Globalization and social inequalities in Europe: assessment and outlook

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Abstract

The purpose of this article is to consider the social cohesion of the European Union which is today subjected to significant constraints by globalization and by the growing economic divergence between member States, especially in the Euro zone. The statistical assessment of this situation allows us to clearly establish the ascent of poverty and exclusion in Europe. The European Commission as well as the civil society is trying to remedy this crisis notably by means of European syndicalism whose propositions are closely analyzed in the following article. That being said, the macro-economic context is very damaged today and it unequally affects the member States of the Euro zone. A strength or even a mutation in European regulation seems necessary to promote a new economic and social regime in the Union.

Keywords: social and economic cohesion, poverty, European trade unionism, Euro zone, twin deficits, European governance

JEL classification: E24, I3, F15, J5

1. Introduction: discriminatory globalization

During the last few decades, the world has experienced many radical changes. The most spectacular transformation is undoubtedly that of globalization, a phenomenon whose massive effects are assessed in various ways. In the words of Zygmunt Bauman, “it unifies just as much as it divides,” and “the causes of division are the same as those of unification” (Bauman, 1998, p. 2). It creates, of course, new liberties; however the gray areas are still numerous. A broad consensus concerning the established and potential

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advantages that globalization brings in terms of economic effectiveness, growth, and dynamism reigns in the works of the “new globalizers”. Completely open markets, the total liberty for businesses to transfer capital and to operate on the global level enables the optimal use of resources, the broadening of product supply, wider competition as well as the transfer of work and technology toward first-world countries. Thus, globalization appears to them as a vector of development and of regulating global balances. These assets work together with the unanimously recognized implosion of spatial and cultural distances, “of the world from the inside and from the outside,” as the town planner Paul Virilio would say.

However, these benefits have their down side: another part of these works, both theoretical and empirical, refuses to see only the positive aspects. Aside from the “winners” – the countries, the social categories, and the individuals that gain certain and concrete advantages from it – one finds the “losers” or the “absent”, those excluded from the movements in progress in the world economy. These analysts fear that globalization presents heavy political and social risks[1]. Firstly, the resizing of State-Nations’ powers, their loss of sovereignty, the weakening of democratic systems accompanied by a deterritorialization of decision-making factors?. Ulrich Beck, Richard Sennet, Kenichi Ohmae, and many others have for a long time brought up the risk of the birth of a Lesser State, a “minimal State, diminished in its traditional functions and subordinate to the economic power constituted by markets.” This weakening of public power may be one of the causes of European citizens’ disinterest in politics, materialized in electoral abstention: why vote when the elected representatives are much less independent from real power, extraterritorial elites, or economic lobbies?[2]

Even greater risks show up on the social level. Numerous field studies demonstrate that the benefits attributed to the growth of international exchanges and to investment mobility tend to divide unequally, both between countries and between social stratums of those countries. Paraphrasing J.M. Keynes, these works consider that “one of the evident faults of globalization is the arbitrary and iniquitous distribution of riches and of revenues” (Keynes, 1970, p. 372).

In Europe and in the United States, exposing businesses to ever-growing competition and to outsourcing of their industrial production has led, as economist Richard Freeman highlighted, to the reduction of unqualified

[1] Regarding contrasting effects of globalization see Bauman, 1998; Beck, 1999, Giddens, 1999. See also writings from the economist Rodrik, 2000, 2002, 2003. Among the Italian economists and sociologists, see: Tiberi and Pizzuti (eds.), 2004; Gallino, 2003. Among the empirical works in the Italian sphere, see Brandolini and Saraceno (eds.), 2007.

[2] A large number of analysts defend this thesis, in particular: Ulrich, 1999, p. 24; Kenichi, 1995; Melucci and Diani, 1992; Melucci, 1996, p. 150; Von Wright, 1997, p. 49-52; Franzini and Pizzuti, 1994.

employment and to an accentuation of job insecurity, which determined the birth of a new social category: poor workers. By producing such effects, globalization is considered to be amply responsible for the increase in social inequalities and for the expansion of new forms of poverty to which the Welfare State may no longer be able to respond: everywhere in Europe, national governments are preparing to reduce their role as regulators, as much for ideological reasons as for demographic and budgetary ones[3]. The reinforcement of inequalities and the limited capacity to compensate for these social institutions mean that globalization already constitutes a threat to social cohesiveness and political stability in European countries; from which comes the necessity, emphasized by U. Beck, in the context of globalization, to put the question of social justice and equality of chances back at the heart of the political debates (Beck, 1999, p. 18).

Nevertheless, one must remember that social inequalities which developed with the liberalization of markets do not constitute a concern for everyone, and have been even less of a domain of intervention for public powers: neo-liberals consider that the redistribution operated by Social States is not only detrimental in terms of economic effectiveness but also incites individuals to rely on others[4]. These contrasting effects of globalization and its societal risks bring us to question ourselves on the following: first, on the real state of economic disparities and poverty within the Union, and second, on the tendencies or potential actions of the European Union. We ask ourselves if European authorities have grasped hold of this set of problems and how they expect to reconcile globalization, employment, and the economic well-being of their citizens? Aside from institutionalized Europe, there exists a Europe which comes from civil society, silently represented by the Confédération Européenne des Syndicats (CES) or European Trade Union Confederation (ETUC)[5]. What perspective does it have on the effects of globalization and what actions does it advocate on the European level?

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[3] On social effects, see particularly: Freeman, 1995; Freeman and Oostendorp, 1995.

[4] These views are inspired by the theses of « social Darwinism » defended by the liberal economist Hayek, 1982.

[5] The European Trade Union Confederation (ETUC) was created in 1973 in order to defend workers interests on the European level and to represent them in front of European Union apparatus. Nowadays, the ETUC regroups 82 member organizations from 36 European countries as well as 12 union federations, counting more than 60 million members. The ETUC is one of the European social partners and is recognized by the EU, by the Council of Europe, and by the European Free Trade Association (EFTA) as a unique inter-professional union organization on the European level. The ETUC has as affiliates the largest unions of the members States. In France: CGT, CFDT, FO. In Italy: CGIL, CISL, UIL. In Great Britain: TUC (Trade Union Congress). In Spain: UGT-E; In Germany: DGB (Deutscher Gewerkschaftsbund Bundesvorstand).

Indeed, Europe must face external constraints, unequally distributed economic integration, and rising public deficits. In light of these unfavorable elements, in the third part we will investigate by which economic channels Europe may safeguard a social model that appears essential to the maintenance of enduring social cohesion.

2. Poverty and exclusion in Europe: between reality and perception

Before taking measures against poverty in the European zone, one must first recapitulate its definition and its conceptual evolution in the Western world during the last twenty years. The Hungarian architect Yona Friedman wrote on this subject: “poverty must be discovered in concrete terms and rediscovered periodically because it never manifests itself in the same fashion depending on the era” (Friedman, 2009).

