. Commission president Jacques Delors in 1984, it is true, could push through an initiative to let social partners at the European level enter into a "social dialogue". Behind that stood the idea to install a "social partnership" at the European level, which later on was supposed to usher in a European system of collective agreements. Yet except for non-binding talks and declarations nothing ensued. The employers' unions refused to become bargaining party at the European level. The work and wage policy conflicts already since the beginning of the 80s increasingly shifted to the level of the firms.

1.3. Domestic market, Euro and currency union: reorganisation of the integration pattern

At the latest with the Unified European Act (UEA, EC domestic market project) 1986/87, there began a deep-reaching remodelling of European integration towards a "*competitive-state-based integration method*" [1]. It is based on an all-European strategy of lowering costs, so as to benefit enterprises and thus promote their international "competitiveness" as well as discharge the state of tasks and "slim" it (liberalisation and privatisation of up to then state- provided or regulated public services such as energy supply, the railways, post, telecommunications etc.).

The domestic market project was grounded on the principle of regulatory competition (mutual recognition of product standards, only low harmonisation of corresponding provisions at the European level, competition between the tax and social systems of the national states). Also as far as the economic and currency union and the Euro-financial regime were concerned, motives of competition and finance policy played the main role. The so-called convergence criteria of the Maastricht Treaty were oriented towards the priority of the fight against inflation and especially towards the reduction in budget deficits and in the overall national debts. Thereby, the social expenditures perceived as "consumptive" increasingly got under pressure. Within the currency union, essentially the wages are left over as the variable that has to adapt, because the possibilities for exchange rate policy are eliminated. The same philosophy is at the core of the creation of an integrated European financial market. The integration pattern based on the competitive state thus constantly puts the national social states under pressure and increasingly undermines their basis (disappearance of the insurability of homogenous work and life risks by way of flexibilisation and segmentation of labour, by way of the increase of special employment forms such as time contract work, part-time work, work on call, minimal jobs etc.).

[1] Some authors already see the introduction of the European Currency System (ECS) in 1979 as a precursor of this development. Compare Beckmann/Bieling/Deppe 2003.

It may, in the light of this background, at first sight appear paradoxical that in the European Contracts since 1986 social policy concerns are at least symbolically re-elevated in a gradual manner. The first phase (1986-1992) distinguished itself by first small steps in this direction. The UEA placed great emphasis on the goal of “social cohesion” (Articles 130 a to e) and tried to give it sustenance by the extension of the European Structural and Regional Funds. Article 118 a ECT introduced the principle of majority decisions in the Council with respect to “questions of working environment” (in particular work and health protection at the work-place). Then Commission president Jacques Delors, however, wanted to push through a more comprehensive “social dimension of the domestic market”, but did not succeed. Article 118 b only enshrined the “social dialogue” (as possibility for the participation of employers’ and trade unions in the “social design” of the domestic market). The “Community Charta of Social Basic Rights” adopted by the European Council of Ministers in 1989 (without Great Britain, however) entailed no legal obligation and, moreover, continued to hold on to the primary responsibility national state level for social policy.

1.4. Maastricht Treaty and Founding of the EU (1991): Social policy without Great Britain

The Maastricht Treaty (Treaty on the Founding of the European Union) of 1991 also did not lead to any essential social policy innovations, but to a tricky legal exception. Because Great Britain refused any integration of social policy concerns at the contractual level, the remaining eleven member states passed the so-called social protocol as well as the Maastricht Treaty on Social Policy. It determined for these eleven member states social policy topics, which may fall under the common regulatory competence:
● minimal standards for work conditions (which can be adopted by qualified majority),
● social security, protection against dismissal and information and consultation rights of working people (by unanimous vote),
● social dialogue of the social partners, which allows “contractual relations including the conclusion of agreements” at the European level.

Thus in the 90s, various new and modifications of old European guidelines came to happen, which in some areas anchored social minimal standards in the domestic market, concerning:
● work and health protection (machinery guideline, work protection in the construction of scaffolding, computer display work guideline etc.),
● general conditions of the work contract (maximal labour time as well as holiday, night and shift work, atypical work relationships, employee dispatch, work relationships codified in writing),
● equality of chances for women (equality of wages, general equal treatment, burden of proof),
● crises of firms (transition in ownership/management, massive dismissals, insolvency),
● mother and youth work protection,
● as well as concerning participation of workers and employees (guideline about European work councils, information and consultation of working people).

The European Social Funds (ESF) as well obtained widened tasks. In the 1980s, its means had been employed primarily for the insertion of unemployed youth. A majority of funds had been channelled to the poorer member states. The "Delors Packages" (1988 and 1992) increased and extended the application of the means of the Structural Funds. In this framework, the ESF took on tasks primarily in the area of the struggle against long-term unemployment, the integration of youth into working life, the adaptation of the work force to industrial structural change and accompanying measures for the renewal of traditional industrial regions.

The extended social dialogue made it possible for the two European employers' unions and the European Trade Union Confederation, as already mentioned, to pass common declarations or to reach agreements on certain topics. Negotiated agreements between the European social partners could, upon proposal by the Commission, be converted by the Council into a European guideline. This happened for example with the EU Agreement of the Social Partners on *parental holidays* and *part-time work*.

The concepts of social minimal standards in the EU domestic market bear witness to an undeniable fact: The economic performance capacity and the social welfare state constitutions of the EU member states are very different. In the large majority of the EU social policy guidelines there, therefore, dominates mostly the principle of the smallest common denominator. In comparison to the labour and social policy standards of the more developed social states (e.g. Sweden, Denmark, FRG), the European norms are often weaker. Exceptions are constituted maybe by the prevention principle enshrined in the EU Law on the Work Environment, the computer display work guideline and the politics concerning equality of chances for women.

1.5. Treaty of Amsterdam (1997): European employment strategy and integration of the social protocol

In 1997, the government of Tony Blair ended the British Opting Out in the matter of social policy. The Amsterdam Treaty contained a separate Title VIII "*Employment*". Thus it became possible to coordinate the national employment policies of the member states on the basis of European guidelines. The member states were obligated to set up yearly *National Action Plans* on how they were implementing these guidelines. However, these guidelines also primarily contained non-binding recommendations.

At the same time, a new Title XI "*Social policy, general and professional education and youth*", the EU social policy areas up until contained in the Social Agreement, and the Social Protocol were integrated into the treaty, bundled anew and partly extended. This included topics such as work and health protection at the work-place, working conditions, professional insertion; equality of chances between men and women on the labour market, equal treatment at the work-place and equality of wages without discrimination on the basis of sex; social security and social protection of working people, information and hearings of those employed, collective bargaining, promotion of employment and much more. The new Article 13 of the Amsterdam Treaty for the first time enabled legislative and other initiatives of the EU to fight "discrimination for reasons of sex, race, ethnic provenance, religion or world view, handicap, age or sexual orientation."

As a result of the Amsterdam Treaty, now the following social policy fields of action were subject to a majority decision in the Council:
● employment policy guidelines,
● improvement of the working environment (employment protection and security at the work-place),
● working conditions,
● information and hearings of those employed,
● equality of chances of men and women on the labour market, equal treatment at the work-place and equal compensation for equal and equivalent labour,
● provisions for the realisation of the European Social Funds.

For all others, there continued to operate the unanimity rule. Questions of work compensation, of coalition and strike law as well as of lockout continued to be excluded. In the area of struggle against social marginalisation, the Council was given the right for initiatives, which would concern cooperation between the member states with respect to improving the state of knowledge, the exchange of information and proven procedures for the promotion of innovative approaches and of the evaluation of the experiences encountered.

1.6. EU Summit at Lisbon and Treaty of Nice (2000/01): Method of open coordination

This procedure was called into life by the EU Lisbon summit (2000) under the name of "*method of open coordination*" as a more general instrument of governmental cooperation in various areas of policy. It departs from the assumption that for the policy area concerned (as here, for example, the fight against social exclusion), the level of the national state remains the prime responsible. The coordination at the EU level implies first of all the systematic gathering of information and building upon it the comparison of "proven practices" of member states. On this basis, it can be tried to lay down meaningful indicators permitting a more systematic comparison between the member states (the so-called "benchmarking").

In a further step, general principles and goals or more concrete European guidelines for the European coordination (as known, for example, already from the European employment policy) can be adopted by the Council . This may lead to the consequence of member states committing themselves to national action plans. In these, they describe in what way their measures taken at the national level will serve the implementation of the goals and principles agreed at the European level. In the area of the fight against social exclusion, the Council has decided, for example, in favour of very generally formulated European goals and principles, with the member states committing themselves to national action plans of a two-year duration. On the basis of the experiences with the national action plans, there then takes place a common and reciprocal evaluation. The method of open coordination is therefore a legally non-binding European procedure ("soft law approach"). It leads to no sanctions in the case that the implementation of the European goals did not succeed, or worked only inadequately. It is therefore an indirect European steering method, which basically relies on the common elaboration of a European guiding model and European goals (substantiated by "indicators"). The member states are subject to pressure in as much as the governments have to make explanations to one another, to the Commission and to the media, as to whether their policies corresponds to the

European guiding models. Put in brief, “black sheep” can turn out in the European pillory.

The EU Treaty of Nice (2001) again modified the provisions concerning European social policy. It listed the following fields of action (*italic*: unanimity principle in the Council):

a) improvement, especially of the working environment for the protection of health and the security of those employed,
b) working conditions,
c) *social security and social protection of those employed*,
d) *protection of workers and employees in case of termination of work contract*,
e) information and consultation with those employed,
f) *representation and collective perception of the interests of the working people and of the employers, including co-determination rights, subject to paragraph 5*,
g) *employment conditions of the citizens of third countries, who are legal residents on the territory of the community*,
h) occupational integration of the persons excluded from the labour market, irrespective of Article 150 (supplemental European measures for professional education),
i) equality of chances between men and women on the labour market and equal treatment on the job,
j) fight against social exclusion,
k) Modernisation of the systems of social protection, irrespective of letter c).

In all of these fields of action, the Council may decide initiatives in accordance with the open method of coordination, whereby a European harmonisation of legal prescriptions is explicitly excluded. In the areas a) to i), the Council may in addition enact European guidelines with minimal stipulations. These minimal standards, however, should prescribe “no administrative, financial or legal burdens hindering the start-up and development of small and medium-sized businesses.” As a rule, it decides by qualified majority, except in the areas c), d), f) und g).

The EU summit of Nice had also passed the EU Charta of Basic Rights – however, only as a legally non-binding “solemn declaration”. The Basic Charta also contains economic and social basic rights, which will bind the EU institutions and EU policies in all areas, and it is planned that it will be possible to sue for them on an individual basis before the European Court of Law. The filling with content of social and economic basic rights in this context is comparatively moderate, in many respects even disappointing. The *European Social Charta of the European Council* with its 31 articles contains a much more precise description of social basic rights. It more strongly emphasises the equal treatment of women in all areas, the compatibility of profession and private life, the right to dignified working conditions and preventive protection of working environment and health, the right to protection against poverty and social exclusion and the right to a dwelling.

1.7. The Draft Constitution by the European Convention (2003)

With the draft of a “Constitution for Europe” (July 2003), the European Convention tried to anchor the Charta of Basic Rights in a legally binding manner as second part of the constitution. This endeavour was supported by all European governments.

Apart from that, the draft of the constitution carried out changes relevant to European social policy essentially in the area of goals of the European Union (Part 1 of the Draft).

In Article 3, Paragraph 3 of Part 1 of the Constitutional Draft, it was made clear that "The Union strives for the sustainable development of Europe on the basis of balanced economic growth, a social market economy competitive to a high degree, which is aimed at full employment and social progress as well as a high degree of environmental protection and improvement of environmental quality. It promotes scientific and technical progress.
It fights social exclusion and discrimination and promotes social justice and social protection, equality between women and men, solidarity among generations, and the protection of the rights of children. It promotes economic, social, and territorial cohesion and solidarity between the member states."

While, for example, the goals of a "social market economy" and of "full employment and social progress" are new, it is noticeable that there is no longer, as in the now effective Treaty of Nice, the question of a "*high degree* of social protection" (Article 2, ECT).

In Article 14, it is determined moreover that the Union may take "initiatives for the coordination of the social policy of the member states".

In Part III of the Constitutional Draft (Policy Areas), there then no longer is the question of social market economy, full employment etc. It contains, in essence, the already valid stipulations and formulations of the Nice Treaty. Thus it appears that the EU Constitution has brought no substantial innovation in the area of social policy. On the contrary: The neoliberal economic policy of the "open market" and the priority of free competition is elevated into constitutional rank and also threatens to erode the already existing social and occupation policy orientations, and to make their realisation impossible.

1.8. Interim balance

As a preliminary balance of the "*integration method of the competitive state*" since the mid-1980s (creation of the EC domestic market, preparation and implementation of the economic and currency union and the Euro, deepening of the domestic market by way of "structural reforms" of the goods, services, capital and labour markets in the direction of liberalisation and flexibilisation, creation of an integrated European financial market until the year 2005), there can be retained with view to social policy:

● "Social policy concerns" have been symbolically integrated, especially with the Treaty of Amsterdam (under the headings "Employment", "Social Policy", "General and Professional Education and Youth"), majority decisions have been partially extended, and the "European coordination" of corresponding policies of the national states has been made possible (employment policy guidelines, treaty stipulations of Nice) ;
● As before, social policy in its core stocks remains competence of the national states; the European coordination processes are to a far extent non-binding;

● The legislative activity of the EU retains gaps and is constrained to “minimal prescriptions”, which quite often remain clearly below the premises set by the national states with more developed social states.

European social policy thus disposes neither of considerable financial resources, nor does it take on any redistributive function. The social and employment policy coordination processes also do not entail that at least the member states would invest higher resources into these areas at the national level. The EU limited itself at first to a social regulatory policy (social minimal standards in the domestic market). Their vigour, however, already has lost a lot of steam since the end of the 1990s (hardly any new European guideline projects concerning “minimal prescriptions”). Instead, a “coordination” has developed, which indirectly steers social policy.

2. The “European Social Model” – myth or reality?

In the documents of the EU institutions (Commission, Council, European Parliament) there is always question of a “European social model”, which would be clearly distinguishable from the social models of the US and Japan. The European Commission defined the European social model as follows: “It is characterised by democracy and rights of the individual, absence of tariffs, market economy, equal chances for each and everybody as well as social security and solidarity” (White Book Social Policy 1994). The European Trade Union Confederation provided an even more resolute definition: “This model, which is characterised by a very high level of social protection grounded in solidarity, by the central role of public services, the high status of collective agreements and various models of co-determination, is based on the indispensable compromise between the market forces and the democratic state” (ETUC 1995).

As a matter of fact, the expenditures for social protection in the EU-15 were at about 27.3% of the EU GDP in 2000 and thus higher than in the US with 14-17% of US GDP or in Japan with 12-15% of the Japanese GDP (1991-98). This is also owed to structural differences in the respective constitutions of the social state. In Japan, for example, social security is organised much more (but at a decreasing level) by way of the concept of life-long work-place guarantee for core employees and corresponding gratifications by the firm and much less by way of public social security systems. In the USA, while there exists, as a result of the New Deal by Franklin D. Roosevelt in the 1930s and the *War on Poverty* Programme by Lyndon B. Johnson in the 1960s, a rudimentary social state (minimal state pension insurance and unemployment benefits, various credit facilities in favour of low-income households for education, housing or acquisition of residential property as well as for small farmers etc.), there is, for instance, no social health insurance covering all population strata.

The social state and the level of social protection in Western Europe are, in fact, as a result of the larger weight of the organised labour movement and its battles in the 19th and 20th centuries as well as under the immediate influence of the systemic competition, more strongly developed and as a rule better equipped with resources than in the USA or Japan. On the road into capitalist modernity, the front lines between the social classes in Europe assumed a clearer shape than elsewhere. A party system, historically built upon the class antagonisms (with smaller and larger parties in the traditions of the labour movement and the bourgeoisie), and a relatively pronounced class-determined electoral and strike pattern are still typical in Western Europe. In the USA, there exists up until today no mass party, which would base itself upon the traditions of the labour movement, and in Japan, these parties are, as a rule, too weak to exercise any influence on the formation of the government and the design of state policy.

Beyond these statements, however, there exists very little support for the thesis of a more or less *unified* “European social model”. “Democracy, personal rights, and the market economy” can also be claimed by the capitalistically constituted societies of the USA and Japan. In the USA as well, structures of publically regulated service (*Public Utility Regulation*) and programmes for equality of opportunity (*Affirmative Action*) as inheritance of the New Deal and the War on Poverty played a certain role. Their status and the scope of their applicability, however, are very different even within Europe. The latter holds to an even greater extent for co-determination and the area-wide collective agreement.

2.1. Diversity of welfare state models in the EU

On the basis of empirical examinations in the beginning of the 1990s (Esping-Andersen 1990) , one can establish that about four different welfare state models exist next to one another:

● The *Mediterranean or rudimentary welfare state* (e.g. Greece, Portugal, Spain): it includes a tax-financed, general state health system, but weak social insurance systems with low transfer intensity. The traditional family structures still play an important role as social support system, countrywide minimal protection systems, on the other hand, barely exist.

● The *liberal welfare state* (e.g. Great Britain, Ireland and, that’s right, the USA): it is based upon a universal, mostly tax-financed social security, which is designed, however, only to avoid extreme poverty, and a strict system of means testing, leading to a “hole-riddled” support with low transfer intensity. All tasks of social security going beyond poverty prevention are organised, if at all, by business or state sponsoring or private supplemental insurance policies.

