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The EU's socio-economic model(s) and the crisi(e)s – any perspectives?

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The EU's socio-economic model(s) and the crisi(e)s – any perspectives?

*Dagmar Schiek**

1. Introduction

This book originates from a conference that took place in parallel to yet another Council meeting on the euro currency crisis.[1] Speakers discussed in how far any EU social and economic model would still offer normative and policy orientation after this crisis would have been overcome. Since then hopes of resolving the EU currency crisis in any near future have been dashed. Accordingly, the question of how EU socio-economic models pursued in the past will fare in an on-going crisis remains current.

It seems not yet possible to present the philosopher's stone in answering this question. However, key issues warranting further discussion can be identified. First, the currency crisis has brought to the forefront of public consciousness the initial asymmetry of the legal and policy framework of the euro, and the recalibration or reform of this framework is certainly one of the key issues. However, the doubts regarding the EU socio-economic model(s) originated long before the common currency and its current crisis. Tensions between, on the one hand, values underlying internal market law and the competitiveness agenda of the Lisbon strategy and, on the other hand, the normative frame of "social Europe" and the agenda of social inclusion constitute unresolved enigmas, stemming from the original Treaties. Since the EU's competences (and Member States' political will) to resolve these tensions at EU level are limited, they are frequently felt at national level. For any realistic opportunity to overcome the resulting danger of re-nationalisation of politics and law, the role of civil society (including the two sides of industry, often referred to as "social partners" in the EU jargon) emerges as another key issue. And finally, the EU's global aspirations as well as the expectations raised by it around the globe should be another key factor in making it socio-economic model viable.

The chapters assembled in this collection offer two perspectives on each of these four key issues, while this initial chapter offers a connecting narrative for those chapters.

Its second section discusses the notion of the EU socio-economic model, since what has been debated as EU social model was always inextricably linked to economic policy. The section argues that such a socio-economic model constitutes a programmatic vision common to the EU and its Member States in spite of the diversity of its concretisations at national levels. This vision has always been underpinned by values expressed in the EU Treaties, a normative base that has been strengthened through successive Treaty reforms, and particularly by the Treaty of Lisbon.

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[1] The Council on 9 December 2011 first endorsed what later became the Treaty on Stability, Growth and Governance. For an overview of the Treaty see (Craig, 2012).

The third section considers how the EU can fulfil its normative commitment to a socio-economic model that does not, in fact, prioritise the economic side of things. Uncovering a confusing mix of socio-economic governance, it concludes that hard law and resulting judicial governance and so called “new governance” through targets that are not legally binding do not necessarily differ in efficiency. However, hard law, legislative competences and “new governance” instruments tend to be more efficient in contributing to the economic aspects of the EU socio-economic model than in relation to the social ones.

Unsurprisingly, the viability of the EU socio-economic model has always been questioned,[2] and recently representatives of EU institutions have denounced the European social model dead.[3] The fourth section discusses the question whether it can survive, relating to the wider academic debate and specifying what the subsequent chapters contribute to answering it.

2. The EU’s socio-economic model and its normative base

While much debate still stresses the “European Social Model”, it should be intuitively plausible that there can never ever be a merely social (or a merely economic) model for any polity. Accordingly, the EU institutions (Presidency Council, 2012:1) and voices in literature (Barysh, 2006) have taken to using the term “EU economic model” as well. Since the economy is part of society as much as a society without any economic base is unthinkable, economic and social aspects are always inextricably linked. It thus seems more adequate to develop an EU’s socio-economic model instead of either a merely social or a merely economic one. This section sets out to do just that.

a) Unity in Diversity –a common core of national models

First of all, diversity is one of the key characteristics of any EU socio-economic model: with 28 Member States the EU is now[4] too diverse to allow any single socio-economic model to be established.

As regards the “European Social Model”, many follow Esping Andersen (1990; 1999) in distinguishing clusters of national social models. [5] In very rough outline, the liberal model (comprising Ireland and the UK) is based on individualisation of risks such as illness, old age, unemployment and parenthood through means tested benefits, market based solutions and a weak public sector as well as adversarial and decentralised industrial relations, while being neutral towards the role of the family. The Nordic model (comprising the Scandinavian countries) is based on securing the ability to react flexibly to those same risks by universal provision of social services, strong public services, and actively promoting inclusion of mothers into the employment market, which is governed by the cooperation of social

[2] Giddens (2006:15) confidently summarised that “it is agreed by more or less everyone (…) that the ESM [here standing for European Social Model rather than European Stability Mechanism, D.S.] is currently under great strain or even failing”. This was based on much earlier debates in literature (see below, text accompanying footnotes 19-20).