To give a new sense to the term poverty, the contributions of Indian economist Amartya Kumar Sen, who won the Nobel Prize in 1998, are essential. He defines poverty as a “lack of the ability to act” and not as mere deficiency of revenue. Without denying the crucial role played by revenue in the determination of poverty, Amartya Sen illustrates how the latter is closely related to the practice of a series of fundamental rights such as proper nutrition, adequate housing, health care, education, but also participation in political rights (Sen, 1985, 1982, 1999).

This multidimensional approach to poverty, used for a long time by the United Nations under the name of the Human Development Index (HDI), was also adopted by France. This is attested to by the Stigliz-Sen-Fitoussi commission’s report, which the President of the French Republic launched in 2008 to find new indicators of a nation’s well-being and social progress (Stiglitz et al., 2009). More recently, in their latest report on poverty in France which was published in November 2010, INSEE balances financial indicators such as overdraft accounts and late payments (for rent or for bills) with others, such as the possibility to go on vacation one week per year, to buy new clothing, or being in a position to entertain family and friends at home.

The same paradigm was picked up by the European Union, which describes poverty in both absolute and relative terms[6]. Meager revenues only

[6] In the European zone, absolute poverty concerns those persons disposing of resources inferior to 60% of the average. Relative poverty refers to the impossibility of access to goods and services that society considers normal and accessible. The European authorities for calculating absolute and relative poverty refer to leading theorists: Rowntree B.S., *The human needs of labour*, London, Longmans Green, 1937; Townsend P., *Poverty in the United Kingdom*, Harmondsworth, Penguin, 1979. For a synthetic approach to the two methods, see: Saraceno Chiara, *Povertà*, 18 July 2009, circolorossellimilano.blogspot.com. This article was also published by www.nuvole.it.

represent one side of the coin. Growing unemployment, lack of job security, lower wages for women, poor housing, limited access to healthcare, to cultural events, to leisure time, and to education, and professional training adapted to the job market make up the other facets of a widespread poverty that hurls the individual into material and immaterial poverty which deprives him/her of the capacities to act and to participate in social and political life. This approach is productive because it associates poverty and social exclusion. According to sociologists Jacques Donzelot and Robert Castel, being poor in the modern context means not only the absence of economic resources and the lack of work but also the situation of disaffiliation, of social marginalization. In other words, it means to be kept out of society (Donzelot, 1991; Castel, 1995). It is because of this multidimensional approach that the fight against poverty is in need of, according to Italian sociologist Chiara Saraceno, not only more or less generous subsidies, but also the implementation of rights and social mechanisms in favor of insertion (Saraceno, 2002).

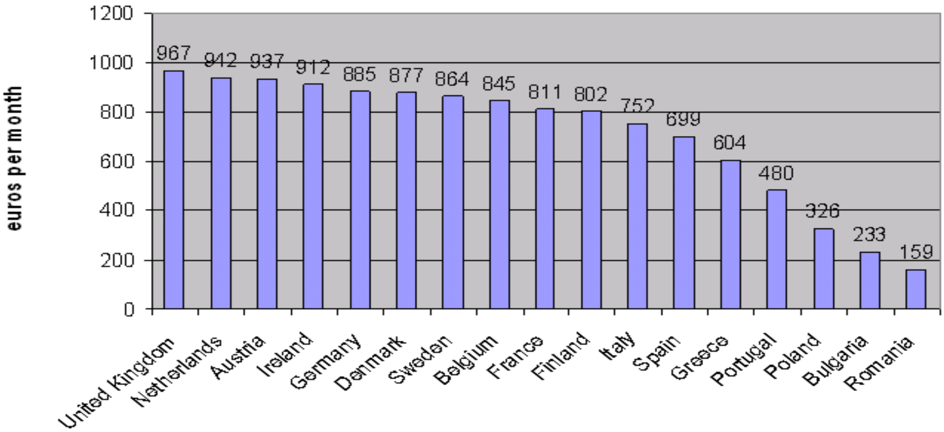
If unemployment remains one of the main causes of poverty, employment alone does not represent a sufficient means to get out of poverty. There is a risk that remains relatively high, even for those who have a professional activity. Poverty among workers is the product of the combination of meager remunerations, lower wages for women, feeble competency intensified by the inability to access professional training, and the lack of job security. Those who have no qualifications adapted to the job market face even more difficulties entering into the market or having a decent job and are thus doomed to long periods of unemployment or poorly remunerated jobs.

As for the estimation of poverty, data published by the Observatoire Européen des Inégalités, in English, the European Observer on Inequalities, tell us that in 2008, 80 million citizens of the European Union, which represents 17% of the total population, disposed of less than 60% of the average revenue of their respective countries. Even though this rate surpasses the threshold of 10% in every country, there exists a gap between the North and the South and especially between the former members of the European Union and the new entries. The Nordic countries, Austria and the Netherlands are the member states where the poverty rate is the lowest with only between 11 and 12% poor. France comes just behind them with 13%. The highest poverty rates are found in Eastern Europe, in Romania and Bulgaria with 23 and 21% poor, respectively. However, many of the large European countries such as the United Kingdom, Italy, Spain or even Greece do not fair much better, with a poverty rate of around 20%[7].

[7] For data concerning poverty thresholds in Europe, we consulted the *Observatoire des Inégalités* from the 26th and 28th of January 2010: www.inégalités.fr. For a comparison by country and by inequality indicators, see the Comparatif Social Européen,

Nevertheless, one must analyze this data with caution because the poverty threshold varies according to each the country and the living standards of each Member State. The United Kingdom declared 19% poor in 2008, but the threshold of monthly revenues defining poverty was €976 in Great Britain, compared to €811 in France or €752 in Italy. The difference was even greater with Bulgaria and Romania where the threshold was at €233 and €153 respectively. The poor of the countries coming out of the former Eastern Bloc are, therefore, much poorer than those of Western Europe.

Graph 1. Poverty line in 2008



Source: Eurostat

In the European Union, those who are most exposed to the risk of poverty are the youngest (20%) and the oldest (19%) populations. In 2008, this risk was the highest for children under 18 years of age in 20 of the 27 member states. However, it was higher in certain Eastern countries such as Romania (33%), Bulgaria (26%), and Latvia (25%), accompanied by Italy, Greece, Spain, Portugal, and Great Britain. The Northern European countries, which devote more effort to the insertion of young people in the working world, have, consequently, lower poverty rates: thus only 9% of young Danish are classed as poor. France finds itself in a median situation with 17% of persons under 18 years of age living under the poverty line.