● The *conservative-corporatist welfare state* (e.g. France, FR Germany, Austria, Italy since the 1980s): It is tied predominantly to gainful employment and relies on contribution-financed, income-dependent social security systems with moderate redistributive mechanisms, which are supposed to maintain the achieved social status and living standard. It relies on the ideal of the life-long, full-time employed male family head of household (with correspondingly hole-riddled social protection of “atypical” earning biographies) and offers a tax-financed minimal social protection with a means test for those, who cannot be integrated into the labour market and have no other sources of income.

● The *social-democratic welfare state* (e.g. Sweden, Denmark). It relies on a universal, predominantly tax-financed social security system with transfer intensity and comparatively high redistribution. The systems are aimed at a policy of equality, which also includes the equal positioning of the sexes, coupled with large extension of social infrastructural institutions (small children’s care, all-day schools etc.). Added to that are supplemental, contribution-financed insurance systems, especially firm-level pension systems regulated legally or by collective agreement.

The West European welfare states are for the rest usually only distinguished according to two ideal-typical principles: the *Bismarck principle* (which wages classically upon *contribution-financed social insurances* and is thus centred upon gainful employment) and the *Beveridge principle* (which classically relies on *tax-financed, universal minimal protection*). The national welfare states in the EU, however, each of them represent specific mixtures of the Bismarck and the Beveridge types. Even in the classical country of the Bismarck-type, the Federal Republic of Germany, social security for example is financed from general tax revenue. In classical countries of the Beveridge type (such as Great Britain and Denmark) for example, the unemployment support is organised by a contribution-financed social insurance. In this respect, the historically grown welfare-state regulations in the West European EU countries are distinguished by great diversity and show clear differences in the scope of the services, the structure and the financing rules of the social systems.

Table 1: Financing of Social Security
(according to types of revenues, in % of the total financed amount)

	Tax-financed (public budgets)		**Social insurance contributions**						**Others**	
			Total		**Employers**		**Insured**			
	1991	**2000**	**1991**	**2000**	**1991**	**2000**	**1991**	**2000**	**1991**	**2000**
EU-15	**30.9**	**35.8**	**65.0**	**60.7**	**41.4**	**38.3**	**23.6**	**22.4**	**4.1**	**3.5**
B	21.4	25.3	69.4	72.3	43.7	49.5	25.7	22.8	9.2	2.5
DK	81.7	63.9	11.7	29.4	7.2	9.1	4.5	20.3	6.6	6.7
D	26.9	32.5	70.5	65.2	42.2	36.9	28.3	28.2	2.6	2.4
EL	32.8	29.1	58.4	60.8	38.1	38.2	20.3	22.6	8.8	10.1
E	27.3	26.9	69.9	69.1	53.2	52.7	16.7	16.4	2.7	4.0
F	17.6	30.6	78.8	66.5	50.4	45.9	28.3	20.6	3.6	2.9
IRL	60.0	58.3	38.9	40.2	24.0	25.0	15.0	15.1	1.0	1.5
I	29.1	39.8	68.7	58.1	52.6	43.2	16.1	14.9	2.2	2.1
L	40.6	47.1	51.9	48.4	29.8	24.6	22.1	23.8	7.5	4.5
NL	23.9	14.2	60.4	67.9	20.1	29.1	40.3	38.8	15.7	17.9
A	35.7	35.3	63.2	63.8	38.1	37.1	25.1	26.8	1.2	0.8
P	26.1	38.7	60.9	53.5	41.8	35.9	19.1	17.6	13.0	7.8
FIN	44.1	43.1	48.1	49.8	40.9	37.7	7.2	12.1	7.8	7.1
S	n.a.	46.7	n.a.	49.1	n.a.	39.7	n.a.	9.4	n.a.	4.3
UK	44.6	47.1	53.7	51.6	27.9	30.2	25.8	21.4	1.7	1.3

Source; Eurostat-ESSPROS 2003;
B = Belgium, DK = Denmark, D= Germany, EL= Greece, E= Spain; F= France, IRL= Ireland, I = Italy, L=Luxemburg, NL = Netherlands, A= Austria, P= Portugal, FIN= Finland, S=Sweden, UK = Great Britain

In May 2004, the EU was extended by 10 new member states, predominantly from Eastern Europe. The East European new member states until 1989/91 had belonged to the "real socialist" camp and had had a social security system corresponding to this type of society. In the 1990s, they experienced a deep-reaching transformation of their economic and social system, in the course of which different variants of a market-radical “shock therapy” were being tried on them. In contrast to the highfaluting promises of fast and durable welfare for everybody, the transformation to a market economy in all Eastern European countries at first led to a drastic slump of the GDP. Only in the year 2000, four of these countries – Poland, Hungary, Slovenia and Slovakia – were able to significantly surpass the level of their “real-socialist” Gross Domestic Product (GDP) of 1989. Czechia (98%) and the Baltic states Estonia, Latvia and Lithuania still lay below it. The European backlog of the Middle and East European states in comparison to the EU measured by their GDP, or rather industrial and agricultural production, was larger in the year 2000 than it had been in 1989. Half of the new member states reaches a GDP per capita of over 50% of the EU-15 average (of those only Slovenia and Cyprus 70% or more). The other half lies clearly below the EU average. In comparison to the Southern extension (Spain, Portugal and Greece), the new EU extension brings significantly more dramatic gaps in welfare and in the level of economic development.

2.2. EU extension 2004: Falling EU social security quota

The social security systems of the new member states are organised following similar structural principles as in the “old” EU states, however, on a typically very low level of protection. Most of them organise social protection according to the insurance principle (Bismarck type), while social aid-type payments are financed by general taxes and are contingent on a means test. Estonia finances the public pension and health system by a social tax (Beveridge type), while unemployment benefits are organised like an insurance. Next to these more general structural features, there remains, however, similar to the situation in the old EU, a great variety in the scope of payments, the concrete financing structure and the distribution of burdens between employed and employers concerning the social aid contributions. A number of states (Slovenia, Hungary, Czechia, Estonia) especially in the area of pension policy rely on firm-level pension systems and upon (voluntary or obligatory) enrolment in capital pension funds. In health care as well, there exist different regulations concerning the benefit catalogue, additional insurances, and private supplemental payments.[1]

For a number of middle and East European new member states, it holds, however, that the provisioning with social security services is “hole-riddled” and precarious and that especially the problem situations of growing poverty and social exclusion receive little attention. In Poland, for instance, the real unemployment rate has risen to 20%, but only a fifth of the unemployed receives unemployment support.

Already for the 15 EU member states up to now, the level of public social expenditures in comparison to their respective GDP (the social performance quota) is very different: it reaches from 14.1% in Ireland to 32.3% in Sweden. The Mediterranean states (Portugal, Spain, Greece) have caught up to a significant extent since the 80s, but there still persists a noticeable distance to the richer EU states:

Table 2: Public Social Expenditures as a Percentage of the GDP (Social Performance Quota) in the EU

[1] At this point, I cannot answer the question to what extent the social security systems of the member states can be evaluated according to the categories of the four welfare state models by Esping-Andersen. This can be tried by professionally more involved social and political scientists.

Country	1991	1993	2000
EU-Average	**26.4**	**28.8**	**27.3**
Austria	27.0	28.9	28.7
Belgium	27.1	29.3	26.7
Denmark	29.7	31.9	28.8
Germany	26.1	28.4	29.5
Greece	21.6	22.1	26.4
Finland	29.8	34.6	25.2
France	28.4	30.7	29.7
Ireland	19.6	20.2	14.1
Italy	25.2	26.4	25.2
Luxemburg	22.5	23.7	21.0
Netherlands	32.6	33.6	27.4
Portugal	17.2	21.0	22.7
Spain	21.2	24.0	20.1
Sweden	34.3	39.0	32.3
United Kingdom	25.7	29.0	26.8

Source: Eurostat-ESSPROS 2003.

The social performance quotas of most of the new member states in part lie clearly below this level – the average for the 10 new member states for the year 2000 yields a social performance quota of 19.6%. In contrast to the EU Southern extension, the present EU extension is taking place without extension of the EU structural funds. On the contrary, the new member states in the beginning will receive only 25% of the agricultural subsidies owed to them, only over the next 10 years will they grow gradually to 100%. In the political debate about the EU budget and the financial framework 2006-2011, Germany in particular is pushing for a further lowering of the budgetary limit (to 1.0 or at a maximum 1.1% of the EU GDP) or at least for a freeze at the level up to now. If this line gets through, the new member states will be left alone with the task of coping with structural changes in industry and the catching up to the EU welfare level.

Table 3: Public Social Expenditures as a Percentage of GDP (Social Performance Quota) in the New Member States (plus States joining later)
Important note: This table contains **preliminary data**; due to a lack of "harmonisation" of different national definitions of social protection expenditures, there still are no absolutely comparable data;

Country	1998	2000
Estonia	14.7	15.2
Latvia	17.6	17.8
Lithuania	15.8	15.8
Poland	23.9	24.0
Hungary	24.2	23.2
Slovakia	21.9	21.7
Slovenia	26.1	n.a.
Czechia	18.1	19.5
Cyprus	12.8	n.a.
Malta	19.6	19.8

EU-10 (new member states)*		**19.6**
1.1 EU-25		**23.2**
Bulgaria (2007)	14.9	17.9
Rumania (2007)	13.8	13.9
Turkey	10.4	10.6
1.2 EU-28		**22.3**

Source: *GVG Study on the Social Protection Systems in the 13 Applicant Countries, Synthesis Report, Second Draft*, *November 2002*
** Where data for 2000 were lacking (Slovenia, Cyprus), the 1998 data were used for the calculation of the respective averages (EU-10, EU-25, EU-28)*

In the middle- and East European new member countries, around 20% of the whole employment is agricultural – in the EU-15, it is on the average only 4.3%. Added to that will be the foreseeable structural change in the old industrial regions (mining, steel and shipyards etc.) and the employment quota already double the average, which exists there already now. Before this background, we can count on a clear increase in unemployment and socio-political problem situations in the new member states, for whose solution, however, no resources are supposed to be planned in. Whether a catching-up of the social performance quotas will be possible under these conditions, appears extremely questionable. Thereby, however, the average social performance quota of the extended EU will drift clearly in the direction of the USA level. The thesis of the "European social model" will then become ever more shaky even if it is now still defendable under the aspect that the European Union supposedly guarantees a significantly higher social protection level than the US.

3. Modernisation of the Welfare State: The re-evaluation of "social justice"

The development of the social state is often interpreted as a social large-scale experiment in order to solve the social or workers' question. Up until the late modern period, social policy was concentrated predominantly upon caring for the poor. This was usually done by charitable organisations of the various Christian churches or religious communities or of the educated bourgeoisie and was charged up with corresponding postulates concerning the proper life conduct of the poor. An example is the institution of the late modern age "work house" (18th and early 19th century), in which the poor population is interned, instructed in "useful" industrial cultural techniques and convicted to forced labour.[1] In England, the currents of the *diggers* and the *levellers* protested against the poverty laws and these practices of work houses.

3.1. From the care for the poor to the rudimentary social state

[1] The early enlightenment thinker John Locke, who is otherwise counted to liberal free thinking, in the area of the fight against poverty spoke for constraints on freedom, rigorous penal practice and command economy.

The process of urbanisation accelerated by manufacture and industrial revolution led to the development of state hygiene policies. Their goal was to secure public health and fight against epidemics. This was after all in the state interest, since it upheld defence and financial capacity. The hygiene policies by means of the development of statistics (especially health, social and age statistics) created a decisive technical prerequisite for the organisation and work on the problems of developing industrial society since the 20s of the 19th century. State social statistics and probability calculus again laid the foundation for the realisation in the bureaucratic-scientific circles that the social risks (illness, unemployment, accidents, invalidity, old-age diseases etc.) of capitalist industrial society could not be explained by mere accidents, the blind rage of evil powers or the individual guilt of some, but resulted from the objectivity of social communal life. A state regulated insurance for compensating these social risks (as a “social insurance” or financed from tax revenue) seemed ever more necessary, coupled with a policy of prevention (security and health protection at the work-place etc.). On the side of the workers’ movement, the experiences with self-help insurances and support associations (collective security against loss of wage due to loss of working capacity or work-place) played a role, which due to the rather limited number of members and the voluntary basis of joining these associations, however, had remained precarious.

This new perception of social risks could only impose itself very gradually. A very important role in this respect was played by the growth of the organised workers’ movement, which the bourgeois forces perceived as a potential threat. The strengthening (socialist, anarcho-syndicalist and anarchistic) workers’ movement in Europe demanded the material realisation of the principles of the bourgeois revolution – *liberté, égalité, fraternité.* It insisted on an extension of democratic participation rights (women and general electoral law), on a turning away from the demeaning “care” for the poor and above all on a radical change of primary distribution and the overcoming of the capitalist private ownership of the means of production. The official majority position of the social-democratic-socialist parties held a social revolution to be inevitable. It would follow from the “collapse of capitalism”, which was bound to happen according to quasi natural-law-like rules. This attitude has rightfully been called “revolutionary party on hold” or “revolutionary waiting stance”. At the same time, there also existed in the workers’ movement an alternative strategy of “gradual reforms”, which received great support especially in the leading apparatuses of the more moderate trade unions. These reforms were supposed to be introduced by governmental coalitions with social-liberal or radical democratic bourgeois forces, as for example in France after the Dreyfus affair in 1899 by the governmental coalition for the “Defence of the Republic”.

The breakthrough to state social security legislation and the introduction of rudimentary social insurances in Germany under Bismarck took place from 1878 to 1890 under the guiding target to thereby stop the rise of the workers’ movement and social democracy. As an accompanying measure to the health and accident insurance legislation and the introduction of a pension and invalidity insurance as obligatory insurance for workers and “small” employees, social democracy was forbidden and subjected to measures of repression. Old-age pensions were granted after 30 years of contribution and were designed as a partial pension, which was supposed to allow a certain reduction in work activity. However, not even a-third of all men reached 70 years of age in the first place.

Although the social insurance principle is attributed to him, Bismarck personally had at least in the matter of old age insurance championed a tax-financed minimal insurance system with the primary goal of poverty prevention. Bismarck repeatedly compared the “soldier of work” with the soldier in the army – both should be tied to the state by way of a (minimal) state pension. The authoritarian- paternalistic bent of bourgeois social reform is unmistakable. Austria and the British governments from 1906 to 1914 followed with similar minimalist social reforms (old age security, job exchanges, accident and health insurance).

The further rise of the trade union and political workers’ movement could not stop the Bismarckian double strategy of political repression and gradual social reform. As a result, after a hesitant start, the bourgeois social reform in Europe, however, reached a political differentiation within the workers’ movement. “Revisionist” and reformist currents in trade unions and parties seized on to the offer to at least influence the “secondary distribution” through an extension of the social sphere and new social rights in the framework of a rationality-guided “modernisation” of the bourgeois state and the expansion of large industrial concerns and monopolies by way of a step-by-step strategy for social progress (work and social legislation, extension of the social insurances and the claims linked to them, works’ council and “industrial democracy”, standardisation of gainful employment etc.). The “old” conflict over the socialisation of the means of production and a new mode of production was remitted.

Quite essential for the growth of these reformist streams was the incapacity of the traditional strategy of “revolutionary waiting stance” to stop the nationalistically heated war excitement, in the beginning also among the workers, and the outbreak of World War I or to use the collapse after the end of the war for a revolutionary transformation in Europe in the sense of the old goals of the workers’ movement. The “reformist” majority social democracy rather acted as a stabilising force in the restoration of capitalism of Europe after the war. In that endeavour, it was quite able in the beginning to reach partial successes in at least some countries (8-hour-day, works’ councils, housing policy in Austria etc.) and to extend the social state. The “Communist” fraction of the workers’ movement, however, stayed a minority in Western Europe. In the late 1920s and in the 1930s, the social state achievements, however, came under pressure. From the increasing social polarisation, fascism in some countries of Western Europe came out strengthened at first, then buried parliamentary democracy and initiated a new World War.

3.2. The “Keynesian Welfare State” after the Second World War

The breakthrough to the social state “as we know it” only came after the end of the Second World War. The ideological and conceptual blueprint for that as a rule was not delivered by the socialist-social democratic workers’ movement (except for the Swedish case), but social liberalism (Keynes, Beveridge). Keynes turned against monetarism and the laissez-faire politics prevailing in the inter-war period, which had led to deflation, mass unemployment, polarisation of incomes and a rentier economy. Instead, a state interventionist macroeconomic policy was necessary, which would strengthen mass purchasing power and final demand, thereby stimulate productive investment and move the economy in the direction of a full employment equilibrium. The state should not become the owner of the means of production, but should via macroeconomic policy and investment guidance in periods of economic stagnation counteract the underemployment of capacities and resources. In this way both the capitalist ownership structure and parliamentary democracy could be saved – against fascism from the right and Bolshevism from the left.

From the point of view of learning theory, Keynes' strategy amounts to the creation of "win-win"-constellations: state interventionism should secure the enterprises durable profit chances and the employees higher incomes and full employment. As a result of this "class compromise", it would be possible to secure the performance capacity of the capitalist economy, while at the same time maintaining relative social peace, reduced inequality of income and improved social security for the employed. This basic philosophy also came to bear in the Beveridge plan for the great social state reform in Great Britain. It was picked up both by the bourgeois parties as well as by the reformist parties of the workers' movement, even if with different accentuations. In Western Europe, after the Second World War, it was predominantly bourgeois majority parties, which engaged in an extension of the social state.

The "Keynesian welfare state" encompassed no longer only protective measures against the classical social risks of a capitalist earnings-based society (accident, invalidity, health, old age, unemployment, poverty, protection of motherhood etc.), but took on extended tasks for the stabilisation of the overall economy (macroeconomic politics) and to the achievement of "social cohesion" (educational expansion, policies of equal chances, employment and social policies, affordable housing construction, regional policy for approximately equal life conditions, promotion of culture etc.).