[3] ECB president Draghi stated on 24 February 2012 in an interview with the Wall Street Journal “The European Social Model has already gone”, answering the question: “Do you think Europe will become less of the social model that has defined it?” This quote has been picked up widely in academic writing, e.g. by Barbier (2013); Pochet and Degryse (2013: 114).

[4] The six founding Member States of the EEC arguably were close enough to develop a true European level dimension corresponding to all the elements of the national welfare states (Scharpf, 2002: 646). However, that opportunity has been missed.

[5] For an overview see (Arts & Gelissen, 2010) and subsequent chapters in the same volume.

partners unencumbered by state . The conservative model (comprising countries such as Germany, the Netherlands, Belgium and France) is based on absorbing social risks through contribution-financed social insurance for those in employment, low women's employment rates related to minimal (public) institutions for care of children and the elderly (familialism), cooperative industrial relations with sector-wide collective bargaining and concertation elements. The Mediterranean model (consisting of Italy, Spain, Greece and Portugal, Ferrera, 2010) is based on residual welfare state payments and strong familialism, adversarial industrial relations characterised by competing trade unions according to political affiliations and concertation at the same time, and a relatively weak public sector. Further, the Eastern European welfare states are on the one hand similar to each other in that they followed a path of welfare retrenchment guided by International Financial Institutions, but on the other hand developed in line with models stemming from before the "iron curtain". (Cook, 2010; Dyson and Quaglia, 2012: 196)

As regards European economic models, the classification of different varieties of capitalism (Hall and Soskice, 2001) provides similar categories:[6] The liberal (or Anglo-Saxon) model too is based on minimalist conceptions of the state, supporting competitiveness and decentralised industrial relations. The coordinated model (assembling the welfare capitalisms of the Nordic and the conservative models) is characterised by state interventionism, sector wide or even national level collective bargaining and some degree of concertation as well as the coordination of activities within market sectors, rather than on competitive structures. Mixed market economies contain stronger interventionist elements, while emerging market economies just emerge from other economic constellations. A further model of egalitarian capitalism (Thelen, 2012) divides the Nordic from the conservative model.

Despite all these differences, European national social and economic models converge on a common core: social models share the idea that there is a (possibly minimal) responsibility of societies for the individuals' well-being, which in particular informs policies of transfer payments for periods of loss of (employment-based) income, maintaining institutional social services as well as correcting labour markets through legislation and collective bargaining. (Schiek, 2008: 38) Economic models converge in that economy is also concerned with organising society: regulation of markets to avoid distortion of competition as well as social injustice are common elements alongside provision of some services in the general (economic) interest, including an accessible and efficient justice system. These main commonalities can be appreciated into an EU socio-economic model, (Delors, 2013: 176) which emerges as a competitive market economy with social institutions to mediate between state and market, the promotion of social solidarity and complementarity of state and civil society and social partner activity in economic policy. (Busch et al, 2013) These commonalities are also conjured in recent attempts to find new traction for the EU integration project in the wake of an on-going economic crisis. Promoting welfare and justice are held up by McCormick (2010); and recent critique of the EU's crisis management draws on the hope that Europe could redistribute wealth rather than insist on divisive models of capitalism (Beck, 2013).

b) Programmatic notions

From this common core it is possible to derive programmatic notions, as has been done by the EU institutions first for the European Social Model and more recently for the EU economic model.

[6] For different varieties of categorisations see (Scharpf, 2010: 233; Featherstone et al, 2012).

The term “European social model” first emerged as a programmatic notion in the 1980s: the EU Commission, then headed by Jacques Delors, coined the term as complementing the Internal Market to be revived by the Single European Act (Jepsen & Serrano Pasqual, 2005: 234; Giddens, 2006: 16). The 1994 Commission White Paper on Social Policy contained the first definition, stating that it is a “unique blend of economic well-being, social cohesiveness and high overall quality of life” (European Commission, 1994: 1a). The Lisbon Strategy of 2000 revived the notion with its initial aim of “modernising the European social model (by), investing in people and combating social exclusion” (Lisbon European Council, 2000). Soon the European Social Model mutated into a policy tool focused on good economic performance, a high level of social protection and education and social dialogue (Barcelona European Council, 2002, p.paragraph 22). The Lisbon strategy’s second edition still referred to the European Social Model, albeit mainly in recalling its importance without a clear definition.[7]Its follow up, the Europe 2020 strategy, again proposes a definition, stating “social models (...) mean empowering people through the acquisition of new skills to enable our current and future workforce to adapt to new conditions and potential career shifts, reduce unemployment and raise labour productivity.” (European Commission, 2010: 18)

Similar to the national traditions, the diverse perceptions of the EU Social Model share as a common core a close relation to economic policy. Already Delors’ “European Social Model” was coined as complementing and arguably legitimising the Single Market Programme, which after all aimed at accelerating EU economic integration.[8] Since the launch of the Lisbon Strategy and its successor, Europe 2020, the interrelation between the EU social model and economic competitiveness and growth has become even more pronounced, while synergetic effects of a more dynamic economic development for social progress have been stressed.