For those who are over 65, the highest poverty rates have been recorded in Latvia (51%), Cyprus (49%), Estonia (39%), Bulgaria (34%), and Great Britain

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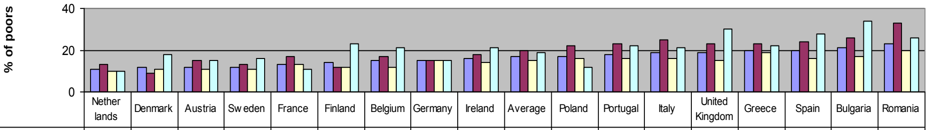
www.eurocompar.eu. To measure European poverty, one unique threshold is not used in each country but a threshold by country, calculated according to the average revenue. Most often the threshold of 60% average revenue is used.

(30%). France was the best-ranked country with 11% of its population of 65 years of age or older living under the poverty line.

Graph 2 : poverty rate in 2008 according to age category

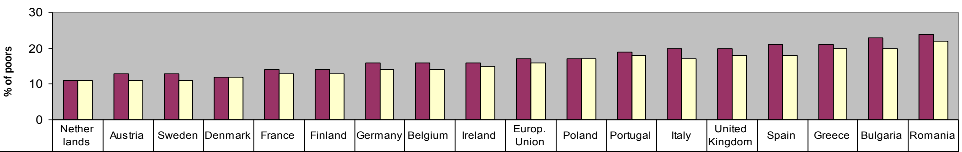


	Nether lands	Denmark	Austria	Sweden	France	Finland	Belgium	Germany	Ireland	Average	Poland	Portugal	Italy	United Kingdom	Greece	Spain	Bulgaria	Romania
all categories	11	12	12	12	13	14	15	15	16	17	17	18	19	19	20	20	21	23
18 years and less	13	9	15	13	17	12	17	15	18	20	22	23	25	23	23	24	26	33
between 18 and 64 years	10	11	11	11	13	12	12	15	14	15	16	16	16	15	19	16	17	20
more than 64 years	10	18	15	16	11	23	21	15	21	19	12	22	21	30	22	28	34	26

Source: Eurostat

Poverty strikes women more often than it does men. In 2008, in the entire European Union, 17% of women were classified as poor whereas only 16% of men were under the poverty line. While the difference is small in northern Europe, it widens in the South: thus Bulgarian, Spanish and Italian women are poorer than the men of those countries by three points. Women live in greater poverty in member states where the social infrastructures, social statuses, and working conditions remain globally quite unfavorable for them.

Graph 3 : poverty rate in 2008 according to sex

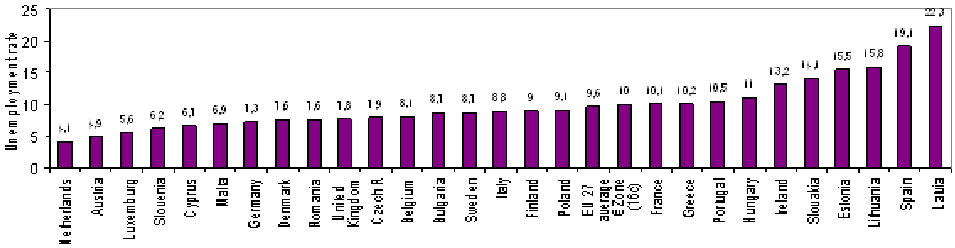


	Nether lands	Austria	Sweden	Denmark	France	Finland	Germany	Belgium	Ireland	Europ. Union	Poland	Portugal	Italy	United Kingdom	Spain	Greece	Bulgaria	Romania
Women	11	13	13	12	14	14	16	16	16	17	17	19	20	20	21	21	23	24
Men	11	11	11	12	13	13	14	14	15	16	17	18	17	18	18	20	20	22

Source: Eurostat

Economic crises and weak GDP progression in the EU of 27 have caused the unemployment rate to rise. While the unemployment rate has undoubtedly stabilized in 2010 at around 9.6%, it means all the same, according to Eurostat's estimations, about 23.13 million men and women who are searching for work; in other words, 9.6% of the total EU population (Eurostat, 2010). Differences between countries are vast; the unemployment rate varies from 4.1% in the Netherlands to 19.1% in Spain. Even more troubling, the unemployment rate of persons under 25 years of age reaches 20.6% in the EU, with the most staggering levels being in Latvia (44.9%), Spain (41.2%), France (39%), and Italy (29%). The lowest unemployment rate was noted in the Netherlands (7.4%).

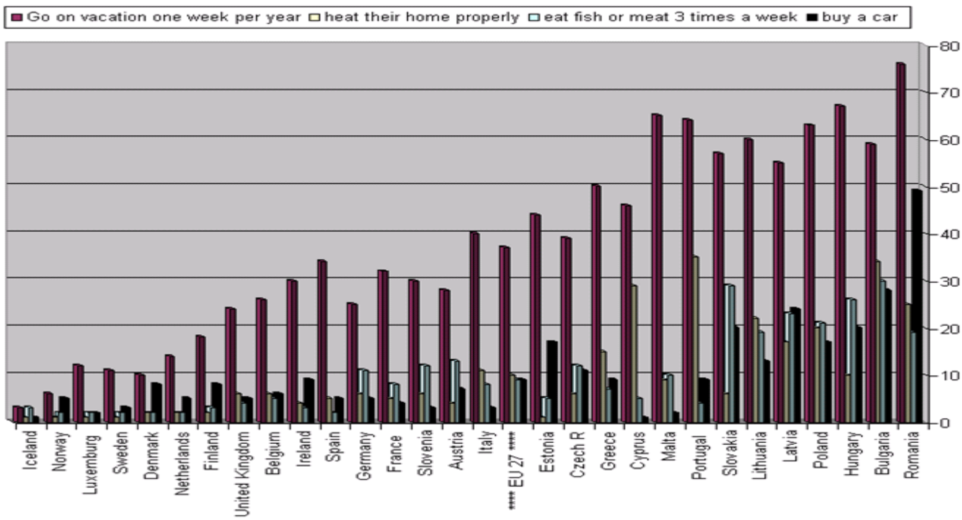
Graph 4. Unemployment rate in 2010



Source: Eurostat

In order to draw up a larger table on social exclusion in the EU of 27, it is possible to take into account the rate of material deprivation. This rate is defined by the unwanted absence of at least four elements of everyday life:

Graph 5. Material deprivation - percentage of people who cannot in 2008



Source: Eurostat

The poverty level rises when one includes those who do not have stable employment, who have no job security, or work part-time although they would rather be at full-time. Fixed-term contracts, which represent at least 15% of the total amount of contracts of employment, propose social protection and remuneration inferior to those guaranteed by workers who have permanent contracts (ETUC, 2009). “Having created a model of society where job positions are less and less secure, where people must assume the risks ever more individually, where security systems are weakened, all these drag people into poverty." This was said by Fintan Farrel, the director of the NGO European Anti-Poverty Network (EAPN, 2010; Euronote, 2010).