3.3. The welfare state in the tension field of different ideas of "justice"

The concrete designing of the welfare states after the Second World War followed national specific patterns, which contained country-specific mixtures of in each case partly diverging, partly supplemental guiding principles of social justice (compare also Esping-Andersen's typology). From the tradition of care for the poor comes the principle of *need orientation*: social payments tested case by case according to the income and family situation of the concerned. On the bourgeois formal equality postulate and the idea of the common wheal, there is based the principle of *justice according to need* : securing of an however defined socio-cultural existential minimum, which is supposed to insure the maximal possible participation of all in social life (approach of provisioning). The liberal postulate of individual liberty and the welfare of the individual is based on the principle of *justice according to performance*.

Social policy aligned with egalitarianism, moreover, aims at the reduction of wealth and income differentials ("material equality politics", mainly over progressive taxation of income and wealth), as well as *equality of chances* and anti-discrimination (education, women, immigrants, handicapped etc.). The American philosopher John Rawls has introduced the *difference principle* into the debate on equality: social and economic inequality is tolerable as long as the distribution is shaped in such a way that also the lowest income classes take part in economic growth (elevator principle). The difference principle is thus a typical image of the Fordist "welfare-through-growth philosophy". The *justice for stability* incorporates a rather more pragmatic principle: securing of relative "social peace", prevention of revolts etc.

Bismarck's social state policy to a large extent followed the motive of justice for stability - the workers were to be held back from their aspirations to revolutionary overthrow. The social state concept by Beveridge was inspired predominantly by the idea of justice according to need: guarantee of a national income minimum as benchmark of the social state activity. The principle of justice according to performance to him held for the firm-level and private prevention to be built on that. Adenauer, on the other hand, anchored the principle of justice according to performance in the concept of dynamical pension insurance. It relied on the right of all employed to an adequate securing of their living standard by the state system in old age. The principle of equality of chances was applied for instance in the federal education grants (BaföG), women promotion plans or in the law on the severely handicapped.

Already the most basic forms of social state regulation – insurance protection against social risks – made it necessary to formulate general principles, which would distinguish between risks, for which the individual had to come up him- or herself, and those, which were to be compensated (or preventively minimised) by social insurance companies or other state instruments. The compensation of the risks covered by the social insurances was thereby also formulated as individual legal claim. It has to valid as inalienable, and it must be possible for those entitled to sue for it, if need be, by legal means also against the state or the social insurances. In parallel, there developed conceptions of economic, social, and cultural rights, which would be guaranteed by the democratic social state in accordance with the applicable specific social norms and be attributed by its various instruments individually and collectively (as claims to compensation, income, provisioning with public and social services etc.). They go along with standardisations and typologies of life situations, which rely on the respective specific "conceptions of normality" (conduct of life, duration of work time and vacation, gender-specific roles, professional performance and incomes etc.) and on principles of justice.

Especially, the Scandinavian, social-democratic welfare state tradition is inspired ideal-typically by the image of indisputable legal claims, which are tied in a universalistic fashion to state citizenship. In other traditions, this principle of universal social citizenship rights is far more fractured. Means-test-based services (such as for example social and unemployment compensation) only represent the right to *access* a service. The principle of *subsidiarity* (taking into account the income of other persons when calculating services etc.) further constrains this right of access. Especially, social insurance systems centred on gainful employment often set the "male family head of household" as a norm, from which there precisely result only *derived claims* (for example to widow and orphan protection etc.).

3.4. Controversial interpretations of the contradictions of the Keynesian welfare state

Thus the Keynesian welfare state in its different national incarnations has often remained divided in Western Europe. The offerings of social services and social insurances, the social cushioning net against poverty, fiscal and work-place-related payments have developed in an unequal fashion. They brought an after-the-fact correction of market results and social welfare, but they also produced under-supply and exclusion ("marginalised fringe groups", "new poverty").

Before this background, it also does not surprise that the social and welfare state was subject to different (partly also supplementary) interpretations:

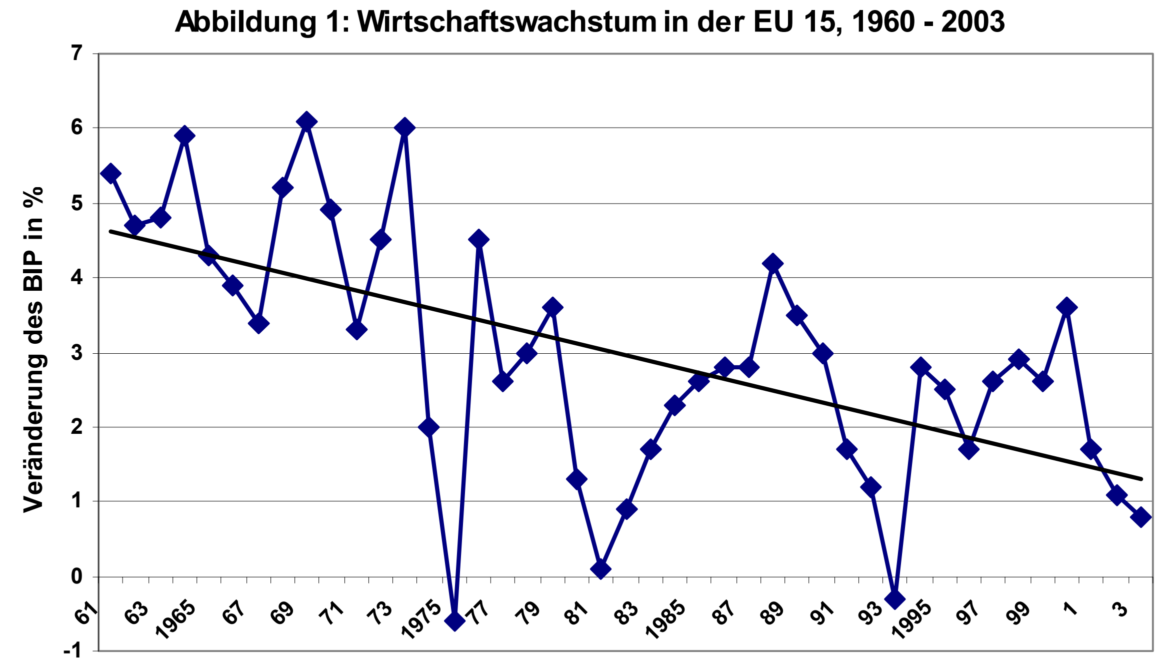
● *Class-theoretically*, there was – with respect to the welfare state – question “of an asymmetrical class compromise and a partial integration of the workers’ movement into the capitalist society. *Asymmetrical*, since the societal interest representation of the capitalist societies is structurally superior to the interest representation of the working class; *partial integration*, since the workers’ movement even under an emphatically non-revolutionary ideal-oriented leadership still always strives beyond capitalist society” (von Oertzen 1984).

●*modernisation-theoretically* – in “right” as well as “left” variants – the increase in social complexity, the extension of state steering, risk insurance and prevention and growing legalisation, increase in scientific basis and professionalism stand in the foreground. In this connection, there supposedly takes place a differentiation and segmentation of the “clients” of the social states. Negative aspects of the social state would be the bureaucratic “overgrowth” of life spheres (child raising, care for the elderly etc.), a colonisation of life-styles by the norm system at the basis of the services by the social state and the self-definition of the needs by professional actors (state bureaucracy, free welfare agents etc.). On that basis, there would develop new contradictions and conflicts: the social state could quite possibly sharpen the problems, which it was supposed to cure.

● *From the point of view of democracy theory*, the social and welfare state is interpreted as social innovation effort, which by the definition of unconditional legal claims and universal social claims as well as instruments to their material realisation based thereupon, only makes possible the participation on an equal basis of all citizens in the processes of political, democratic self-determination in the first place. In this view, social protection only creates the material basis for the political autonomy of the state citizens, independent of their role in the democratic process.

From the presentation up until now, it also follows, however, that the Keynesian welfare state had understood serious economic and social crises as “exceptional situations”. It was after all geared towards a trajectory with steadily high economic growth, growing labour productivity and high mass consumption, which meant that the social net would only be strained somewhat during temporarily constrained drops in economic activity. The defenders of an all too simple interpretation of Keynes’ theory were, as was to be expected, hard hit, when in the mid-70s at still almost comprehensive full employment a fast inflation of goods prices and wages (wage-price-spiral) went along with a clear break in economic growth (stagflation) and the economic growth rates flattened over the next decades.

Graph 1: Economic Growth in the EU-15, 1960-2003



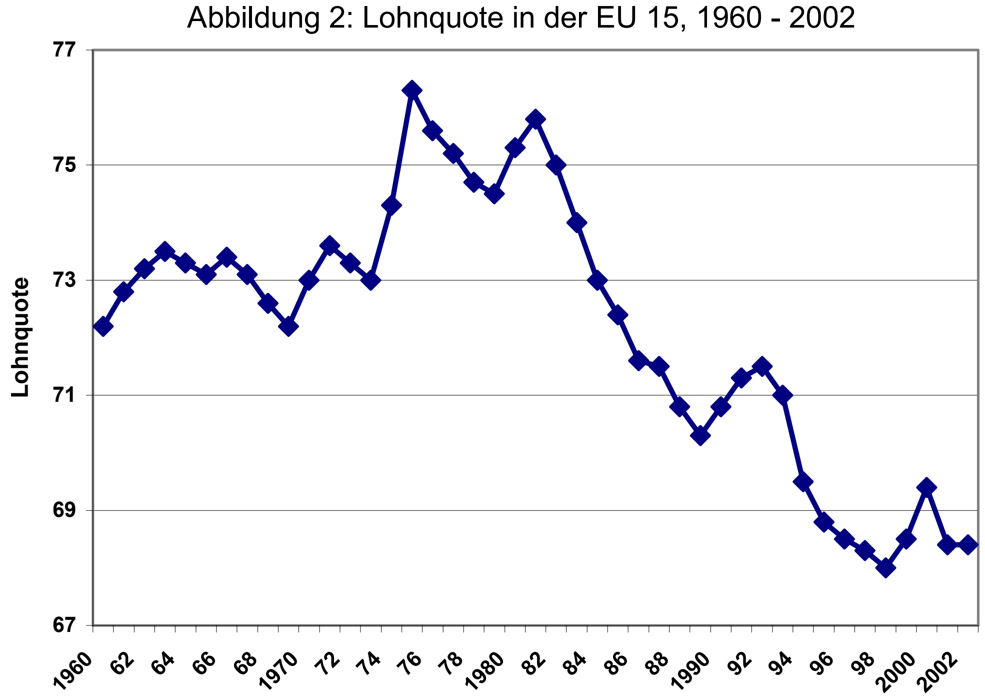
Quelle: Europäische Wirtschaft Nr. 71, 2001, Statistischer Anhang, Tablle 3, European Economy: Autumn Forecast 2003, Statistical Annex, Table 1.

Vertical axis legend: Change in the BIP in %. Source: European Economy No. 71, 2001, Statistical Appendix, Table 3, European Economy: Autumn Forecast 2003, Statistical Annex, Table 1.

In his essay "*The long term problem of unemployment*" Keynes had dealt in 1943 (thus in the middle of the World War) with the problem, what to do, when investment demand would be satiated to the extent that it can no longer be lifted back to the indicated savings level (thus the one compatible with full employment; A.B.), without engaging upon wasteful or unnecessary undertakings." His answer: promote sensible consumption, disapprove of savings – and compensate a part of the unwanted excess supply by increased leisure, more holidays and shorter working hours. This answer placed the main emphasis of the solution on the "question of distribution". Beyond that, it pointed to larger questions of quality of life and emancipation, which then in the mid-1970s were asked by the feminist movement, the milieu of the 68ers, the revolt of the trained mass workers against the stupid Fordist work organisation (*blue collar blues*) and the emerging environmental movement. Keynes concept, however, would have required a break with a carrying pillar of the up-to-then valid "class compromise", whereby essentially only the increases in growth count as redistributive mass. Before such "dangerous conclusions" could win a majority, from the point of view of the employers and the wealthy the emergency brake had to be pulled.

It is in light of this background (and other constellations in the mid-70s such as the defeat of the USA in the Vietnam War) it is not surprising that the "class compromise" now described broke apart and the entrepreneurial side switched to the counteroffensive (and in the meanwhile ever more radical and comprehensive social roll back to the restoration of convenient profit rates, to the containment of inflation, to the pushing back of "trade union power" and "sprawling social state regulation". As a consequence, there resulted a clear swing also in the primary distribution (reduction of the wage quota, increase in the economy-wide profit rate of businesses at the latest since the late 80s).

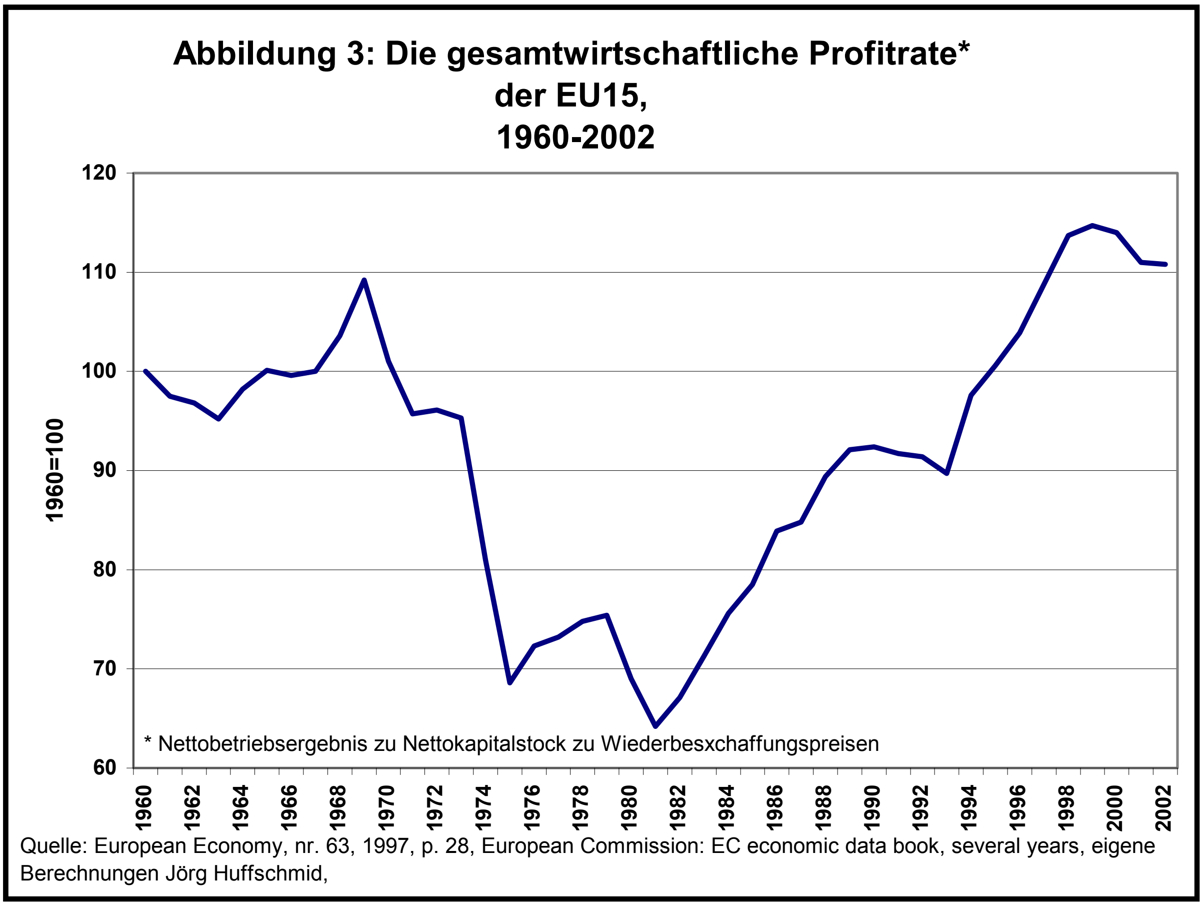
Graph 2: Wage quota in the EU 15, 1960 - 2002



Quelle: Europäische Wirtschaft Nr. 73, 2001: 358f.

Legend: Vertical axis: wage quota; source: European Economy, No. 73, 2001, p. 358 f.

Graph 3: The economy-wide profit rate* in the EU 15, 1960-2002



* Net firm results in relation to net capital stock at repurchase prices, Source: Economy Economy, No. 63, 1997, p. 28, European Commission: EC Economic Data Book, several years, own calculations, Jörg Huffschmid.

This entrepreneurial offensive found its ideological prop in the economic and social theories of the *neoliberalism of the 1930s of 1940s*, which had remained rather marginal after the second World War (Hayek, von Mises), and the *monetarism* of the Chicago Boys (Milton Friedman and others). The monetarist economic policy placed above all the fight against inflation and the free operation of market forces into the centre of their strategy – both would by themselves lead to new economic growth and a dynamic economy. The Keynesian full employment policy was laid ad acta. Especially the governments of Margaret Thatcher in Great Britain, Ronald Reagan in the USA and the dictator Augusto Pinochet in Chile were the international trailblazers of monetarism.[1]

3.5. Controversies around the "crisis of the welfare state"

In the wake of monetarism and "neoliberal revolution", there developed, in the 1980s and 1990s various new perspectives on the social state. Some of them shall be presented in what follows in an "ideal-typical, stylised" manner:

[1] However, one should not overlook that Ronald Reagan, contrary to the monetarist credo of "sound state finances" led an active policy of running up debts, which bloated the military budget (Star Wars Project etc.). In this respect, Reagan's policy remained "Keynesian" (military Keynesianism).

● The “*neoliberal pure doctrine*” discovered Hayek’s old formula of the “Road to Serfdom” (1944). In its further development, Soviet state socialism, the social democratic welfare state as well as the social state compromises of conservative governments of the post-war period (for example, from Winston Churchill to Edgar Heath in Great Britain, Konrad Adenauer’s and Ludwig Ehrhard’s “social market economy” in West Germany; the “economic programming” of the Gaullists in France) are unisono brandished as variants of “socialism” stifling the free unfolding of the individual and healthy entrepreneurial spirit, and a recall of the unleashing of market forces is urged. Margaret Thatcher’s slogan that “there is no society, only individuals” epitomises this way of thinking. In the 1990s, this ideology was exemplified for example by the Future Commission of the Free States of Bavaria and Saxony in the ideological persona of the employee as “entrepreneur of his/her own labour power”. If only there prevailed sufficient “economic freedom” and independent responsibility of the individual, the economy could be dynamised in such a way that at worst a social basic security for the state citizens, women and men, incapable of working (citizen money etc.) would be required.

● On the Marxist-oriented political left, the “*social state illusion*” was attacked. Since the social state did not intervene in the primary distribution and the capitalist property relations, it could not fight the causes of social inequality. Under conditions of flattening economic growth, it would become increasingly incapable of functioning and would therefore be put into question. Therefore, a change of system towards socialism was required.

● The left tendencies inspired by the “*new social movements*” of the 1980s (Greens, left-wing social democracy sensitised to environmental and women’s rights issues, and church circles) raised less these fundamental questions of alternative social order, but the “patronising character of the bureaucratic-etatistic welfare state), its being centred on gainful employment and the far-reaching exclusion of women, social marginal groups and the “atypically employed”. A fundamental *reconstruction* was necessary, so that the social state would become capable of a future. The visions for overhaul concentrated on the “recognition” of the up to then marginal interests, an extension of the self-help potential of civil society and especially on the question of a “guaranteed basic income” or a “social basic security” for all. The classical questions of social insurance (securing of living standards in old age etc.) by contrast received less attention. A smaller part of this spectrum (in particular from the “corporativist-conservative welfare states”), at the end of the 1990s, developed vague ideas of the restructuring of the social insurances to “gainfully employed and citizens’ insurances”, which would no longer be coupled to gainful employment alone (leaning on the “Swiss model” of counting in all kinds of incomes for calculation of the financing of social security systems, tax on value creation etc.)

● The mainstream of social democracy (and of the trade unions) had difficulties to locate itself in this new debate on the social state. The first reaction was pragmatic – as much defence of the traditional structures as possible, as much adaptation to weak economic growth rates and “shrinking state incomes” as necessary. This by the way also held for the “official” politics of moderate conservatives – cuts into the social net were always justified by arguing that only in this way it was possible to maintain the social state in its core and make it capable of a future. This was certainly also linked with the search for new forms of financing (e.g. introduction and extension of a general social insurance tax in France on the initiative of the social democratic (socialist) prime minister Michel Rocard in the beginning of the 90s) as well as the covering of new risks (for example introduction of a old-age care insurance in Germany by the conservatives under social minister Norbert Blüm under the 1990s, however, with the abandonment of the principle of financing on equal terms by employers and employees).

● Only with the discussion of and pushing through of the "*Strategy of Third Way*" as majority position of the European social democracy at the end of the 1990s, it again disposed of a clear, independent profile. In contrast to the "true neoliberal doctrine", the "Third Way" held on to the position that there was a society. Also under conditions of economic globalisation, a social net had to be kept up to catch the "losers of modernisation" and to take them along into the new conditions. The new basic philosophy said that the state had to steer, not to row. Globalisation and strengthened market forces were expected to bring about a more dynamic economy. The task of the social state would be now to organise justice of opportunity (meaning "chances at the start", not at the "finish", as well as a "second chance" after a failed run-up) and possibilities for participation. The unemployed and others dependent on social transfers should, by a system of rights and duties (promote and challenge!) be put into a position to seize the new chances in a dynamic economy. The social net thereby become a trampoline which would catapult the weak and the foundered again into economically active employment. For that, an "activating social state" was needed, which would no longer grant "passive payments" and "unconditional claims", but would stress "incentives" for integration into the market activity and the labour market. Leaning on the ideas of the *Communitarians* from the United States, "society" was understood as "community", to which the individuals in their individual behaviour were accountable: "On the other hand, there is even a break here with the neoliberal freedom discourse. The priority of *community* as society in the shape of an ethics of duty even denies the purely liberal dimension of freedom… Where Thatcher no longer knew, whether there was *something like a society,* the society of the national competitive state – in the identification with community – becomes ideologically totalitarian against the individuals (Rheinländer 1999)."

3.6. Reconstruction or modernisation of the social state: the new confusion

Almost all political and civil society forces use equal sounding terms, when they talk about the future of the social state: "reconstruction" (the battle term of the 1980s) or "renewal and modernisation" (the battle term of the 1990s). Ironically, conservatives, liberals and new social democrats pose in this context increasingly as advocates of a "radical policy" or rather a "system change", while the forces left of them figure as "keepers of the status quo". In the political practice of the last 25 years, however, a paradoxical situation can be observed. On the one hand, what was presented above as ideal-typical thinking patterns was in part forcefully shaken into new mixes by the political camps. However, behind almost equal terms and concepts, there often hid completely different ideas.

Some examples for that:
● Conservative forces (in West Germany, for example, the CDU under their general secretary Heiner Geissler in the end of the 1970s) seized on the *étatisme* and bureaucracy critique of the alternative left with the formula of "*New Social Question*". The "old social question" (i.e. the workers' question) had almost settled itself by way of the Keynesian welfare state and the development in living standards of the post-

war period. Instead, however, a broad potential of poor and excluded had developed on the “margins of society” (homelessness due to personal crises, poverty due to abundance of children, social exclusion due to handicap etc.), which could not be prevented with the existing social state structures. In this way, a front was build against the “disempowering social state”, but nothing was changed to address these problems while in government in the 80s and 90s, but on the contrary the social security systems were further thinned out.

● Alternative left as well as neoliberal thought firms propagated “*citizens’ money*” and the “negative income tax” as possible forms of a “social basic insurance”. Often it shows itself only in proposed level of this basic insurance and the access modalities that very different things are being intended by it. The “lefties” typically want a “basic income” without any prerequisites, not tied to work performance, on which it would be possible to live more or less comfortably. The neoliberals, on the other hand, want a “basic insurance”, usually below the poverty line, which would only be granted to the citizens “unfit for work” (or others, if they performed communal tasks or similar chores).

● Conservatives, alternative left-wingers and new social democrats all demand a strengthening and upward re-evaluation of *commitment in civil society* and *self-help*. For quite a few alternative lefties, their promotion is an additional task that goes beyond the functions of a renewed social state. They also have to be equipped with additional resources, so as to be accomplishable. For new social democrats and conservatives self-help structures and civil societal engagement, on the other hand, should increasingly *replace* functions up until then guaranteed by the social state.

● A similar issue is the praise of the “*Third Sector*” and the “*social economy*”, which sounds equally from left, social democratic and even neo-fascist circles. The Italian *Aleanza Nazionale* holds these terms high in quite “alternative prose” and links to that the demolition of state structures and re-evaluation of family, neighbourhood and welfare state structures (especially by the domain of the church), where support services are tied to criteria of “moral good behaviour” of the individuals in the sense of the Aleanza ideology.

In this respect, it is worthwhile not only to pay attention to diverging ideological arguments in the recent debate about the social state, but also to concrete practice and concepts. Only in this way can breaks and continuities in comparison to the traditional concept of the Keynesian welfare state be more clearly revealed. Typically, in this context, measures, which in a “system-conformist” manner wage upon cuts (cuts of social expenditures and services), mix with those, which imply “structural reforms” in the sense of system change.

3.7. The end of social welfare as we know it

At the centre of the more recent “social reforms” in the EU member states stands the aspiration to restructure the social state ever more in accordance with the principle of *individual responsibility* of the single individuals and to extend the duty to *individual self- provisioning.* Thereby the principle of collective insurance and (limited) redistribution is pushed back. The ideal that the social state has to guarantee “inalienable claims” and the realisation of social citizens’ rights is many times riddled with holes. The principle of *equality of opportunity and chances* - which was always aimed at the elimination of the causes of social discrimination and at equal “chances at the start” as well as post facto correction of market results reinforcing inequalities – is transformed into the principle of *justice of opportunity*. The latter sees social inequality as an indispensable and welcome catalyser for economic growth and increase in economic well-being, whereby following the principle of individual responsibility, only at the level of “chances at the start” (for example education, promotion of “employability” etc.) state intervention could be legitimated. As the example of education and the investments into human capital shows, opportunity of chances also not necessarily wages upon social state means, but on market stimuli and the promotion of private postgraduate training. The principle of *equality of distribution* (“policies of material equality”) and the goal of producing *almost equal life conditions* must of necessity fall by the wayside in the framework of such a re-evaluation of priorities.

This fundamental reorientation can be observed – in many gradations and appearances – in the member state “reforms” of old-age insurance, the health systems, labour market policy and in the case of social basic insurance (in Germany the social aid). The reform of old-age insurance is inspired by the “three-column-model” of the World Bank. In accordance with it, the public pension schemes are reduced more or less to the function of a basic security in old age and supplemented by – capitalised and individualised – firm-level pension schemes (pension funds) and voluntary private provisioning in order to secure the living standard. Pension reforms in the Netherlands and Sweden (1999), Germany (2001), Austria (2003) and France (2003, prolongation indicated), while they set different accents, point in this direction. Moreover, they are linked closely with the intended creation of a European financial market, for which they are supposed to represent one, if not the decisive source of financing.

The reforms of public health systems, already passed or envisaged, have the same underlying principle: restrictive definitions of the “medically necessary” duty examinations and services, privatisation and social cut-backs by way of private co-payment requirements and outsourcing of the treatments and services no longer belonging to the state service catalogue (for example teeth replacement or glasses) to “independent self-provisioning” or supplemental insurances. In both cases, the question is primarily a discharging of the businesses from “wage supplement costs”, which often is expressed in the lower financing obligations of the employers for these social security systems in comparison to the past. The market-correcting and redistributive function of the security systems on the whole is driven backward. A growing share of the services is dependent of the individual “market success” (in the case of the capitalised columns of the old-age insurance even from the “financial market success”).

For unemployment insurance (long-term and youth unemployment) and social basic insurance, concepts from the USA (workfare) became and increasingly become guide to action. The concept of “*workfare*” is best expressed by the slogan “Work for your welfare”. The Norwegian ILO expert Nanna Killdal (2000) described this concept pertinently: “Workfare programmes require benefit recipients capable of working to work for the payment they receive, but at worse conditions than those for comparable work on the ’free labour market’. The target group are usually all not mentally retarded recipients of state services from the social basic insurance.” The basic idea therefore is that the “clients of the social state” have to return something to the "community" for the receipt of a support payment in the form of low-wage labour. Workfare programs were introduced during Ronald Reagan's administration in a number of US federal states. The true breakthrough, however, was reached by the democratic president Bill Clinton 1996 with the *Personal Responsibility and Work Opportunity Reconciliation Act.* In his diction, the goal was "to end welfare as we know it." (see Hitchens 1999: 64 ff.; Platt 2004).

The US law aimed not at labour market policy, but concerned essentially social aid-dependent groups (for instance, unemployed, single mothers etc.). It required work in exchange for state support services, limited the duration of benefits drastically (to maximally 60 months in a life-time, food stamps only 3 months within 36-months-period etc.) and imposed sanctions (withdrawal of benefits) in the case that the cooperativeness of the recipients was deemed insufficient.[1]

In Great Britain (New Deal projects of the Blair government), the Netherlands, Belgium and Denmark ("activating labour market policy") and in Germany (*Jobaktiv* law, Hartz reforms), this general orientation has been implemented, be it with different accentuations (for example, in Denmark and the Netherlands, to be sure, also with re-qualification and promotion), with respect to the social basic insurance as well as labour market policy and unemployment support. Independent of the respective national peculiarities of these support systems, there predominates a trend to take back enshrined rights and claims (to "passive support payments" as well as "promotion" in the form of retraining, basic education and post-graduate training). Payments are tied to obligations and "duties" (readiness to move, acceptance of precarious and low-wage jobs, work obligation for social aid recipients etc.), and a rigid tool-box of sanctions (partial or complete withdrawal of payments in the case of insufficient cooperativeness and "fulfilment of duty") is implemented. Thereby the equal treatment clause and the old welfare state ideal of indivisible social citizenship rights are being undermined. For the lowest strata of the economically inactive (in Germany, social and unemployment aid recipients) particular special legal relationships are being defined by the authoritarian state, which attribute to the clients, depending on the case group, to which they are assigned, a specific status with (limited) special rights and (extended) duties. They become second-rate citizens (men and women): whereas for those still gainfully employed, there holds, for example, the right of free choice of occupation and of work place, these benefit recipients have to be ready for high mobility and the acceptance of "mini-jobs" without perspective and are not allowed to make any "mistake" – otherwise they fall out of the social net. What is passed off as the "modernisation of the social state", is in reality a regression to the moralising stance of the "work house".

With respect to the social insurance, it has to be noted that the self-assigned task of preventing poverty and social exclusion – or formulated in a positive manner, the securing of a socio-cultural existential minimum – does not succeed and is not even intended any longer. The average income from the basic social security (social aid) in the 1990s in Great Britain amounted to 18%, in Portugal 22%, in France 27% in Germany 33% of the gross national income per head. The Statistical Office of the EU

[1] Hitchens reports the case of 30-year-old single mother in Missouri, who was forced by the District Job Placement Scheme to work for a starvation-level wage at the food concern Tyson Foods. Her task was to pluck and draw chicken. While she was pregnant, she was refused the social aid. She had to walk six miles to work on foot, already 11 days after her baby was born. This is the reality behind the well-sounding rhetoric of "jobs, jobs, jobs".

defines the poverty level as 50% of the national GDP per head (see Guibentif/Bouget 1997).

3.8. Reinterpretation of basic concepts of the social state

In parallel to the practical trials to "modernise the social state", its central guiding concepts are being reformulated. The concept of reform in the 1970s still stood for social progress and the extension of the social state. Today the strata dependent on gainful employment, pensioners (women and men), unemployed and social aid recipients (men and women) reflexively seize their purse, when this word is spoken.

The notion of "*solidarity*" experiences a manifold change of meaning. In the context of the Keynesian welfare state ideal, it did not mean only risk sharing (social insurance), but also financing of the welfare state by all social groups according to their economic performance capacity (solidarity between economically weak and strong under inclusion of businesses and the wealthy). From the tax, wage and labour policy point of view, it is now being reinterpreted into "*solidarity with the competitive*": general tax reductions with over-proportional exoneration of business profits, high incomes, moderation in collective agreements, firm-level flexibility (labour time, work conditions, work contract conditions) and break-up of territorial collective agreements are supposed to deliver higher growth and more global competitiveness, which would then stabilise the employment level and lead to dropping unemployment figures in the long run. In Germany, in the meantime, even the progressive income tax is up for grabs.

Thus the White Book "Growth, Competitiveness, Employment" of the European Commission of 1993, for example, demanded a "new social compact". Solidarity in there was defined essentially as a task to be solved between those, "who have work, and those, who have none". The wages of those employed, in accordance with an "insider-outsider-theory", were too high in comparison to what they would be on a labour market with perfect competition. Therefore, moderate wage increases below the growth in productivity would be required (thus wage renunciation of those employed), so that the unemployed might have a chance to get a job. A redistribution between capital and labour as basis for solidarity is given up in favour of redistribution only between employed and unemployed ("redistribution within a class").

According to a similar pattern, old-age insurance for all is hardly a task for the whole society any longer, but a question of "*solidarity between the generations*", i.e. between the shrinking number of young gainfully employed and the growing number of older people of pension age or rather a "new distribution problem" derived from that between people without any children and those with many.[1] The question is thus to restrict the duty to solidarity to more narrowly defined groups and questions, with the economically strong mostly exempt. On the other hand, there are also tendencies in the socio-political debates to exclude certain risks as "of one's own making" or to be privately borne (for example smoking, alcoholism, kinds of sports with a high risk of accidents in the health insurance, incapability for work in the case of pension insurance) from the context of solidarity.

[1] Compare on that in particular the proposals from the ranks of the German Greens and the CSU to punish childlessness with reductions in the computation of pension and old-age-care insurance.

It is no different with the concept of "*full employment*". Following Keynes and Beveridge, it was a question of full employment on the basis of a standardised "normal work relationship" (with regulation by collective agreement, social insurance law etc.). Full employment was defined as a situation, where the number of job openings at least as a tendency exceeded the number of those registered as unemployed. Now it is a matter of "full employment" without standardisation of work relationships – thus under conditions of widespread precarious employment relationships (small jobs, mini-jobs, part-time, work on recall etc.) without sufficient incomes. This full employment notion lacks the formerly present social content. And also from the purely quantitative point of view, it is simply attached to the achievement of a certain employment quota (share of the employed in the whole population capable of working between 14 and 65). An employment quota of 70%, which the EU equates to full employment, however, in the year 2000 in Sweden (73%) still went along with an official unemployment rate of a full 6%.

The "crisis of the Keynesian welfare state" is thus not only interpreted differently, but the different concepts and action-guiding leading images in the battle for the "restructuring" or "modernisation" of the social state, while similar on the surface, are based on different concepts and principles guiding the action of the proponents. The EU has – due to its lack of real, independent competence in social policy – in the recent past taken on more and more the role of a "provider of guiding images" and "coordinator" for the social state policies of the member states.