An interesting survey directed by Euro-barometer in 2009 on Poverty and Exclusion in Europe indicates that nationals from the twenty-seven European countries have a very clear idea of what poverty and social exclusion are. They attribute the responsibility for these phenomena to glaring social inequalities experienced in everyday life: at school, at work, in health care, in the access to goods and services of general interest. The economic crisis was only a secondary reason (EC, 2009)[8].

The survey revealed that 73% of those interviewed consider poverty a phenomenon present in their own country and that 84% believe that it has spread in the course of the last three years. Yet, the most interesting thing, in our perspective, lies in the causes. Those interviewed explain poverty as a result of both economic and social reasons. 49% believe that people are poor because their revenues are too small to live on. 66% believe that poverty comes from the small amount of welfare and pensions, from health care deficiency, and from inadequate housing. Meanwhile, for more than half of the Danish, German or Dutch population, the lack of education, training, and competency are cited as the causes of poverty. For 56% of Europeans, the unemployed are those most exposed to poverty, followed at 41% by people with low levels of education and training and at 31% by those whose jobs are insecure. 89% of those interviewed consider that the fight against poverty must begin at the national government policy level, whereas 74% believe in the European Union's role. If three quarters of Europeans call upon European intervention, it is valid to explore what concrete actions the EU must take in order to reduce poverty and exclusion.

3. What strategy should be adopted to fight poverty? European politicians in face of propositions from the European Trade Union Confederation

The constant increase of poverty and social exclusion has for a long time troubled the European Union. The institutional debate has a long history. Ever since 1992, a European recommendation invited the member states to guarantee their inhabitants the minimum of resources as much financial as educational, health, and housing[9]. Since then, it has produced an impressive amount of documents, been the subject of meetings, congresses, numerous parliamentary debates, written resolutions, recommendations; created the Observatoire

[8] The survey samples vary in accordance with the countries: between 500 and 1000 people for a total of 26,700 people interviewed: www.2010againstpoverty.euww.2010 againstpoverty.eu.

[9] Recommendations from the Council from June 24, 1992 defining common criteria as regards sufficient social resources and social security benefits, the *Official Journal of the European Union* n. L 245 from 26/08/1992 p. 0046 – 0048.

Européen des Inégalité, and has fixed ambitious objectives[10]. However, it is clear that the institutions have not taken on any concrete action, any initiative destined to counteract the phenomenon. If their interest in poverty was intense and unquestionably authentic, this interest is only realized in the form of rhetoric and theoretical engagement.

The question of reducing poverty in Europe did, however, gain a bit of visibility and occupied a significant place in 2000 at the Lisbon Summit. In the official documents, there are symptomatic declarations opening to new perspectives that fix firm and precise objectives. "Facing globalization," reads one of the Council of Europe's conclusions, "the Union has fixed a new strategic objective for itself for the next ten years: to become the most competitive and dynamic economy in the world, capable of sustainable economic growth, accompanied by quantitative and qualitative improvement of employment, and the greatest social cohesiveness."

A bit further in the same document it reads: "It is inacceptable that, in the EU, so many people live under the poverty line and are hit by social exclusion. It is necessary to take measures in order to give a decisive boost to the elimination of poverty by fixing appropriate objectives which must be approved by the Council by the end of the year 2000"[11].

The construction of a more inclusive, more united, less poor European Union became, because of this, a fundamental element of the Lisbon Strategy. These declarations were accompanied by very concrete initiatives: to reach a global employment rate of 70% and annual economic growth at about 3% by 2010[12]. Moreover, the Lisbon Summit reaffirmed that the European social model, with its highly developed protection systems, had to underlie these objectives. To do so, they asked the Member States' governments and the European Commission to launch strong policies.

Ten years later, it is obvious that the ambitious objectives of the Lisbon Strategy still have not been attained. The various actors do not consider the running down of the economy to be solely responsible for this failure. Job loss and the loss of buying power as well as cuts in public spending concerning education, youth, and health have certainly had an impact on poverty and exclusion, but part of the responsibility lies within, as the report Social Situation in the European Union indicates, the absence of restrictive measures vis-à-vis

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[10] A reminder of the most important measures adopted by Parliament and by the European Council is noted in the foreword of the October 22nd 2008 Decision concerning the 2010 European Year Against Poverty and Social Exclusion, the *Official Journal of the European Union*, L 298/20, 7.11.2008.

[11] Conclusions from the European Council Presidency in Lisbon 23-24 March 2000, articles 5 and 32. Full text available at http://discours.vie-publique.fr/notices/002000058.html.

[12] Conclusions from the European Council Presidency in Lisbon, art. 30, op. cit.

the member states, the other part within the inexistence of not only a preventive policy on poverty but also of active policies concerning the fight against exclusion (EC, 2010a).

For these same actors, and, first of all, for the European Trade Union Confederation (ETUC), several European Union governments interpreted the absence of a controlling EU policy as a sort of carte blanche, permitting the installation of neoliberal policies allowing the deregulation of the market, job flexibility, and decline of social security, following the model of minimal protection of the United States (ETUC, 2006).

Facing a persistent economic crisis and the phenomenon of globalization that has yet to reveal all of its social impacts, the European Commission has re-launched the debate on poverty through two initiatives presented as beacon actions. The Commission declared that 2010 would be the European Year against Poverty and Social Exclusion and reintroduced the subject as one of the priorities of its new growth strategy, Europe 2020.

To summarize the positions of the Commission, it proposes to the Member States to come out of the crisis and poverty by promoting an economy with a high employment rate based on the promotion of knowledge, innovation, education, and training; growth must profit everyone through the placement of measures favoring social and territorial cohesiveness. The Commission fixed the same objectives that are mentioned in the Lisbon Strategy, but took them to another level: reducing by 20 million the number of persons threatened by poverty, allowing 75% of the population aged 20 to 64 to have employment, and investing 3% of the total GDP in Research and Development.

In order to improve youth employability in all 27 European Union countries, the Commission recommends a system of employment offered at the European level and it invites the member states to put in place certain measures responding to particular groups that are at risk of poverty. The principal is to reduce their distress and favor their integration by means of innovative initiatives for education, training, and employment. Accordingly, the creation of "green" jobs for sustainable development constitutes one of the Commission's privileged sectors. One of the main directives is to encourage member states to completely mobilize their social security systems in order to guarantee a supplement to income and access to adequate health care, all these while engaging the states to evaluate the pertinence and the viability of their social security systems[13].