4. The coordination of Social Policy in the EU: "Social Integration", "Pension Reforms", "Health Care" and "Old-age Insurance"

Already in the 1990s, the European Commission began by trying to establish a minimal consensus between the governments of the member states concerning the "modernisation of social protection". It achieved this in particular by the debate on its memorandum of the same name of 1997. In 1999, there resulted first conclusions in the sense of a common strategy of the EU and its member states: "The social protection systems of the member states are faced with a number of significant common challenges. Thus they have to be adapted for example to the changing world of work, new family structures and the dramatic, demographic change of the upcoming decades. In this context, it is the clear wish of the citizens that the achieved high level of protection be kept up, and that it be brought into sync with the necessity to provide public services in a more efficient manner and subject them to a strict budgetary discipline. (COM 1999)"

4.1. Guiding vision: "modernisation of social protection"

The reference to "new family structures" is, by the way, only a mild reflection of women policy demands, which in the memorandum of 1997 had still played a more prominent role: a turn away from the role model of the "male head of the household" by way of the individualisation of the tax systems and social protection (linked to a better respect for independent legal claims of women and protection of "typically female" employment biographies with child raising and care periods etc. in the social insurances as well as an improvement of the infrastructures of care). This comparatively "feministic" orientation, however, was less due to a conscious commitment of European policy to the goals of the women's movement, but rather to an economic perspective. The goal of the Commission, to keep the labour supply high in the light of demographic transformation (and to thus maintain “competitively low” labour costs), from their point of view, could only be reached, if the gainful employment quota of women, among other things, was significantly raised. Higher economic activity of women is therefore “means to a goal” for achieving a continuously dynamic economy with high rates of economic growth.

The “changed world of work” made it necessary that “systems of social protection (…) bear account to the emergence of new forms of work such as time work and part-time work and to the growing significance of independent entrepreneurial activity and promote it (COM 1999).” The conclusion was: “An adaptation to such changes requires a new balance between security and flexibility as well as between rights and duties. The systems should now offer active help to employees and job seekers, especially by way of promotion of employability and flexibility and must create strong incentives to look for employment and to take care that work is profitable.” It is thus not a question of rolling back the devaluation of gainful employment and increase in precarious employment relationships. The Commission in no way seeks to establish a new European work-time standard (shortened labour-time, fully secured part-time). It is concerned with pushing further with the flexibilisation of the labour markets and to reflect this in a downward staircase (labour law, social protection) in the restructuring of the social insurance systems. It is above all the (actual as well as potential) employed as future “entrepreneurs of their own labour power”, who have to place their adaptability under examination. For this there is needed the “new balance of rights and duties”, which would encompass the workfare approach. “Incentives” have to get the unemployed and the other “clients” of the social minimal insurance systems up on their toes to no longer remain inactive in unemployment. This is, of course, expressed in a “friendly” or objectively-bureaucratic language, as is typical for the EU institutions.

The main motive of the Commission is expressed, however, in the context of the cost question. The economy is not supposed to be burdened with too high taxes and wage supplement costs. The demographic development – i.e. the expected turning-around of the age pyramid with less young gainfully employed and ever more people in pension age as well as a shrinking population in the long run – is mainly understood as a cost problem for the pension and health systems. This is supposed to be solved by appropriate cost curbing schemes. And above it all stands the commandment to keep strict budgetary discipline (in accordance with the rules of the EU Treaty and the stability and growth pact), which – given the desired policy of tax reductions and low wage supplement cost – after all demands to limit and drive back state financing of social security systems.

4.2. The “over-aging of the population”: Can we no longer afford the social state?

In the perception of the Commission and the governments of the EU member states we have to do apparently with a “demographic time-bomb”. Between 2000 and 2050 the old-age coefficient (the relationship between people in employment age between 15 and 64 years to people in pension age over 65) is supposed to almost double from 28.3% to 55.9% in the EU-15 average. Put in another way: at this point, on average 3.5 gainfully employable stand at the disposal of one pensioner, in the year 2050 there are only supposed to be 1.8 gainfully employable. The expenditures for pensions at this time in the EU-average run at about 12% of the EU GDP (for the health systems at 7%). Pension expenditures are to grow in a number of member states to up to 15 to 20% of their national GDP. This, thus say Commission, governments, entrepreneurial associations, experts and media, can simply not be accomplished – the social security systems can no longer continue to be financed in this way.

Actually, the described problem would be even worse. Because the old-age coefficient expresses only the relationship between gainfully employable and people of pension age. Yet, not all gainfully employable do as a matter of fact have a work place. The employment quota (the share of people of gainfully employable age, who actually has a gainful job) in 2003 lay on average at 64%. If this were still this way in 2050, there would only be 1.15 gainfully employed for one pensioner. Therefore, argues the Commission, it is necessary to mobilise all possibilities (women, immigrants, elderly employed, prolongation of life-time work-time) for the increase of the employment quota to thus improve this relation. What this could bring, is shown by a small model computation by Schani Margulies for Austria. In 1996, there were in Austria 1.6 million citizens (women and men) over 60 years as well as 5 million between 15 and 60 years. Of the latter, however, only 3.3 million were gainfully employed (employment quota of 69%). Government estimations predicted a decrease of the population in employable age (15-60) to 4.5 million until 2030. If Austria succeeded until 2030 in reaching an employment quota of 90%, there would exist in comparison to 1996 a full 700.000 gainfully employed and a full 1 million pensioners more. “Full employment” would thus significantly alleviate the demographic problem, since possibly even “costs” for the reduced number of children and youth in comparison to 1996 would go down.

This is also illustrated by an examination on the basis of the German example. Those employable after all not only have to take care of elderly, but also of children and youth. Therefore, the overall quotient (elderly and young) is more relevant for the true “burden” caused by the care for the economically not active parts of the population for the employable. This overall quotient does not rise dramatically even in the projections of the Statistical Federal Office: compared to the situation in 1970 (with “full employment and a social state intact”), it would in 2050 only lie 12% higher. This is in no way dramatic, because the wealth of society increases to a much higher extent.

Table 5: Prognosis for the change in the overall quotient (young and old) for Germany

For 100 people of middle age there are

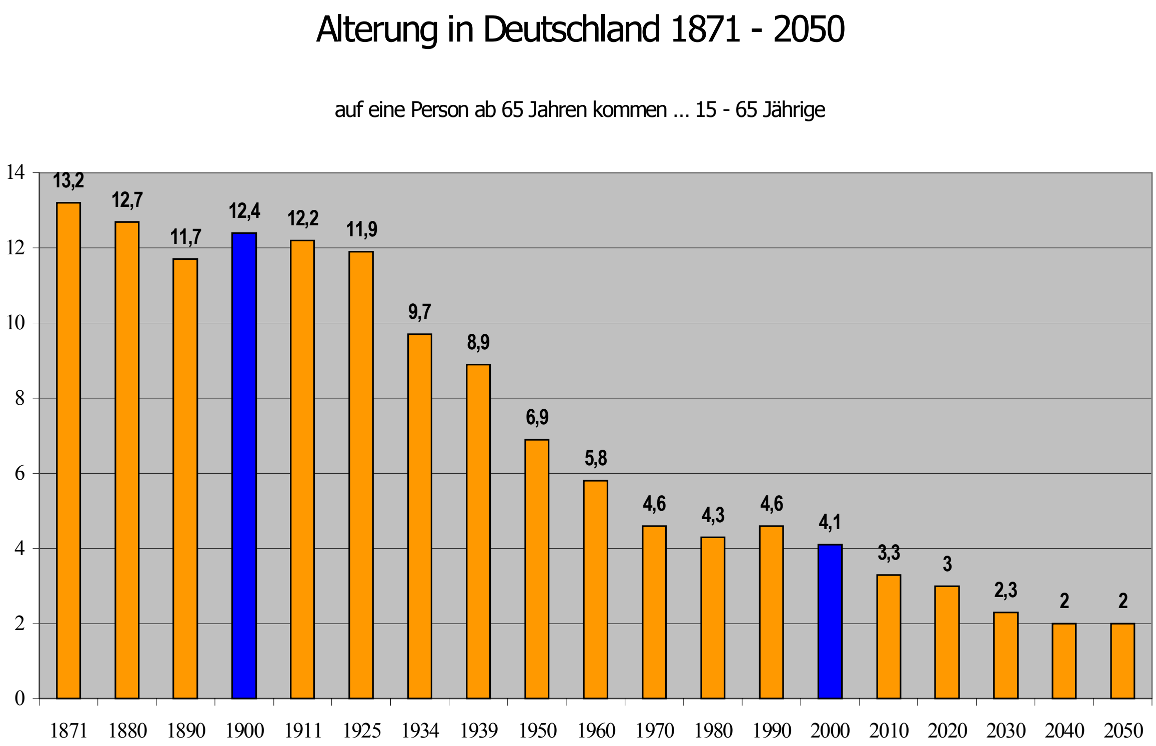
	Older	Younger	Overall	Definition of middle age
1970	40	60	100	20 to under 60
2001	44	38	82	20 to under 60
2050 a	78	34	112	20 to under 60
2050 b	55	30	85	20 to under **65**

Source: Federal Statistical Office, German Population until 2050, 10th coordinated projection, Variant 5 (“middle variant”), press release of 6/6/2003

More important insights, however, can be won from a more long-term examination of the “demographic problem”. Today’s debate is a strong reminder to the core argument of Parson Malthus, only under reverse sign. In 1798, at the beginning of the industrialisation period, the British economist Parson Malthus argued that Great Britain would in the long term only have to expect poverty and famines. The dramatic population explosion would grow geometrically, the opening up of agriculturally usable space by contrast at best arithmetically. In a few decades, it would therefore necessarily be the case that agriculture could no longer nourish the dramatically grown population.

As we know today, Malthus was on the wrong track with his conclusion from the “demographic problem” back then – interpreting it as overpopulation. In the year 1800, about 75% of the West European population were employed in agriculture, in the year 2000 still about 4-5%. In the meantime, there took place a continuous development in productivity. It enabled one person employed in agriculture to nourish instead of in the beginning (1800) only 1.4 persons, about 88 persons in the year 2000. In these 200 years, overall economic productivity on average grew by “only” 1.7% a year. Similar shifts in scale also occurred in the area of services and production. The real GDP in West Germany rose by 473% between 1950 and 1990, while the number of employed in the same period only rose by 42%. Demographic development was therefore responsible for 9% of the production increase in this period, the remaining 91% were due to the growth of real capital stock, labour productivity etc. The central question is therefore not the relationship of the gainfully employable to women and men pensioners (and not even of the actually economically active to the economically inactive). The question is rather, whether the progress in productivity can also in the future be still as high as in the last 200 years to guarantee a sufficient additional product given a relative decrease in employment. In the economies of the industrialised countries (OECD), even given flat economic growth rates, a corresponding yearly increase in productivity of 1.5 to 1.7% for the next economic decades is being expected. In this case, maintenance and design of the social security systems in a context of aging and shrinking overall population are not a demographical, but a *distribution problem*.

In a historical perspective our present demographical problem is by the way rather modest. In Germany, the old-age coefficient in 1900 lay at 12.4. It sank to 6.9 in 1950 and until 2000 to 4.1. From a full 12 gainfully employable for a pensioner down to 4 per pensioner in 100 years is surely a much more dramatic decrease than from 4 (2000) to 2 in the next 50 years (prognosis for 2050). Nonetheless, in this period living standards rose significantly and the social state was built up and extended, in particular between 1950 to 1970. After 2040, however, a stabilisation of the age structure is moreover being expected - thus in essence, only the consequences of the aging of the “baby-boom” generation (the 1950s and the early 1960s) are to be “managed”.



Legend: Aging in Germany, 1871-2050, for one person over 65, there are … 15-65 year-old

The longest stretch of the "burden" caused by demographic change is already behind us. An "objective need" for cost reduction for demographic reasons, as claimed by the European Commission and the governments of the member states, simply does not exist.

4.3. The EU strategy for social integration

In the framework of the "Lisbon strategy" – that is, its concept "of a political triangle, which would rely on a positive mutual influence between economic, employment and social protection policy", and its goal of turning Europe until the year 2010 into the most strongly growing and competitive knowledge-based economy of the world – the EU, in the meantime, has initiated in the area of social policy a number of coordination processes between the member states. These concentrate at this point on the fight against poverty and social exclusion, a coordination of pension reforms and coordination concerning the health system and care for the elderly.

At the EU summit at Nice (December 2000), the goals of "open coordination" in the area of *poverty and social exclusion* were established. There are four basic orientations:
1. promotion of participation in gainful employment and access of each and everyone to resources, rights, goods and services,
2. avoidance of risks of exclusion,
3. measures in favour of the socially most endangered persons,
4. mobilising of all actors.

These orientations are obviously formulated in very vague terms. Although the preceding Portuguese Council presidency had pushed for quantifiable goals, for instance, the overcoming of poverty in childhood until 2010, even the partial goals were formulated in a very vague manner open to interpretation. Thus one of the three partial goals to Goal 2 "Measures for the Maintenance of Solidarity in the Family in all its Forms". Under Goal 3 one finds the "Elaboration of extensive measures for areas, which are confronted with problems of exclusion."

Moreover, despite a different definition of the method of open coordination (MOC) in the guidelines of the Council of Lisbon, the Council renounced to laying down guidelines itself. The member states were supposed to draw up *national action plans for social insertion* on the basis of the above-mentioned orientations of a two-year duration, and in this context set themselves national state goals and measures. Thus the first round of national action plans (period of action 2001-2003) in most cases amounted to little more than a list of national problem areas and the anyway already operational measures of the governments. The fewest set themselves concrete and binding independent goals for the prevention of poverty and social exclusion. In their report draft for the evaluation of national action plans, the European Commission expressed itself with appropriate criticism and drew up a ranking of member states. In the common report with the Council this criticism and the "ranking", however, were already taken back. The Commission now pointed out that it was not its goal to evaluate the politics of the member state and their effectiveness. Especially this, however, had been intended by the original conception of the MOC.

The European Network against Poverty (EAPN) concluded after this first round (2001-2003) that in less than half of the countries adequate measures are implemented or planned to effectively address the problem of poverty and social exclusion. The members with sufficient measures are for the most part countries with developed social systems, which already show a lower poverty quota anyhow. Yet even in these countries, there remain doubts as to the financial appropriateness and the quality of execution. The great majority of member states sees the integration into the labour market (with sanction-proven methods of the "activating labour market policy") as the most weighty instrument for the fight against poverty and social exclusion. The themes of "poverty despite work" and of immaterial factors of social exclusion (discrimination etc.) hardly play a role.

Key indicators, it's true, were agreed upon, which are supposed to make possible an all-European comparability and control of the effectiveness of measures of the member states: income distribution, poverty rate, solidified poverty, share of unemployed households, regional differences in the unemployment rate, educational deficiencies and long-term unemployment. The Belgian Council presidency in 2001 had presented proposals from expert circles, which wanted to express more broadly defined aspects of social exclusion in indicators: preventive health care, living situation and homelessness, alphabetisation and basic mathematical skills, access to basic provisioning with public services, debts, access to telecommunication and Internet, access to social security and social insurance, participation in public life, in leisure and culture. Yet, these proposals were rejected.

Also the second round of national action plans (2003-2005) is summed up very critically by the EAPN. As before, there was lacking an adequate anchoring of the fight against poverty and social exclusion as cross-sectional task for all policy areas of the member states. There was a special lack of decisive efforts to make the social nets "poverty-resistant" as well as of clear strategies in the various areas and of adequate equipment with financial and personal resources. The fight against poverty and social exclusion in the meantime in most member states had a lower priority than even two years ago. The national action plans continued to have the character of analysis and reports. The governments were, in this context, using the opportunity to publicise show projects. Politics, that had increased problems of poverty, were on the contrary simply cut out.

The 10 new member states of the Union have each of them concluded agreements with the European Commission (Joint Inclusion Memorandum) to prepare for a preparation to the MOC for social integration. This concerns the build-up of capacities in the administrations dealing with these topics and their cooperation with civil society actors (NGOs, collective agreement partners, welfare associations). Often, there first has to be made an inventory of the trends in poverty and social exclusion, their origins and long-term effects and a statistical system conforming with that of the rest of the EU in this area. After May 2004, they are also supposed to draw up first national action plans.

On the whole, the balance of this first coordination process of social policy looks meagre. Already in 1996, 18% of the EU population lived in income poverty (with less than 60% of the average income). In Great Britain, it was even 20% and in Portugal 24%. Around 40% of the income-poor population (25 million citizens, male and female, of the EU 15) even lives in solidified poverty situations. Even a stable job today no longer protects against poverty. On average in the EU, 13% of all households with at least one gainfully employed person in the family are working poor. This situation has practically not changed at all. Since from the European level, it is being renounced to concrete and binding goals, it can hardly be expected that the member state will feel compelled to stronger efforts.

4.4. The coordination of the pension reforms in the EU

The second social policy coordination process deals with the pension systems. Already in 1999, the Commission had, in a study about pension systems and public budgets voiced the fear that some member states would be driven into an increased public indebtedness to finance their pensions systems. Such a development had to be avoided, since otherwise the stability of the Euro and the deficit rules of the EU treaty would get into danger. The main motive of the open coordination concerning the pension systems introduced at the Stockholm EU summit of 2001 was thus of fiscal nature. The EU summit at Lisbon established three principles and 11 goals for the MOC concerning the pension systems. The member states should present in national strategy reports, how the national state pension policy follows these principles and goals. The open coordination to pension systems thus has similarly non-binding character as the one concerning poverty and social exclusion.

Table 4: Principles and goals of open coordination (MOC) concerning "Pensions which are adequate and secure into the future"

	European Goals
	A: **Adequateness of pensions**
1	Prevent social exclusion
2	Put people into a position to maintain their living standard
3	Promotion of solidarity (among the elderly, between the generations)
	B: **Financial tolerability**
4	Raise the employment level
5	Prolong life-time work-time
6	Make the pensions secure into the future in the framework of solid public finances
7	Adapt services and contributions in a balanced way
8	Make sure that private old-age prevention is appropriately and solidly financed
	C: **Modernisation: React to changes in needs**
9	Adapt to more flexible employment and career patterns
10	Follow the aspirations to equal status of men and women
11	Prove the capability of the pension systems to live up to the challenges

The cooperation of the member states in the meantime departs from a "three-column-structure" of old-age insurance as the ideal model: state pension systems, firm-level pension systems, voluntary private prevention. The common report of Commission and Council of 2003, analysing the national strategy reports of the member states, draws the following conclusion: "All member states have introduced the reform process and quite a few have already in the 1990s implemented deep-reaching, in some cases even radical reform. Nonetheless, the majority of the countries sees the need for further reforms in order to secure the further tolerability of the pension systems and the solidity of public finances. (…) Especially important in this respect will be – in particular with view to the long-term consequences of the higher life-expectancy to the pension expenditures – to create stronger incentives for older employed to prolong their work-life. This can be reached mainly by a closer connection between contributions and payments. Beyond that, the financial basis of the pension systems can be strengthened by the extension of state and private capital funding."

The EU summit of Barcelona (2002) had already agreed upon a turn away from the policy of early pensions and established an activating goal for older employees: until 2010 the *factual* average age, at which the gainfully employed part with work-life, should be raised gradually by 5 years. In many member states, a considerable part of gainfully employed already quit working before reaching legal pension age. This development should be held against by way of "incentives" (cuts in case of premature entry into pension; flexible work-time; activating labour-market policy against older employed) and thus the actual life-time work prolonged.

Whether the pension incomes (from all three columns) are "adequate", that is ultimately secure pensioners' living standards, the EU is not able to tell in a well-founded way. The data in the national strategy reports "allow no systematic comparison of the present and future replacement quota levels (that is relationship former gainful income/pension; A.B.) in the members states." The report of Commission and Council, moreover, states simply that the pensions in general are "appropriate"; however, concrete numbers are only provided for the poverty risk in the population of those over 65 years. For the pensioners in general, this was not higher than for the rest of the population; however, for the female aged population, it is considerably higher. What follows from "reform course" in the direction of cost curbing and partial privatisation, is revealed by some very few indications in that report: "Belgium and Italy call the differences in income between pensioner households to be continuously worrisome. Italy declares that income differentials are the highest between the younger pensioners, which reflects the growing importance of the firm-level pensions (which have a less pronounced redistributive character) and the income from other sources (especially capital returns) in this age group. In the report from the United Kingdom, it is being stated that the income of 20% highest pension recipients from 1979 to 1996/7 increased by 80%, that of the 20% low-pension recipients, however, only by 30%. This is to be attributed to the extension of the individual and firm-level old-age prevention, a trend which does not benefit the poorest pensioners."

It also seems difficult to make well-grounded statements about the *future* "appropriateness" of the pensions. Pensions out of the state systems will be limited and rather cut back to the level of a "social basic insurance". The second and third columns should then in theory help to secure the living standard. However, they are increasingly switched to a capital-funds principle and individualised. Thereby, the pension system as a whole acts in a less redistributive fashion, and the future level of payments depends increasingly on the success of investments on the financial markets and the respective moment the payment comes due. In the Netherlands, Great Britain and Germany, pension funds and life insurance concerns – the suppliers of the capital-funded column – have gotten into deep water. Maybe this also led to the state intervening with tax means (whereby also the claimed "relief of the public budgets" is questionable).[1]

The principles and goals of open coordination in the pension area, though they at first sight often sound well, are actually more an Orwellian new-speak aimed at assuaging public opinion: "Trust us, it will all end well, socially and in a solidarity-based fashion!" The message to tomorrow's pensioners, which the German economic wise man Horst Siebert has formulated, on the other hand, describes the "reform course" with refreshing openness and realism: "Work longer, own less, save more!"

4.5. The EU guideline concerning firm-level pensions (2003)

Largely unnoticed by the political public, the EU has passed, in spring 2003, new legal regulation concerning firm pension systems. Typically, it is a guideline in the framework of the financial market action plan of the EU, which is aimed at the

[1] The experiences of the inter-war period have actually shown already that capital-funded pension systems are in no way more stable than solidarity-based pension systems. Several times the state had to save these systems from insolvency. Precisely these experiences, for example, after the Second World War in West Germany gave the decisive push to introduce the tax- and contribution- based system after the war.

creation of the integrated EU financial market. In case of firm-based pensions, employers and employees usually contribute to a savings contract, from where the employed later on receive pension benefits. Such systems can be set up by the business itself or use the services of another financial institute (e.g. pension funds, pension insurance or investment funds). This then receives the contributions, invests them and pays out the old-age pensions. Business pension systems in the EU at this point hold assets corresponding to about 29% of the GDP of the EU (2.5 trillion €). If this area – which is regulated in many various ways by the national states – were to be opened up to competition and deregulated, truly European pensions funds could develop. This is thus a goal of the EU guideline "About the activity of institutions for firm-level pension provision" that was passed.

It opens the rendering of services for firm-level pension systems to an EU-wide competition and liberalises the investment rules. The management of the asset and investment values of firm-based pension schemes, in the future, should be based on the *prudent person principle* . According to this principle, the contributions made should be invested in the best possible interest of the members. The financial administration and investment strategy should be transparent and carried out by qualified financial mangers. These and certain reserve provisions should suffice to keep a "sensible balance" between investment risk and security of pension payments. Members and beneficiaries of the firm-level pension systems have to be correctly informed about the conditions of the system, their individual rights and payment claims, investment strategy and financial position of the supplier.

Beyond that, the guideline makes no stipulations concerning the security of the pension payments: neither does the later payment have to correspond at least to the sum of the money invested, nor does it have to guarantee a minimal return. Also in other respects, the stipulations offer the financial managers a high freedom of movement, the future firm pensions can either be paid out for the duration of life, or only over an agreed period, or as a one-time payment. They can cover biometric risks (invalidity, high age) and the care of dependents, but in that case higher contributions can be demanded.

The contributions (i.e. the portfolio) can be invested up to 70% in stocks and other obligations, up to 30% also in foreign currencies. An engagement on risky capital markets is explicitly allowed. A number of member countries up to now had stricter quantitative and qualitative investment prescriptions. The suppliers of services (pensions and investment funds, life insurances etc.) in the future are allowed to manage firm pension systems in all member states. However, they have to respect the other investment provisions of the national state of the respective member states and their tax, social and labour law prescriptions. Thus the creation of European pension funds is made possible, but the conditions of their operations are not yet completely harmonised EU-wide.

The argument of the Commission for the EU business pension guideline announces in surprising clarity, what the real issue of the pension reforms and the strengthening of capital-funded old-age provisioning really is: "The establishments for business old-age provisioning distinguish themselves by their very long-term activities with respect to the commitments of the carrying business as well as by their investments (….) Therefore, they can, if they hold this to be appropriate from the point of view of the kind and duration of their portfolio, effect substantial investments into relatively illiquid assets, such as stocks, including those issued by very small firms, yes, even into not-quoted obligations. In this way, the establishments (…) can make a contribution to the development of risk capital. With view to a better spread of their investment portfolio, they can also invest significant sums into foreign obligations. (…) The institutions of firm-level old-age provisioning thus play an important role in the national systems of social security, in the financing of the EU economy, and in the integration of the European capital markets. (…) The institutions for firm-level pensions invest increasingly into stocks, which in the long run are seen as more profitable and thereby contribute to a reinforced capitalisation of the stock markets of the member states, which continues to constitute only around half of that of the US."[1] Pension funds can act just as, up to then, the universal banks as credit and capital providers for firm founders and established enterprises. Europe-wide pension funds would reduce the financing and administrative costs of the insurance industries due to economies of scale. Old-age security increasingly becomes the play money of the finance branch, which expects good business from that. This in turn strengthens the strategy of increasing the "shareholder value" and the dominance of financial markets. Both find in the European Commission and in governments of the member states only all too willing helpers.

4.6. The coordination for the future of the health system and long-term care

The third process of social policy coordination in the EU deals with the future of the health system and old-age care. The EU summit of Barcelona (2002) initiated an open coordination on this topic on the basis of a memorandum by the Commission of the year 2001.

The Commission had formulated three EU-wide goals to be pursued:
● access for each and everyone independent of their income or wealth
● a high level of quality of the health systems and care for the elderly
● securing of the financial solvency of the systems.

The member states were asked to prepare a question catalogue about the national situation and strategies in these three areas. On this basis, there took shape in spring 2003 the first joint report of Commission and Council concerning the national strategies in the area of the health system and old-age care. Whereas the Commission emphasised very strongly the cost-pushing role of demographic change also in this area, the Common Report expresses itself more cautiously in this respect. Overall, the Common Report comes out with much less detail than for example the reports about social integration or the pension systems.

It concedes that there were certainly problems with respect to the equal access to health and old-age care (especially for elderly people and people with low income; regional differences in provisioning, waiting periods for certain treatments etc.). In most member states, the households bore between 20-30% of the overall health costs, either directly or by way of private additional insurances. Legal limitations of the service catalogue, additional payment and self-payment regulations are on the order of the day. This created risks that the "vulnerable groups would not be in a

[1] European Commission: Proposal for a Guideline of the European Parliament and the Council concerning Activities of Institutions of Business Old-Age Insurance, Brussels, October 11, 2000; COM (2000) 507 final.

position to afford such expenditures and would therefore either not want or not be able to permit themselves appropriate basic care."

With respect to the guarantee of a high quality of provision, standards for structural quality (medical equipment, qualification and post-graduate training of personal, buildings and installation standards) were in the meantime usually available. The situation was more difficult already as far as process quality (treatment guidelines etc.) were concerned. The evaluation of services and results of the health systems and old-age care was only systematically driven forward in a few member states.

With respect to the financial situation of the systems, it is being claimed that in some member states since the end of the 1990s, the health expenditures were growing faster than the GDP. The short-term reactions of the member states were very different one from the other. Some had stabilised their level of expenditures and saw no immediate need for consolidation (e.g. Spain). Others were taking measures to channel more resources into the health system (for example, Denmark, Great Britain). And a third group would fight despite the introduction of cost-curbing mechanisms (budgeting etc.) to avoid rising expenditures (e.g. Germany and France). The long-term prognoses concerning expenditure increases on the basis of demographic change and expensive medical-technical progress rely essentially on a study of the Economic Policy Committee of the EU (2001). It departs from a rise in health expenditures in the course of the next 50 years (2000-2050) between 0.7 and 2.3% of the GDP. The report cautions, however, that these prognoses on the basis of the underlying assumptions were to be treated "with caution".[1] Even if they applied, it is not a question of an insurmountable challenge.

In contrast to the coordination processes for social integration and the pension reforms, the European production of "guiding images" in the area of health care and care for the old people has not advanced much. Indicators and guidelines are not yet in existence. At this time, it is still the member states – see the German "health structure reform" and the debate about the "head tax" by the Herzog Commission – which ram in the poles in the direction of a system change. However, it should not be underestimated that the Commission (also in the framework of the "economic policy guidelines", the stability of growth pact and its forays for the liberalisation of the sectors of public existential provision and services) hits at the state-organised health systems and social insurances and includes them into the computation of the public deficit quotas. The industrial lobby anyhow for a long time already unfolds a campaign for a European domestic market for health services and products, which will have the liberalisation and privatisation of the health sector and care for the elderly as a consequence.

[1] This sound scepticism at least for Germany is also reaffirmed by an expert opinion by the Deutsches Institut für Wirtschaftsforschung (DIW) for the Federal German Ministry of the Economy of October 2001. It showed on the contrary that demographic change will only have a relatively minor effect on the cost developments in the health system. Decisive for the costs, moreover, is not age, but the proximity to death: in the last year before death 1/3 of the life-long costs of health care are incurred, for younger dying people they are even considerably higher than for older people. Prognoses about the costs of medical progress, according to this opinion, depend to such an extent on the chosen assumptions of departure that no dependable statements can be made for the medium to longer term. The DIW further established that also medical-technical progress in Germany in the last 3 decades could be digested without any effect on the contribution rate.

The European Commission in its Memorandum of 2001 clearly points at its competence with respect to the application of the principles of the domestic market in the area of health provisioning (patient mobility, liberalisation of services). It points out that, following Article 85 and 86 EU Treaty, the health insurances and the institutions charged with the administration of systems of social security fulfil a task of solely social state character only, if their activity is based on the principle of national solidarity and is not aimed at making profit. To be able to do so, the services to be rendered have to be legally enshrined and be independent of the level of contributions paid. The new guideline draft of the Commission for the creation of a *domestic market* for services until 2010 also concerns the professions in the health system as well as the system itself.

The consequences are unmistakable: “Should the European market and competition law assert itself more forcefully as a result of the new coordination method, this would lead to a deregulation of the whole system of contracts and services. If the health insurances were understood in the sense of the European competition law as economic enterprises, all contracts with the hospital societies, the physician’s associations and the other care providers were to be evaluated as collusion contrary to competition. They would lose their validity and everything would have to be steered by market relationships. If then there still is added the primacy of cost reduction and privatisation from the Euro financial regime, this would strengthen those political forces, which anyhow since day and age want to deform the health system in the direction of more market, competition, and service exclusions.” (Urban 2003).

5. Lisbon Strategy and competition-oriented embedding of social policy: a new European social model?

The Lisbon strategy already mentioned several times raises the claim to coherently adjust economic, employment and social policy to one another. Since the EU Summit of Lisbon (2000), the spring session of the European Council is therefore regularly devoted to these economic and social questions and prepared by a “synthetic report” by the European Commission. Thereby a multitude of coordination processes at the EU level is included into the examination, which are partly listed in the EU Treaty and partly rely on the *method of open coordination*.

5.1. Economic policy coordination

The ***EU economic policy*** in the EU Treaty is determined as a “matter of common interest” and should therefore be coordinated in the Council. Following Article 4 of the EU Treaty, it has to pursue the following landmark principles: “Stable prices, sound public finances and monetary conditions as well as a permanently sustainable balance of payments.” (The Federal German Stability Law of 1967 by contrast also included goals of full employment and economic growth.) With the Stability and Growth Pact (Council resolution of December 13, 1997 and Guideline 1466/97), the Protocol over the procedure in case of excessive deficit and the provisions of the EU Treaty (Article 104 ECT), there exists a solid framework for the coordination of the budgetary policies of the member states. They are supposed to keep their budgetary deficit under 3% of their Gross Domestic Product (GDP), and the overall state debt is not supposed to exceed 60% of the respective GDP. Going far beyond that, the member states had committed themselves to reach balanced budgets until 2004 and even to achieve budget surpluses. As soon as the budgetary situation in one member state departs strongly from the agreed goals, he Council can upon proposal by the Commission with a qualified majority address a recommendation to the member state concerned – the dreaded “warning letter” from Brussels, which up to now was received by Portugal, France, and Germany.

The ***coordination of the economic policies*** of the member states takes place by way of annual **G*uidelines*** (“Basic guidelines of economic policy”) with recommendations for the EU and for each single member state. Main points of emphasis are as before price stability and budgetary consolidation. Since 1998, however, the following themes have also been added: structural reforms of the goods and capital markets (liberalisation policy), the flexibilisation of the labour market, as well as more efficient and better integrated financial markets. Inasmuch the economic policy of a member state grossly contradicts these guidelines or threatens the functioning of the currency union, the Council can, by qualified majority, also address a recommendation to the state concerned. This was done in the year 2001 in the case of Ireland, because the overheated economic growth there in the eyes of the other member states threatened the inflationary goal of the ECB. The European Parliament upon its own initiative sets up a report concerning the economic policy guidelines. Formally, it has in that respect, however, no co-deliberation rights – the Council merely informs it about its decision.

The contractual corset for the economic policy of EU is unambiguously monetarist in nature – at the centre, there are low inflation rates and debt reduction. Added to that are policies for the shaping and deepening of the European domestic market. That is mainly the issue in the so-called ***Cardiff process (1998)***. Its goals are “Structural Reforms in the EU Domestic Market”: a higher flexibility of goods and capital markets, the integration of European financial markets, the coordination of labour market and financial reforms, the fight against state subsidies, the prevention of unlawful tax competition as well as to deepen und to begin to extend to further sectors the comprehensive liberalisation projects, which were begun in the framework of the domestic market (e.g. energy, telecommunication, railways, postal service, public tenders etc.) . It delivers important substantive preparatory work for the economic policy guidelines and the goal prescriptions of the domestic market strategy.

The EU Summits of Göteburg and Stockholm have, moreover, set their sights on the “environmental dimension of the Community”. It is supposed to be taken into account by way of a “***Strategy for sustainable development***” in the framework of the Lisbon strategy with view to climatic change, transport, public health and natural resources. This does, however, not entail a coordination of the environmental policies of the member states, but an investigation of the effects of the EU policies (agrarian and structural policies, transport and trans-European networks etc.) with respect to the achievement of “sustainability goals”. Up to now, the “sustainability dimension” has found its expression essentially by the inclusion of a corresponding paragraph into the economic policy guidelines, which wages primarily upon market economic instruments, for example for reaching the Kyoto climatic protection goals.

5.2. The European employment strategy

On the basis of Article 128 ECT, there furthermore develops a ***coordinated EU employment strategy*** with annual European guidelines – the so-called Luxemburg process (1997). The member states implement these guidelines in National Action Plans for employment policy. The guidelines in the past were grouped around four thematic guidelines: equal opportunities for women and men, improvement of employability, development of entrepreneurial spirit and job creation, promotion of adaptability of businesses and their workers and employees. They have a low degree of binding commitment and are subordinated to the goals of economic policy guidelines. In addition, Article 125 EC Treaty limits "employment policy" in the main to labour market policy and labour market reforms for more flexible labour markets. The parliament is formally consulted, when the employment political guidelines are drawn up, that means, it can make a statement, before the Council finally decides.