The Commission expects to reach such results thanks to public-private partnerships, a much bigger implication of local and regional authorities, social partners, social security systems, and thanks to civil society. To stimulate private and public actors into adopting concrete measures, the European Commission

[13] For a more in-depth view of these strategies, see EC, 2010b; Pessina, 2010.

proposes within the framework of their Europe 2020 platform to bring its targeted support by way of Structural Funds, notably from the European Social Fund (ESF).

The Commission equally attaches high importance to the changing of methods. In the place of the exchange of good practices, it expects to reinforce collaboration between the European Commission, the European Parliament, and national institutions with the aim of promoting innovative measures permitting the poor and the excluded to live in dignity and participate actively in society. These measures have been implemented to put fundamental rights back in the hands of these populations (EC, 2010b).

Under this principle, the return to the theme of poverty in the European political agenda in terms foreseen by the two programs (in the short-term of the year 2010 and in the long term 2020) is perfectly consensual and widely shared. But its implementation has aroused, even today, a perplexity manifested by certain social agents and informed observers. Indeed, these programs eclipse several key points:

- The connection between the recognition of social rights and the welfare state crisis;
- The tendency to reduce margins of action and of the public sector's role in the existing neoliberal context;
- A current EU budget that does not permit taking on the challenges of this new strategy;
- The antagonism between precarious employment and poverty reduction; there cannot be a diminution of poverty while new jobs do not offer enough security and remuneration;
- Finally, the lack of restricting rules for the Member States; the new platform against poverty does not foresee any sanctions, positive or negative, regarding the member states and even less the subordination of European finances as an obligation for results[14].

A resolution adopted by the European Parliament March 10, 2010 with 462 votes in favor, 140 votes against, and 58 abstentions, indicates a range of constraints to enforce: European Union finances would be subordinate to obligatory results; sanctions would be implemented against the member states that do not execute the Europe 2020 strategy; and, finally, incentives for member states implementing it.

[14] Parts of these criticisms were propounded by European parliament members during a debate march 10, 2010. In the resolution voted that same day, the Parliament insisted on the deployment of European finances on the grounds of concrete results and an inversion of trend towards poverty. See the article *Critiques sévères du Parlement européen à l'égard de la stratégie Europe 2020*, published March 10, 2010, to better know your rights in Europe, www.Eu-Logos.org.

Amongst the actors who believe that these actions constitute a Prevert list insufficient to face the crisis and the effects of globalization, is the European Trade Union Confederation. The ETUC was one of the social agents who had warmly welcomed the objectives against poverty and exclusion foreseen by the Lisbon Strategy. It had shared and supported the project of a Europe both competitive and respective of its social model and of a Europe with creative employment and vigilant about its quality. Today, the ETUC is amongst those disappointed by European inaction and it does not stop manifesting its frustration and its concern regarding the removal of the anti-exclusion constituent of the Lisbon Strategy and the rapid progression of the job market's flexibility, of competition, and of outsourcing. For the ETUC, the combined action of the two contrary elements translates to a rapid growth of inequalities, increase in precarious employment, and sustained pressure for a reduction in welfare. According to the ETUC, it is necessary to act simultaneously on three levels to eradicate poverty:

- To curb the neoliberal politics led by the member states and supported by the European Commission,
- To coordinate the social measures of the states,
- To put in place a just European fiscal policy and start a real cooperation between member states[15].

Following the example of the bank system's allocated aids, this organization advocates the implementation of a Social New Deal including several sections. The ETUC clearly demands that the European Council and the European Commission to come up with a European investment plan for the next several years funded by a GDP of 1% in order to favor jobs that are more stable, more protected, and more numerous. Job stability constitutes another pillar of the New deal; it invokes the definition of a common protocol between the states, anticipating notably a massive investment on 3 axes:

1. The reinforcement of welfare plans benefiting the unemployed and the excluded;
2. The introduction of aids favoring youth;
3. Positive politics for the job market such as life-long training and shorter work systems, as long as they are matched with decent income.

All these cause, of course, a steep rise in European welfare spending. The crucial question is to know how to create jobs, to guarantee decent work, and to maintain social security protection in Europe during a period of deficit

[15] These positions were defended at several reprises by the Secretary General of the ETUC, John Monks. See especially the following articles: "The social and economic crisis: positions and actions taken by the ETUC", 19 February 2009; "Symposium: new world, new capitalism", 7 January 2010, in *The Voice of European Workers*, *The European Trade Union Confederation*, site cited.

reduction. For this organization, the keystone of the fight against poverty is, without question, job creation in the sectors of sustainable energy, clean technology, energy saving, clean transportation infrastructures, and health care for an aging population.

Protecting families' buying power and a lower interest rate supported by the European Central Bank would complete the program. To reach this goal, it will be necessary to overcome the ECB's known hesitation to using this instrument, given the risks of inflation.

Monetary decisions have too much influence in the social realm to be left to the central banks alone. The ETUC has therefore asked for the creation of an Advisory Council of European Social Partners associated with the European Central Bank.

The ETUC notes that it is possible to promote employment and to reduce insecurity by transferring a part of taxation on employment towards capital. More decisively, the ETUC demands the elaboration of a new industrial strategy and a change of paradigm. Welfare should no longer be considered as expenditure but as a motor for development. The tax system on businesses should finance this European welfare model. Yet, the global tax rate for businesses in the European Union is in a constant decrease: the average has gone from 46% in 1980 to 40% in 1990 and to 32% in 2003. This decrease has been pursued with the aim, among others, to attract as much foreign investment as possible. Ireland constitutes the perfect example with business taxation at 12%. Several governments insist on following this direction. This decrease in fiscal resources leads to tightening of social benefits. According to the ETUC, European taxation must be harmonized on the basis of "fair" taxation, which would preserve the European social model and avoid fiscal competition between counties[16].

In the context of free circulation of capital and deregulation of financial markets, the member states kept competing with each other to lower the tax rates and salaries, to improve employment laws, and to increase employment flexibility. The ETUC considers that by engaging in this kind of competition, Europe "deprives itself of demand, of commercial opportunities, and is running into social and economic disaster."

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[16] For the propositions from the ETUC, see, amongst numerous articles: Fighting the crisis, 27 May, 2009; Declaration of the ETUC on 2010: European Year against Poverty and Social Exclusion, 10 December 2009; The social and economic crisis: positions and actions taken by the ETUC, 19 February 2009; Together, let's fight poverty, 21 January 2010; EU 2020. A first set of commentary by the ETUC, 24 November 2009; Declaration of the ETUC on 2010: European Year Against Poverty and Social Exclusion, 10 December, 2009, The Voice of European Workers, European Trade Union Confederation (ETUC), site cited.