The social policy side of Lisbon strategy is covered by the open coordination processes concerning social insertion, pensions, health and care for the elderly (see Chapter 4).

5.3. The tightening of the economic, social, and employment policy coordination processes in the EU (since 2003)

The coordination processes concerning economic, employment, social and environmental politics in the EU were in this way relatively split up as well as, from the point of view of content and time, hardly in sync with each other. Commission and Council wanted to remedy this by a temporal synchronisation as well thematic bundling and tightening. Since 2003, the *economic policy guidelines* , the *domestic market strategy*, and the *employment policy guidelines* are being set up in the same rhythm. From there results the following temporal sequence: in **January**, the Commission presents a comprehensive report, which includes the implementation report for the economic policy guidelines, the draft for the common employment Report and the implementation report for the domestic market strategy, the stability and convergence programmes, the Cardiff Report and a few other reports of the Commission, e.g. the state subsidies. At the same time, the Commission presents its spring report concerning the Lisbon strategy, where the most important aspects and strategic policy priorities are put together. These two reports, together with the papers by the subject councillors, containing important demands for the respective policy areas, are presented to the European Council in **March**.

After the European Council has controlled the realisation and put forward general political orientations, the Commission in **April** presents its proposals for further progress in the named policy areas. This guiding package contains the economic as well as the employment political guidelines. Given the desired long-term horizon, this package covers a temporal span of three years (e.g. at present 2003-2006) and is only adapted in the case of important new developments in the meantime. After further deliberations of the European Parliament (concerning the employment political guidelines) and the responsible ministerial councils of the subject areas, the European Parliament will approve the guidelines at his regular meeting in **June**.

To guarantee their better implementation, the Commission wages upon an improved national report system, e.g. fewer, but more comprehensible and sharpened reports. These are supposed to be presented until **October**. On this basis, but also on the basis of bilateral contacts and results of benchmark comparisons, the Commission controls the successes in realisation and presents its results in a new implementation report in mid-**January**, whereby a new cycle is begun.

As far as the *substantial coordination* is concerned, the basic features of economic policy (as the “big guidelines”) continue to remain at the centre. They will, however, be more strategically aligned, with the points of emphasis macroeconomics, economic structural reforms (liberalisation, integration of financial markets) and measures for the promotion of growth, employment, social cohesion, and sustainable development. The employment policy guidelines are simplified and expressed more briefly, the domestic market strategy elaborated in more detail. The Commission proposes, moreover, to supplement this tightening of the coordination processes after 2006 by a comprehensive strategy in the area of social protection (2006-2009, that means in time for the next “synchronisation period”). This would then include the areas of social integration, pensions as well as health care provision and care for the old, which would then be bundled in “a common report concerning social protection” and be put into operation by way of national strategy reports and all-European goals.

5.4. Unchanged leading function of the economic policy guidelines

It is doubtlessly necessary to bundle and to tighten the multitude of coordination processes. While the rhetoric of the Lisbon strategy up to now took off on a balanced treatment of economic, employment, and social policy as well as environmental sustainability and demanded work on the goal conflicts between the various endeavours, the current tightening and synchronisation hardens the already existing hierarchies among the policy fields. The “economic policy guidelines” clearly dominate, which is underscored once more by the incorporation of social, employment and environmental policy declarations into the guidelines. Economic policy guidelines and domestic market strategy together give the tightened coordination a bent in the direction of strict budgetary discipline, cost-curbing as well as liberalisation and flexibilisation. Employment political guidelines and social protection must support this framework and subordinate to it.

In the economic policy guidelines 2003, it becomes obvious: “The basic features (of economic policy; A.B.) stand at the centre of the efforts for policy coordination, which characterises the system of economic policy leadership in the EU and its member states. In these basic tenets, the EU expresses that higher and sustainable growth rates are of decisive importance and that it is resolutely decided to take the measures necessary to their achievement. To increase economic welfare in a sustainable way, there are needed sound macroeconomic conditions and a solid macroeconomic policy. A stronger entrepreneurial spirit and reinforced investments in knowledge and innovation are of central significance for new growth opportunities. Better functioning and more compatible labour, product, and capital markets are indispensable to reaching a more flexible economy and increase potential growth. (…) In particular, the wages should, in the case of a possible cyclical recovery of productivity or of an inflationary push due to oil price increases, continue to grow moderately, so that the profit margins may recover further and thus favour investment growth leading to job creation.”

The Guidelines contain an “explanation” of unemployment in the EU which takes one’s breath: “That the per capita GDP (of the EU; A.B.) lies clearly below the U.S. level, is explained mainly by the fact that fewer persons have a job and as a tendency work fewer hours. This may be in part be attributable to the fact that leisure time is accorded a higher status; in many cases, however, it can be reduced to the simple question, **whether work is worth it** (emphasis in the original; A.B.). By way, of relatively generous or rather liberal social protection systems or by way of early retirement incentives, many people were effectively encouraged to leave the labour market or to remain unemployed." The social state is thus to blame for the high unemployment. Thus it has to be "modernised", and the labour markets have to be freed of regulations.

In what follows, one finds recommendations, which the EU summit at Barcelona 2002 had already urged. The wages had to be more strongly differentiated according to productivity and qualification (that means, mainly, be lowered even further in the lower brackets). Furthermore, "the costs in connection with the formulation and ending of labour contracts" should be re-examined. In plain text: a flexibilisation of the labour contract law and, for example, the loosening of the protection against dismissal were demanded.

Claims to benefits, their duration, wage replacement quota and supplementary payments etc. in the unemployment insurance should be re-examined and tied to sharper obligations. In this respect, also the employment policy guidelines of 2003 send the same clear message to the member states: "They will, in particular, under maintenance of an appropriate level of social protection, control the wage replacement quotas and the duration of receipt of benefit, they will, taking into account the individual situation, guarantee an effective administration of payments, in particular with respect to tying them to effective job search, including access to activating measures for the improvement of individual placement chances; they will, if need be, consider the granting of wage replacement benefits and strive for the elimination of non-gainful employment traps. Measures will be aimed in particular at substantially lowering, until 2010, the high effective marginal tax rates and, if need be, the tax and supplement burden on the wages of low-wage earners under observation of the national conditions."

Thus the fight against poverty and social exclusion is then seen essentially from the point of view that flexibilised labour markets and more offerings of mini-jobs and low wage employment offer the best protection against their spread: "Important in particular are measures that will improve the functioning of the labour markets and are conceived such that the wages reflect productivity differences in the various trades and local labour market conditions." (BEPG 2003).

The reforms of the pension and health systems are addressed.: "The requirement to insure the long-term sustainability of public finances has been underscored by the European Councils in Lisbon, Stockholm, and Barcelona. To deal with the economic and budgetary impact of the ageing of the population, the European Council in Stockholm decided to pursue a three-pronged strategy. The main emphasis of this strategy should lie on the strengthening of the gainful employment quota (compare Section 2.2 i), the lowering of the state debt, as well as on the reform of pension and health systems (BEPG)." As central orientation for the pension systems, there is offered the prolongation of life-time employment, the achievement of financial sustainability and the extension of "additional pension provisioning systems".

The employment political guidelines (and future declarations concerning social protection) have to follow the tenets of the economic policy guidelines. The latter, however, already include an ensemble of economic and social policy statements, which can hardly be “mitigated” and even less corrected by other political strategies and points of emphases. The tightening and synchronisation of the Lisbon strategy in fact achieves the production of a coherence between economic, employment and social policy: the social state is being demolished.

5.5. A new European social model?

Social protection in Europe has always already been understood as a “productive factor”. The prevention of accidents by way of measures for security and health protection at the work-place, an efficient health system, state educational policy and active labour market policy (retraining, qualification, post-graduate education) have also strengthened the productivity of the businesses.

While in the Keynesian welfare state, this was partly also linked with a social quality of wage labour, social policy now is supposed to become a much more immediate factor for improved international competitiveness: “ Gradually, at the level of the national state as well as on the European plane, the contours of a New European Social Model are becoming visible, which aligns in a straight line with the competitive political formation of the economic space of Europe in the sense of the Lisbon strategy. In this model, there continues to be social policy, however, it is one, which will no longer contribute much to the securing of the social rights of citizens (women and men) and to the protection against the impositions of the capitalist market economy. In this New European Social Model, social policy gradually becomes a variant of competitiveness policy. The social policy programmes of the EU aim above all at the improvement of the supply conditions of the businesses, for example by way of the increase in the qualification and the health status of the employees or the quick placement of the unemployed. It is above all a matter of firm-level competitiveness and economy-wide value creation.” (Urban 2003).

The “New European Social Model” exists predominantly still as a European guiding image – as a blueprint, which is being implemented by the nation states in accordance with different historical traditions and social relationships of forces. The already severely hit Keynesian welfare state is being closed down on the basis of the developments introduced by the neoliberal revolution. While the guiding ideas of “modernising the social state” are the same all over Europe, the implementation should bring with it not only convergence, but also still further differentiation of the national “social states”. Their “implementation” by the national states is still mostly tied in the manner of “path dependence” to the national welfare state traditions, as they have developed historically. New “systems’ logics” (capital-coverage principle for pensions, liberalisation and competition in health care and long-term care, private job placement etc.) are intertwined with the cut-back remainders of the old structures.

On the one hand, there thus imposes itself more and more a hole-riddled social protection, as we already know it from the *liberal welfare state*. Yet, the “modernisation of the social state” clearly goes beyond the known liberal model. Since, where Beveridge still saw social minimal protection as a legal claim of the individuals to secure a dignified existence, there today rules ever more the spirit of the work house charged with moralising imperatives of duty and punishment. The partial privatisation and individualisation of the pension system (columns with capital coverage) turns the previous “solidarity-based system” into a vehicle for speculation and a play-ball for the financial markets. The health system is steered increasingly by the imperatives of competition.

While the social state (and even more so the extended Keynesian welfare state) formerly put reins on capitalism, in order protect it against itself, the film is now being played backwards: complete unleashing of the market forces, and this with the support of state social policy. The unsure European public probably will still need a while, until it understands, what historical performance it is being offered here in the name of the New Europe.

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Outlook

The future of the social state in Europe – 8 Theses

Since the end of the 1970s, the Keynesian welfare state is under constant fire. Up until the 1990s, the prevailing pattern was to cut the social net in a "system-immanent way": cuts in unemployment support, pensions and health system etc. Since the mid-1990s, this politics of cuts is combined with a "systemic restructuring": partial privatisation of pension systems, primacy of individual self-provisioning, restructuring of labour market policy in the sense of the philosophy of workfare, creation of competitively organised educational, post-graduate training and health markets. It seems, as if the Keynesian welfare state, in this way, is to disappear sooner or later and should yield the place to a competition-oriented market state (Bobbit 2002).

The political left in Europe vacillates mainly between the option of an "adaptation of the social state to the conditions of globalisation" and the "defence of the achieved". It is rather minorities, who want to place the social states on to a new foundation – in Germany, the pertinent keywords are "value creation tax", "citizen and gainfully employed insurance", "social basic insurance" etc.[1] Broad, defensive mass protests by trade unions and social movements in Europe up to general strikes (Greece 2001, Italy 1994/95, 2002/03, Spain and Portugal 2002, Austria and France 2003, Germany 2003 and 2004) have been able to at times delay the continuous social demolition and the liberalisation and privatisation of public goods in the member states of the EU, but not to stop it. From defence and protest to an alternative, it is apparently a long and arduous endeavour. Nevertheless, we cannot avoid to ask ourselves the question: What has to be changed in order to maintain and renew the social state?

1.

The "social state class compromise" has only modified the basic asymmetrical distribution of power between capital and labour, but has not structurally dissolved it. It functioned only under the good weather conditions of the long post-war upswing until the beginning of the 1970s, as long as high growth rates would just offer the basis for distributing the increases in growth. Thus, in a somewhat abbreviated manner, ran the core of the thesis of *social state illusion*. According to this argument, a fundamental systemic transformation to a socialist society is the only way, holding long-term promise, for overcoming this power asymmetry and the harmful social consequences linked to it. A mere concentration on "just compensation" and transformation of secondary distribution by way of social state instruments, therefore, promises no permanently stable solution in the interest of the great majority of the population dependent on gainful employment.

This position can call upon Karl Marx: "If the material conditions of production are the cooperative property of the workers themselves, there also results a distribution of means of consumption different from the one prevailing today. Vulgar socialism (and from there again a part of democracy) took over from the bourgeois economists the observation and treatment of distribution as independent from the mode of production and thus present socialism, as if it

[1] Concerning the concept of financing of the social insurances by way of a value creation tax in Germany compare Christen/Kahrs/Weise 2000. The concepts of the German green and alternative Left from the 1980s and 1990s concerning the "citizens and gainfully employed insurance" and the "social basic insurance" have meanwhile, by the Agenda 2010 and the Rürup Commission, received a radical reinterpretation. Compare on that critically Bartelheimer 2003 and Kreutz 2003.

turned mainly around the question of distribution." (Marx: *Critique of the Gotha Programme*).[1]

If, together with Marx, we ask ourselves the question for "socialist way of production", which among other things, would rely on a democratic socialisation of the means of production and includes the moment of "produce differently, live differently" – what concretely would we have to imagine then? Marx and Engels, as we know, shirked from this question – it contradicted their idea of "scientific socialism", to give, if only a preliminary answer to that. They rather criticised the "sectarians" and "Utopians", who imagined another society concretely, as unscientific dreamers and handicraft modellers far removed from reality. Of the "real socialism" of Soviet making only a field of ruins has remained. Economically, it was not fit for survival, and socio-politically by and large also not especially emancipative. That from a certain form of overcoming capitalist property relations (state ownership of the means of production), there would immediately result a liberated society, has turned out to have been too simplistic an assumption. For the rest, there is at this point no developed debate about alternative visions of a socialist society, not even about the old social-democratic demand for "economic democracy". What follows, therefore, practically from the call for a "socialist alternative", which springs from the thesis of "social state illusion"?

To start with, not even a more or less well-anchored "theory construction site". The globalisation critical movement is only just starting to think about concepts such as global public goods, new property forms in the "knowledge society" (free software, "copyleft"), about participative budgets and the strengthening of communal democracy ("Reclaiming the State"). It usually does this in a framework, which is quite clearly oriented towards "reform" in the sense of Keynesian thinking. Small circles of intellectual lefties on a high level of abstraction belabour the question of "market socialism" or "participative planning" (Roemer 1994 and 1996; Elson 1990; Creydt 2001; Bischoff/Menard 1990; Krätke 2002; Albert 2003). From there, one can learn quite a few things, but the debate is at best in its beginning. It is still far from offering, in all breadth, more concrete projects for political and economic strategies – be they in the sense of a "market socialism" or of a "participative economy" (PARECON). To develop these approaches further and make them fit for "daily life" is a task that will probably take a lot of time and especially public, political resonance. In any case it belongs to a serious debate about the future of the social state and also about conceptions of a "socialist social statehood".[2]

Let us, however, not forget one thing: the social state even now is not "mere illusion". Even in Great Britain, after the hard cuts of the neoliberal revolution under Margaret Thatcher, it still moves about 27% of the national Gross Domestic Product – about as much as the EU average. One was not able to kill it as fast as many right-wing ideologues would have wished. A path of social development once taken, one can apparently not as easily erase again. Without the doubtlessly already strongly demolished instruments of the Keynesian welfare state, the

[1] Marx by the way even declined to even speak about a "social question", which lies at the basis of the later discourse about the social state: "In the stead of the existing class struggle, there enters a newspaper writer phrase – the 'social question', whose 'solution' one 'prepares the ground for'. Instead of from the revolutionary transformation process of society the 'socialist organisation of total labour' 'emerges' from the 'state help' that the state gives to productive cooperatives, which IT, not the worker, 'calls into being'. This is worthy of the imagination of Lassalle that one can with state obligations build a new society just as well as a new railroad!" (Marx: *Critique of the Gotha Programme*)

[2] Marx has addressed the latter question in the criticism of the Gotha Programme. He referred to the fact that from the "products of labour" there after all also had to be formed "funds for those incapable of working", for "common needs" such as schools and health institutions as well as "insurance against accidents and disturbances".

social reality and the crisis in Europe would look much more brutal than they are right now. Even though thus “only” the secondary distribution has been touched by it, it is an achievement to be defended and a point of departure for more.

2.

Already in 1952, the social state theoretician Gerhard Mackenroth formulated a fundamental insight: “Now there holds the simple and clear sentence that all social expense must always be covered from the popular income of the *current period*.” Whether social protection, social insurance, universal social basic insurance, capital-covered or tax-based mechanism – the sentence holds for everything in equal measure: “There is no accumulation of funds, no transfer of shares of income as source for the social expense. (…) The problem of national economics cannot be solved or pushed aside by acting according to the principles of an ordinary business man and insuring private risks. At the national economic level, there does in fact not exist an accumulation of a consumption funds, which can be consumed when needed, and which can then in a way be a welcome addition to the popular income of a later period.” (Mackenroth 1952).

The financial markets are in no way a miracle weapon for “saving the social system”, as many politician and economists want to make us believe. Thus also the system of capital coverage is dependent on the permanent rise in productivity and on the financing, for example, of old-age consumption by the restraint of the gainfully employed from immediate consumption (thus on saving).

The individuals may lay aside money for tomorrow by saving today. A national economy as a whole cannot do that. It can guarantee the social consumption in the future only be real physical and social investment today. The return of a pension funds or a life insurance, before the later payment, first of all, also has to be produced in the current period. If this is not possible, the expected value increase is also exploded.