This fiscal spiral represents another threat to the social dimension of Europe as well as to its cohesiveness and unity. The Lincolnshire strikes in 2009 for the attribution of British jobs to Anglo-Saxon workers revealed the risk of the resurgence of nationalism in the workforce facing a rise in unemployment and in social dumping. Withdrawal and protectionist pressure may develop another risk: that of growing hostility towards immigrants from outside of Europe. In order to preserve the free circulation of the internal workforce all the while avoiding nationalist reactions, Europe must establish limits to the fall in taxation. In conclusion, for the ETUC, the response to poverty can only come from a change in economic policies: it is necessary to abandon the neoliberal model and to reinforce social cohesiveness in order to build a fairer and stronger European society through social rights. They advocate a Europe governed by common laws in the domains of welfare, work, and taxation and endowed with a unique plan for industrial development and growth. For this, the ETUC invokes a EU with "a strong director's role" that can depend on "real cooperation between states." The trade union advocates a EU that guides and restricts Member States in regulating the financial sector, in supporting investments in research, innovation, sustainable employment, and in the search for balance between social rights and the free market[17]. So that these hopes can turn into reality, it would be necessary for the states to succeed in putting a curb on national selfishness and on their rivalries, especially those concerning fiscal matters. They must also accept a drastic reduction in their national sovereignty to contrive a new European model of growth.

These positions are widely shared by other sections of civil society, such as the European Economic and Social Committee and the European Anti-Poverty Network[18]. Social inequalities, poverty, and uneasiness have taken such great importance in the European zone that reducing them calls for, at the communitarian level, restrictive measures aimed at slowing down the drift of globalization or, to use Kenneth Jowitt's expression, of "new global disorder." Europe must contribute to the reconstruction of a new world order by stopping deregulation, liberalization, and excessive financial, production, and work flexibility. In other words, the European Union must put the economy back into the hands of politicians. Europe is the only zone that can take economic power away from "anonymous forces that operate on the vast no man's land," to use the words of Von Wright, and to place them in the control of the European states (Von Wright, 1997, p. 49-52). Today, economic power eludes all the nation-

[17] For details see Basis of remarks to the College of the Commission, given by European Trade Union Confederation (ETUC) General Secretary John Monks on 25 February 2009: http://www.etuc.org/ IMG/pdf_Remarks_College_Commission_20090225.pdf.

[18] The European Social and Economic Committee has led its combat against poverty and exclusion since the 1990s and is installed in all European Union countries.

states of Europe; as René Passet sees it, the proof lies in the impossibility that "today, no European state can resist speculative pressure of world markets and their punitive operations more than a few days" (Passet, 1997).

Without lapsing into doom watch, the lack of European action risks transforming its member states into "aligned states", as Z. Bauman (1998, p. 132) would say, which are mere enforcers of the rules imposed by the world market; weak states that have for their main mission to balance public accounts and to guarantee security as to not compromise investors' trust. And thus, globalization does not only represent the end of geography now, as was invoked by Paul Virilio, but also the end of history according to Francis Fukuyama's thesis (Virilion, 1997, p. 17; Fukuyama, 1992).

4. A macroeconomic context marked by severe economic divergence in the Euro zone

The prosperity and well-being of the European Union population are yet still in danger from the influence of crises generated by the debt of national economies and by chaotic drifts of a poorly regulated world economy. In face of new challenges, global governance is still empty words. As has been proven in all the "grand summits" from the G8 to the G20, the only solution lies in the rejuvenation of the federalist project[19], in the realization of a European State capable of uniting all of the continent's active forces. Although this process only engages a small number of European peoples at first, it must join together with government logics that privilege the interests of those peoples. Otherwise, there is reason to fear for prosperity and democracy in Europe.

By excessively indebting itself and by accepting the logic of the global market (that is to say, by renouncing the communitarian preference) that cuts commercial deficits, with a few rare exceptions, and that deconstructs employment, the European Union States encounter extreme difficulties[20]. Such difficulties could just as possibly lead to a major crisis as the aging of populations may alter their economic capacity: weakness in national demand, increase in spending and social responsibilities, lack of dynamism in investment and innovation. All of these elements make it that growth has little chance to be significant in the decades to come (in any case, at a level adequately high enough to respond to all needs of public goods).

[19] Project to which the principal Member States of the EU and of the Euro zone are still not adherent.

[20] In matter of exterior commercial imbalances, one must also note the importance of German surplus attained in exchanges with European partners in its normal trade zone.

4.1. Twin deficits and the employment problem

What is the particular international economic context that most confronts the European Union? As for relations with third-world countries: the European Union runs into major challenges unseen since 1957, the birth date of the Rome treaty and the European Economic Community of six. The most important challenge is that posed by the future of its means of production (agricultural and industrial products, services) which is extremely restricted by the globalization of activities and the major role of the American dollar and the dollar's strong volatile fluctuations downward (even though it is the most common currency used in international trade). Moreover, international trade agreements must respect from now on the MFN principle (WTO requirement). Under these conditions, the free trade zones and the customs union no longer correspond with any real regional preference or with any degree of real trade integration. Therefore, before the Euro came into force starting on January 1st, 1999, the European Union had lost its characteristic as a customs union, or even as a single market compared to the markets of other third-world countries. With an average TEC at 3% and an exchange rate with a diminishing dollar that fluctuates between \$1.10 and \$1.50 for €1, the reality of the customs union is determined by the fate and the economy of European States. Nevertheless, with the creation of the Euro zone, Europe reunited with a more detailed process of economic integration. Contrary to Germany's wishes, the monetary union was largely opened and today, it regroups countries that are not very similar in matters of economic structures, the criteria of the Maastricht treaty not permitting sufficient confluence (weakness of nominal confluence exclusively centered directly or indirectly on the concern of inflation).

An exterior restriction is added to this internal restriction to the European Union and the Euro zone. Regarding this restriction, two opposing theses exist on the effects of the consolidation of economic integration: that of the endogeneity of economic integration by J.A. Frankel and A.K. Rose (the single currency stimulates inter-branch trade by synchronizing cycles) and that of economic divergence by P.R. Krugman (the single currency stimulates inter-branch trade by desynchronizing cycles).

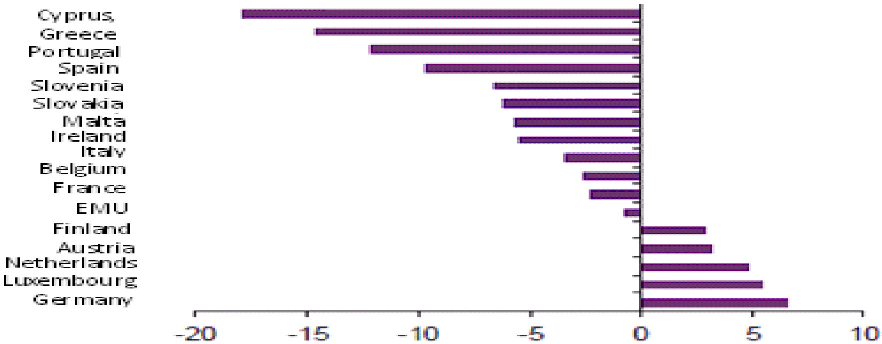
Empirical tests show that Europe functions at several productive speeds because the vertical intra-branch exchange is predominant in intra-communitarian trade between the most developed countries in the Euro zone (the economic divergence theory thus appears to be the most pertinent). Overall, more economic integration is consolidated; more divergence rises and threatens the balance of the regional integration zone because the gains of economic integration are unequally split in the European territory and between socio-professional classes.