The international trade with obligations (e.g. pension funds) also does not solve this basic development. Because capital flowing in from abroad (purchase of “German” or “European” securities) also at first has to be produced and is a subtraction of the GDP in these countries. This also holds the other way around – one should only think of the glorious idea that European pension funds should invest in Chinese stocks and bonds and the Chinese workers are than supposed to produce “our pensions”. Whichever way one turns it, one economic truism always holds: *There is no free lunch!*

Before it is simply stubbornly claimed that “we” could no longer afford the social state, there first of all poses itself, looked upon in this way, the double question:
● How is the current popular income *produced* (Karl Marx’ core question) and
● how is it *distributed* (the equally justified core question of the old social-democratic workers’ movement), so that a sufficient social expense in the current period can be served out of it?

Surely, the economy in Europe no longer grows as rapidly as in 1950s and 1960s, but after all it is still growing. If we “save” under these conditions at the social expenditures, possibly other social groups will receive a larger share of the national income pie.

3.

Many look at the controversy over the social state almost exclusively from the point of view of "social justice". This is surely important. At first, however, we have to remember that *It's the economy, stupid!* In times of high mass unemployment, there is the need to first try to come to terms with the *political economy of the social state*.

Heiner Flassbeck has pronounced a truth at first bitter for the left: "The conflict over justice, the social net and solidarity in society is completely meaningless in times of high and rising unemployment. In such times, any measure that creates 100.000 jobs, is considered just; any renunciation to wage, to social protection or insurance protection, which brings others wages and bread, as solidarity-inspired to the highest degree." (Flassbeck 2003).

It is after all not an accident that in the last 25 years also large parts of the trade unions believed in the general propaganda that now all had to "tighten their belts" and save – from the point of view of the trade unions, just simply "in a socially just way", so that the entrepreneurs, the high income earners, and wealth holders were also just a little bit fleeced. The background is the solidified and continuously high mass unemployment, which apparently cannot be addressed. It can hardly come any better for the executioners of the social state: the general logic of austerity and apparently necessary flexibilisation is widely accepted. The dispute no longer is about the economy, but about who, in the name of "solidarity", has to make what contribution to the general "saving".

From the economic point of view, however, the following question has to be asked: When the state as well as the private households both restrain in their expenditures, in other words "save", how then should the entrepreneurs (quite independently of who owns them) expand sales and be able to again invest more? If some entrepreneurs now try to improve their situation by constant "cost reductions" (of wages, wage supplements etc.), they will only worsen the position of other entrepreneurs and the demand potential of other households. In the then following round, the state has less tax income and higher expenditures, because there are more unemployed. Nothing again becomes of the envisaged budgetary consolidation and the debt reduction – new holes have to be mended. This cycle is known as the "debt paradox". From the point of view of the whole economy, this policy, socially as well as economically, leads to a downward-pointing spiral, in which in the end, everybody loses. It is not only socially unjust, but wrong precisely from the economic policy point of view. The current popular income stays far below the possibilities, which could be reached by way of *another economic and financial policy*.

4.

Keynes has very clearly pointed at these connections between economy, distribution and the social state and developed strategies, as to how they can be worked on given the goal of a durable "well-being for all". In his conception, the social and welfare state was embedded in an expansive macroeconomic policy for full employment, state investment guidance, control of the financial markets, curbing of speculation and a more balanced distribution of income and wealth.

Against this argument, it is today held that such a policy would only have a chance at all under conditions of closed national economies, not, however, under the conditions of "globalisation". A series of emerging industrial economies, which have pursued a more strongly domestically-oriented strategy (e.g. Thailand, Malaysia, China, Argentina after the crash) show at least that they are thereby able to reach better economic results than those applying the neoliberal mantras of structural adaptation.[1] For EU Europe, another argument is much more decisive: "Before the background of the fact that less than 10% of the GDP of the EU is exported into non-EU countries, it is no exaggeration to characterise the EU as a closed economy." (Kleinknecht/Wengel 1998, p. 641). The (rather medium and small) European national state may in the meantime have become to small for dealing with the economic problems, the EU as a whole is not.

That also means, however, social, tax and environmental standards can be regulated at a European level and thus be withdrawn from the global competition. Coordinated European tax and financial policy for solid and distributively just financing of the social state tasks of the member states, coordinated economic policy for strengthened public investments in social infrastructures and environmental structural change, coordinated monetary and budgetary policy for the strengthening of the European domestic economy, and environmentally sound revival of domestic demand - all this can be worth it and lead to full employment.[2] The social state in Europe can thus be maintained and renewed.

Ecological circles criticise Keynes' strategy as fixated upon growth. High economic growth, however, sharpens the environmental problems, due to the higher energy and raw material consumption. This criticism of Keynes, however, is only partly justified: "The Keynesian long-term strategy (Keynes, 1943), which prognosticated lessening growth (stagnation) for the highly developed national economies, such that it would no longer be possible to achieve full employment on the traditional way of high growth rates, thus then also did not usher in a elaborate new edition of growth stimulating politics, but Keynes recommended already more than half a century ago in the middle of the Second World War (1943!) stepwise reductions in labour time. The argument for this way back to full employment is also supported by the most recent ecological problem discussion: Ultimately, any kind of growth harms the economy, so that also in the future, it will be necessary to solve the employment and social problems also without (high) economic growth rates." (Zinn 2003).

Zinn's proposal of a "qualitative Keynesianism" at least as a transitional programme in the medium run (20 to 30 years) has some plausibility. In common with Marx and political ecology, it places the changing of "the exchange of materials with nature" into the foreground: ecological and social restructuring for a sustainable development. At the margins of trade unions and environmental movement, there has already been developed a basic framework for a comprehensive, sustainable strategy (ecological, economic, socio-cultural) (HBS Project Work and Ecology 2000; Spangenberg 2003). The individual tools recommended certainly require discussion (compare Brie 2002), but the fundamental alternative development logic points in the correct direction.

Ecological innovation on a broad front leads to a multitude of new products and services: solar-hydrogen-economy, fuel cells, drastic energy and resource saving, ecological farming, plant-based chemistry, bionics, ethno-botany, green information technology, mobility and energy services. It will take a while, until new satiation levels are reached on this way. The environmental innovation is closely linked with social innovation: eco-efficient services,

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[1] My reference pertains not only to the quantitative economic results (increase in the GDP and the national popular income), with which the mainstream economists are after all mainly concerned in their argumentation. That the social position of people, the income distribution, the income pollution etc. in these countries are anything else but desirable, stands on another leaf, and this can also only be changed by different social relationships of forces and corresponding political conceptions in these countries themselves.

[2] More concrete proposals for such policies I have submitted some time ago (compare Brie/Dräger 2001, Brie 2002). Much of it can also be found in the programme of the PDS for the European elections.

extension of social and cultural services, social citizenship rights and rights of economic democracy, education and qualification, a new work-time standard and "Good Work". At the centre does not stand the return to high growth rates, but a far-reaching dematerialisation of the economy and the targeted improvement in the life conditions of the majority of the population.

Qualitative Keynesianism thus promotes lasting ecologically sound and just well-being for all. It is fully compatible with farther-reaching eco-socialist conceptions. And it creates an economic environment, into which a social state renewed on the basis of solidarity can be embedded.

5.

The "demographic challenge" - until 2050, the share of people over 65 in Europe as a rule will have doubled, after that the population will begin to shrink significantly – is, as already known, only seen as a cost problem. This will be met by cuts in pensions, in health systems and the duty to "more private prevention".

The "cost problem" of an ageing and shrinking population development, however, can be met comparatively easily. When the average productivity development of the past 100 year can be continued, Europe will be in a position to produce enough welfare even with a shrinking gainfully employed potential to guarantee an adequate material life security for young and old equally. Without any doubt, to do that, the (tax and contribution) basis for the financing of the old-age security systems has to be broadened and the income and wealth differentials have to be more strongly levelled out.

The political mainstream, however, does not ask the really important questions: how do the work and living conditions have to be changed, so that people can, until reaching retirement age, be durably healthy and happily gainfully employed and can remain it even afterwards? Which social, educational and other infrastructures does a society need, in which the share of elderly and older people over several decades continuously increases? And how should the life conditions of children and young people be designed, so that they can develop in an all-round way?

Instead of ever more stress and entrepreneurial, conformist "flexibility", under these future conditions rather deceleration, sufficiency, distributive justice, health promotion and individual freedom is being asked – instead of more inequality and market constraint. The solution of the demographic question does require more of and a better social state, in parallel to the necessary changes in work and economic life.

6.

In light of the diversity of welfare state traditions in the EU, the debate about a renewal of the social state in Europe can only be led on the plane of guiding images and functions, which the social security systems are thus supposed to fulfil.

Socialist policy stands for a social state concept that guarantees social citizenship rights materially by way of universal and unconditional services in the framework of a public all-encompassing insurance.[1] Health, education, protection against social risks etc. have to be

[1] The same is also claimed by the Scandinavian social-democratic welfare state model; yet, social democracy in Sweden has also introduced its reconstruction. However, it should still be stressed that the Scandinavian model

considered as *public goods*, which should be withdrawn to market compulsion and market forces. From there, as guiding vision for the renewal of the social security systems , there follows the concept of a people's or citizens' insurance. Contribution duties (whether as taxes or social contributions) and service claims in this respect tie in with the *inhabitant status* and no longer exclusively with gainful employment, as in the conservative-corporatist welfare state.

The financing of the social state tasks is to be borne by all inhabitants (female and male) and the businesses in relationship to their financial capability. Thereby, the contribution basis will be broadened as well as the principle of solidarity-based redistribution strengthened. There exist a considerable spectrum of proposals on how this general guiding image is to be implemented concretely. In the Federal Republican context, some propose to finance social security generally by way of a value-creation tax. Thus part of the value creation would be taken out of the conflict about the primary distribution (capital and labour) and reserved exclusively for the financing of the social-state tasks. Others envisage to replace the employers' contribution to social insurance by a value-creation tax. Others again want to extend the contribution base of the social security systems personally (e.g. to self-employed, civil servants, housewives etc.) as well as with respect to the inclusion of other kinds of income (e.g. rental, interest and capital returns). In this context, it is often referred to already existing national state models of a "citizen insurance" (for example, health insurance in Austria, pension insurance in Switzerland). The strength and weaknesses as well as the consequences of the respective "models" are tied predominantly to the national state context and to be evaluated in this framework. They all have in common that they imply a completely different direction of social state renewal than the "social reforms" now being implemented in the member states and the current socio-political guiding visions at the EU level.

Socialist politics wants to reach comprehensive equality between women and men. To this, there are still opposed the social concepts of normality, which are imbued with the patriarchic image of the male head of the household and which still characterise most social states in the EU. The renewal of the social state has to overcome the multiple disadvantages of women and insist on egalitarian patterns of gainful employment: equal payment for work of equal value, equal career opportunities, shorter work times and access to protected part-time for both sexes. On this basis, an individualisation of the tax and social systems is to be taken on, that is the abolition of the social and tax policy privileges for the "housewife marriage" and the "marital partnership". Whether people live together with or without a marriage certificate is their affair. The tax and social system may not favour neither one nor the other life form.

Thereby, the advantage to the married couple has be completely cleared out from family policy. There holds the simple sentence: family is, where there are children. In this respect, the renewal of the social state has to be above all service-oriented: an area-wide extension of public child-care centres, which makes possible the compatibility of family and profession. A targeted financial support of households with children ("family burden compensation") is to be borne in solidarity by the whole community, in the form of tax-financed basic allowances per child.

Socialist policy strives for the project of a social basic security, which prevents poverty and enables an equal participation in social well-being (participation justice). Old-age security is to be secured by solidarity-based, redistributive public systems. It must fulfil two functions: social basic security in old age (as basic security for all) and maintenance of an adequate

in the EU comparison economically as well as socially still reaches better results than the others (comp. Corsi/Orsini 2001).

living standard (performance justice). Periods for child-rearing, care for old relatives etc., basic and post-graduate training as well as phases of unemployment and sickness have to be adequately taken into account. The health system (inclusive of the securing and risk of long-term care) has to be financed on the basis of solidarity (income-proportional and thereby redistributive contribution assessment) and must provide qualitatively high-level services to all independent of their income. A "citizen insurance system" in this context allows a more targeted prevention policy (and thereby opens considerable cost-reduction potentials) than a market-economically dismembered health system (Kickbusch 2000). Unemployment support has to remain an unconditional social legal claim, guarantee freedom of choice of occupation and uphold and renew already acquired qualifications.

The repair of all three pillars of social protection (care for the elderly, health, gainful employment) requires a new policy of full employment and social redistribution (compare Thesis 4). Without it, an egalitarian renewal of social state will not succeed.

7.

In the EU, social statehood is first of all only developed at the level of the national state, and this in very different ways. In accordance with the dogma of strengthening their "competitiveness", a hard regime competition of the national social states has been established. The member states are constantly tempted to achieve competitive edges by way of demolishing social benefits. Therefore, the question at the European level is first of all to prevent a reinforced social dumping in the extended EU.

To do so, the agreement on a social stability pact is necessary. This builds on the simple fact that there exists a very close connection between the economic development of a country (measured as GDP per head) and its social performance quota (the share of the whole social expenditures in the GDP).

In the framework of a social stability pact, at first the social performance quotas of the 25 EU member states would be recorded and countries with similar social performance quota put together in a group ("corridor"). A departure from the initial value downward would entail for the countries concerned a consultation procedure and, if needed, sanctions. In this way, the social would be coupled to the economic development. The more weakly developed national economies in the EU would not be overtaxed by this form of social policy regulation. The more they would gain in economic development level, the more their social performance quotas would approach those in the rest of the EU. The economically stronger member countries would thereby have their way to social dumping (under average social benefit quotas in relation to their income level) barred.

The EU, however, can and must do considerably more than just prevent social dumping. It must in the future set binding quantitative and qualitative social policy tasks: for example, for the improvement of health insurance, for the minimal level of social protection, for European minimal wage standards, for the overcoming of poverty and social exclusion, of homelessness and illiteracy. It has to be possible, in the framework of this procedure, to commit the member states to concrete programs of measures, whose implementation will be continually analysed and controlled. The EU can supplement these programs of measures by European promotion. Thereby, the European social policy would begin to unfold an independent effect, which would go beyond the mere gathering of information, agreement of indicators and comparison of "best practices".

In perspective, also in the area of social policy, there also poses itself the question for the "finality of European integration" – towards which goal should it ultimately strive? Does there not, in the framework of a federal or confederated European Union, also have to be created a European social union ("Social State European Union"), as was demanded by the anti-fascist European movements after the Second World War? Is it sensible to lay down, at the European level, unified norms for service prerequisites, level of benefits, specific service supplements, service limitations as well as rules adaptation?[1] This could, for example, be strived for core ingredients of social security: for example, for social basic security, old age and invalidity pensions, unemployment support, family benefits, and health services, Thereby, the manifold practical problems with the "coordination of social protection systems" up to now, in the area of free mobility and freedom of residence of persons, would resolve themselves.

The key to such a solution lies in choosing relative reference parameters: for example, as far as a European social basic security is concerned, there should be a benefit level of 60% of the national average income of the member state, in which a person chooses to reside. Thereby, there would be no incentives for a "social tourism" – for example, by taking along the relative generous social basic protection of the Netherlands when settling in regions with low living costs such as Apulia or Extremadura, if, for instance, the national state social insurance were to be made "transportable" all over Europe. The economic performance capacity of the respective member state of residence would be taken duly into account by the choice of relative reference parameters.

This debate today still sounds like far away music of the future. If one wants to prevent, however, that by way of the increased "European-wide patient mobility" presently being discussed, the way will be cut free for a EU domestic market of health services, which would then constitute an additional gradual undermining of solidarity-based health systems of the national states already severely hit by the recent "health reforms", then one also has to think about European solutions.

8.

Who are the social and political forces, which can produce a dynamic in the direction of a social Europe?

Under present conditions, these are still relative minorities: the trade unions, acting up now mainly on the terrain of the nation state, which are opposed to social demolition, the social movements coming together in the European Social Forum (ESF), associations and initiatives, the European left-wing parties as well as minority tendencies in the European Greens and Social Democracy.

The ESF undoubtedly makes an important contribution to creating a European democratic political public – next to the formations of European political parties and Foundations as well as existing European associations and networks. With the European action days of the ETUC and the social movements on April 2 and 3, 2004 there maybe was made a beginning towards gradually overcoming the resistance against social state demolition on the national state level and to come to a discussion about a common European perspective and capability for action.

[1] Compare the discussion of different solution approaches, for example in Leibfried 1992 und Busch 1998.

In this respect, nobody should be taken in by the illusion that it might be possible to compensate, at a European level, the fights one has lost at the local, regional or national state levels. The fight for a social Europe rather must be viewed as an initiative within a political system of several levels. In this respect, it holds: the social state, public services, and public existential provision can maybe be defended at the local, regional and national state levels. If it is, however, not possible to insure this policy by a European dimension (social stability pact, Social Union), these efforts are always structurally in the defensive. The EU economic policy, the stability and growth pact and the deregulation policy in the EU domestic market, continuously anew erode possibly achieved successes. Without the perspective of a turn in this development logic also at the European level, these struggles remain precarious and incomplete.

If we succeed in building up a European dimension of resistance against the demolition of the social state, this in turn can have positive feed-back for the activities in the same direction at the national state, regional and local levels. After all, nothing is more inspiring than to discover communalities with a multitude of sympathetic minds and to see one's own activities reinforced and supported by those of others. In the present phase, the issue will mainly be, whether by a common European discussion and activity, a minimal consensus can emerge between the participating actors and actresses concerning core elements of the renewal of the social state which then develops discursive influence on social majorities. When the widespread belief that "there is no alternative" is once for the first time seriously challenged, then it will become possible to gradually overcome the present situation of defensive.

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