The majority of economists and public decision-makers do not indicate any short term – long term economic prospects for the European Union. This goes especially for the Euro zone, which takes into account simultaneously the globalization of production systems and trade, international financialization and its formidable dysfunction. It also takes into account the need for new, maintainable growth, which responds to ecological restrictions. That being said, it is necessary and urgent to advance the reflection and the propositions on this matter because of the intensity of the current economic crisis in Europe. The intra-European economic difference is growing between member states of the Euro zone with a deficit of public finances and a positive balance of current transactions and the other Member States, in critical condition, are concerned by both twin deficits of public accounts and trade with third-world countries. The statistics are clear: concerning public deficits, those of the Euro zone and of the European Union of 27, reached 6.3% and 6.8% of the GDP, respectively, in 2009 (and public debt 78.7% and 73.6%, respectively). However, the essential element is in the difference among the Member States of the Euro zone. In 2009, the highest public deficits, in comparison to the GDP, were observed in Ireland (-14.3%), Greece (-13.6%), Spain (-11.2%), Portugal (9.4%), and France (-7.5%). No Member State declared a public surplus in 2009. The smallest deficits in the European Union were found in Sweden (-0.5%), Luxembourg (-0.7%) and Estonia (-1.7%). In total, twenty-five member states recorded a deterioration of their public balance, stated as a percentage of the GDP in 2009 compared to the percentage in 2008, and two (Estonia and Malta) recorded an improvement. At the end of 2009, the lowest levels of public debt compared to the GDP were recorded in Estonia (7.2%), in Luxembourg (14.5%), in Bulgaria (14.8%), in Romania (23.7%), in Lithuania (29%), and in the Czech Republic (35.4%). Twelve Member States declared a public debt ratio superior to 60% of the GDP in 2009: Italy (115.8%), Greece (115.1%), Belgium (96.7%), Hungary (78.3%), France (77.6%), Portugal (76.8%), Germany (73.2%), Malta (69.1%), Great Britain (68.1%), Austria (66.5%), Ireland (64.0%), and the Netherlands (60.9%).

To sum up, the debt measures which the majority of European States have followed throughout the course of the last decades in order to finance social demand, and now, the loans that the States signed to help the banks and the financial system with, have considerably worsened the Member States' public debts. Not to mention the United States, where the situation is even worse, public debts in Europe rose by an average of 14.5 GDP points from 2009 to 2010. The public debt represents 80% of the GDP in the European Union; a rate which is approximately that of a country such as France (77%), but which can be considerably exceeded. This is the case in Greece (135% of the GDP), which was the latest victim of speculators, and in Great Britain (100%), a country that cannot count on the support of the Euro zone. This troubling situation limits the margin of European governments' economic maneuvering. At the end of 2009, France was 1489 billion Euros in debt, or more than 4.5 times the total number of its tax revenues that year.

Concerning the balance of current transactions, graph 5 (below) shows clearly that only 5 Euro zone countries have the capacity of financing foreign investments, meaning good insertion in the international division of labor. This is especially true of Germany, whose international specialization has been remarkable since the second industrial revolution, but who has also been practicing for the last several years, with the agreement of unions, real deflation of salaries in order to safeguard jobs. Note also that an essential part of the current positive balance is attained by these countries right within the European Union (natural trade zone).

Graph 6. Current balance of euro area countries in 2008 (% of GDP)



Source: Eurostat

The Euro zone countries that record twin deficits in their public finances and current transactions are, thus, in great difficulty today, even if they are not yet aware of the crisis situation. Current public deficits may be reduced by an internal adjustment based on a rise in taxation (with a small risk of increased tax evasion) and a rationalization of public spending. They may also be reduced by the return of stronger economic growth (which must be, in principle, more sustainable because more ecological). The growth must also be supported by exterior factors and would depend on the future spot occupied by the countries in the new IDL. Accordingly, a competition-structure problem is posed in Greece, Spain, Portugal, but also in France, and so on; i.e. all the Euro zone countries characterized by a current balance repeatedly unfavorable (the seriousness of this problem was worsened by globalization). Despite all of this, the European Union in its ensemble remains the first global export zone before China, whose role in international trade is in full expansion.

In the future, the public indebtedness of the states will lead them to borrow in financial markets. This may cause tension on interest rates and a risk of an ousting effect of the private sector that buys resources to finance its investments. Business investments can thus be gravely affected at a time when current balance deficits of several Euro zone countries require new and increased efforts in research and innovation to restructure a production apparatus that creates a sufficient amount of jobs. The consequence of this situation may be the considerably weakened economic growth of Europe that would lead to limited job creation and would further impoverish the European population.

Globalization, as it is currently without any sufficient economic or political regulations, generates formidable dismantling effects on economies, especially within the European Union where there are social models generally costly in terms of obligatory deductions. Opening borders to free circulation of goods and other considerations, objectives which have been pursued by the WTO and by the European Union, leads to accepting international specialization where the comparative advantages are determined by the weakness of the income rate and/or the welfare system. Consequently, foreign structural deficits appeared within all economies that did not have the means to face free trade at the same time that they arranged a strong currency. Today, these imbalances have no chance of diminishing, except for in two possibilities: the defection from the Euro zone of the hardest hit States (extremely risky scenario) or, as seems to be the chosen path, the adoption of strong austerity that threatens internal demand with severe tightening. This political choice may lead to more social difficulties than its effects would accumulate in the years to come with those created by the deindustrialization (the services not constituting a pool of employment that can substitute industrial employment) and by the aging of populations.

Several scenarios can be envisioned and they can be summarized in two perspectives. The most realistic scenario lies in each country's convictions that European construction is the only response to common challenges. The other, frequently proposed by politicians, economists and so on, announces the end of the Euro zone and has proven to be not quite so realistic. An imbalanced Euro zone at several economic paces is the solution to which the Greek crisis has led us. Indeed, the Greek authorities and Greek elite do not seem to envisage the solution to their country's economic difficulties in leaving the Euro zone. The price to pay should be significant and sustainable; at short to midterm, the reduction of public finance deficits would translate into the increased pauperization of the Greek population, which would contribute to the growth in differences in living standards within the Euro zone. Under these conditions, the reduction of current balance deficits would be a particularly difficult objective to reach for the least similar countries of the Euro zone (even if this zone globally emits a current surplus, as is the case today). But the long term viability of the Euro zone depends on the member states' will to create a supranational economic regulation that covers at the same time their politics and their structural actions in a way that homogenizes even more the European productive tissue (difficult objective to achieve) or by fault, compensating for the difference in living standards between the different Euro zone territories (existence of diverging views between states on the necessary solidarity efforts).

The risk of institutional tort of the Euro zone is a scenario which is often foreseen but is highly unlikely because it is less rational than it seems. It is an alternative based on the return to a national currency and a national exchange policy for countries having difficulties of real confluence. It would permit for a small amount of recovery of internal markets but the risk of a loss in foreign buying power is extremely high (depreciation of the national currency's exchange rate) as well as the loss of the advantages of internationalization of economies (innovation transfers, absence of commercial reprisals in the event of recognized protectionism, and so on). It concerns in this case the dangers perceived as dissuasive by Euro zone countries that are now the target of financial market speculation.

4.2. The need for a new economic and social regime

If the risk of the Euro zone implosion seems uncertain, it is clear that its confluence by reducing the divergences implies a change in the economic and social regimes. Europe cannot wait for emerging economies to come up to speed nor maintain austerity policies that are too severe for too long. This economic and social renewal covers several dimensions. Currently, unbridled international financialization is harmful to the general interest of European populations. Speculation all too often causes gains that only go to profit a small minority of economic agents who touch very high revenues. A cap on the financial sphere's development must be put into place for its own good. Furthermore, speculation, when it is not at the root of an economic problem, generally makes imbalances worse. We can give the current example of the financial markets' defiance regarding the Euro zone countries that are experiencing excessive public deficits, possibly accrediting it to the idea of their insolvency. Two plans of actions thus open: better public regulation of market finance, the optimal solution being most likely the nationalization of the bank sector and financial sector of European Union countries; to compensate for public finance deficits, it may be possible to give out public entitlements financed by private household savings (following the Japanese model of debt financing), which would avoid contact with extremely volatile international capital markets and would also avoid suffering the negative effects of rating agencies whose analyses, as we have discovered today, are sometimes not very in-depth and too biased. That being said, this method of adjustment cannot be used in a continual fashion. Those countries living "beyond their means" must make the necessary cuts in spending. Moreover, private savings cannot exist unless it is funded by sufficient and stabilized economic growth that remains unchanged by an unfavorable integration in globalization. And as we have said before, the countries with the greatest public finance difficulties in the Euro zone are also the ones with the most degraded current balances.

Submitting international markets (at the global or regional level) to regulations such as can be observed in the law of competition in the United States (a policy built over time, which has given it its strong cohesiveness) with the entitlement to jurisdiction that uses the entire range of penal sanctions. In this way, in the event of known speculation on a common good such as national currency[21], this would become an offense that would put the actor(s) at risk of monetary fines and/or prison sentences, following the example of sanctions proposed for those failing to comply with the Sherman Act (Gallo et al., 1994) in the United States in matters of competition policy.

In the commercial field, without necessarily putting the notion of community preference back on the agenda (except for agriculture), a change of regime is required. In order to preserve the last European industrial sites (today the import/export ratio of the European Union and China for manufactured goods is one to three), and at the same time, avoid salary deflation caused by the competition of countries with low salaries, outsourcing, and migratory movements that are out of control. This implies the substitution of a pragmatic trade policy, divided into sectors and adapted for partners of the free-exchange, multilateral doctrine.

In fact, it means refocusing the European Union on itself, on its economic interests, and on its social issues in order to create the institution that permits the European peoples to overcome the consequences of partially destabilizing globalization. However, such an objective is only possible in a progressive federalist movement that can cement the improvement of economic integration with strengthened cooperation around a “hard core”, composed of similar and complementary member states on the economic structural plan. This would constitute the first draft of a federal European State. Public regulation of the monetary union of 17 is, indeed, quite insufficient with an internal economic divergence that is growing and that is only absorbable at mid-term between States.

5. Conclusions

Considering the unfavorable link of numerous countries of the Euro zone with globalization, the adaption of their productive supply has become an absolute necessity. The rise in the quality of products or the placement of more innovative products on the market that are recommended for the developed countries of the OECD does not allow for the creation of jobs that equal needs.

[21] Speculation on a common good (the price of a national currency) must be distinguished from arbitration or the legitimate cover of an exchange venture on a real trade operation or on a portfolio of securities.

Moreover, innovation itself is internationalizing and it could eventually be even more monopolized by the current leading countries (in particular the United States, European countries, and Japan).

Consequently, the risk of a complete drift of the countries currently in the most difficult situation in terms of current balances in the Euro zone (Greece, Spain, Portugal, Ireland, and to a certain extent Italy and France), because of their unfavorable introduction in the new IDL, must lead the European Union to construct a new Welfare State. The EU must concern itself more and more with questions of social and territorial cohesiveness so that interregional disparities in Europe do not worsen and so as to not leave the handling of social problems exclusively to member states in the name of subsidiarity. From this perspective, a mixed tool (national/community) could be created with the aim to guarantee minimal coverage of basic needs (MCBN) of nutrition, housing, transportation, and health to people who had been for a long time excluded from activity. Solidarity must be proclaimed on behalf of those excluded from globalization, which will be more numerous in each of the member states. Otherwise, social tensions could become unbearable. This also implies control of migratory patterns in such a way that they do not cause extra social and economic costs. Thus, a strict harmonization of the Schengen agreements is necessary so that unwanted immigration does not complicate the search for a new intra-community social balance in a context of infrequency relative to the demand for labor in Europe.

Lastly, the expansion policy is to be reconsidered because it is not a policy for integration improvement, and it led to a rise in difficulties in the European Union. It concerns essentially countries that are very backward in matters of economic and social development and it must therefore take a break. A pragmatic scenario may consist in using from now on the European Economic Area (EEA) as a proximity and cooperative structure for all countries outlying the European Union (the Balkan States, Turkey, and the Eastern European countries who are not currently members of the European Union). From this perspective, the partnership with Russia must become a real priority because the last historical upheavals and globalization, which arranges itself more and more around the Asian area, created a totally new geostrategic and geo-economic situation (de facto solidarity) for Europe and Russia in relation to the rest of the world. Nothing would be more penalizing for all the continental partners than to see the two groups turn their backs on one another, as they have had quite the tendency to do over the last few years. The convergence of cultures, the evident complementarities of economies (natural resources on one hand, investment opportunities on the other, and so on), synergy of innovation and technology, and the territorial dynamics of a vast area to develop are all good reasons to build together a stable and thriving unity, based on energy security and sheltered from any unrest of the surrounding world.

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