Programmatic notions of an EU economic model are of more recent origin. While Europe 2020 still refers to the social model, the EU institutions also refer to the EU economic model in their more recent rhetoric. For example, the Commission assured other EU institutions that “since the onset of the crisis the EU and its Member States have worked to overhaul the EU economic model and restore its competitiveness” (European Commission, 2012a), stressing that growth is an important element of the EU economic model (Presidency Council, 2012: 2). Similarly, Commissioner Lázló Andor conjured the relevance of social enterprises for the development of the EU economic model. (Andor, 2012) Besides being based on growth and innovation, the EU economic model in these documents is also seen as based on competitiveness, as well as the social market economy and social inclusion. Much as the EU social model is linked to economic performance, social aspects are characteristic for the EU economic model as invoked by the EU institutions.

Accordingly, the programmatic visions developed by the institutions again converge towards a socio-economic model, whose main elements can be summarised as enhancing growth, competitiveness, social inclusion and solidarity.

[7] See for example COM (2007) 803 final, whose introduction states “Europe has a unique opportunity to transform itself into a creative, modern innovation-friendly, low-carbon economy, with a dynamic business environment, a highly-skilled work force and high-quality education, underpinned by a strong social model.”

[8] “Economic integration” is used here beyond the confines of monetary and fiscal policy pursued under the TFEU title “Economic and Monetary Union”. The notion comprises integration of product and factor markets as well as a common currency and general economic policy (Schiek, 2012 : 13-15).

c) Normative base

Some of these values have also found their way into the EU Treaties.

The economic model has by far the stronger Treaty base. Economic policy has always been central to the EU's mission. From its inception as the European Economic Community in the 1950s it has pursued the integration of national economies into a common market that is now known as internal market. This was pursued through opening product markets by guaranteeing free movement of goods and services as well as labour markets by guaranteeing free movement of workers.[9] In addition, freedom of establishment enabled self-employed entrepreneurs and companies to freely choose their base of operation within the internal market. At the same time, rules on competition, including a prohibition of state aid, provided a legal framework for the operation of markets unencumbered by anti-competitive agreements and the re-instatement of national markets by business. As is well known, all this is based on directly enforceable Treaty provisions,[10] whose interpretation by an activist Court of Justice has attracted ample criticism for prioritising market integration over other aims of the EU. (Ashiagbor, 2013; Busch et al, 2013; Everson and Joerges, 2012; Scharpf, 2010; Syrpis, 2007) A detailed analysis demonstrates that the Court at times also allows social values to prevail, in particular in its case law on citizenship, but also in some rulings on gambling and taxation. (Schiek, 2012: 148-164, 138-142, summary 210-214) It thus seems justified to consider values such as equality and solidarity as part of the EU economic model as conjured by its Court of Justice. (Devroe and Cleynenbreugel, 2011: 107-10)

The Treaty of Maastricht added to the constitutionalised economic model for the internal the "Economic and Monetary Union (EMU)" (now Articles 119 – 144 TFEU), which consists of a common currency (monetary union) and a coordination of economic policies. This "asymmetrical character" of the EMU is today seen as one of its major design faults (European Commission, 2012b: 4, Verdun in this volume). Despite the absence of legally binding norms the EU economic policy is nevertheless based on "the principle of an open marketing economy with free competition" (Article 120 TFEU) as well as on the model of a "highly competitive social market economy" (Article 3 (2) TEU). Again, we can see that this economic model is connected to social values.

While the Treaty base for any EU social model is weaker, the Treaties have always contained a principled reference to the European social models' value base. From 1957, the Treaties stated that the Common Market should achieve progressive improvement of living and working conditions (then Article 2 EEC). Subsequent Treaty reforms added more elements: the Treaty of Maastricht included social policy, consumer policy, health policy and educational policy among the policies pursued by the EC (Article 3 EC). It also acknowledged that Treaty aims would not be achieved merely by creating a common market and an economic and monetary union, but also by "implementing the common policies or activities" that were referred to in subsequent Treaty articles. This was the normative demise of "embedded liberalism", according to which economic integration at EU level is accompanied, and

[9] For the development of stages of economic integration see Tinsbergen, 1954.

[10] Free movement of goods is guaranteed by Articles 28-37 TFEU, with Article 34 TFEU constituting one of the most frequently invoked provisions. Free movement of workers is guaranteed by Article 45 TFEU, freedom to provide services by Article 56 TFEU and freedom of establishment by Article 49 TFEU. EU competition law comprises the prohibition of cartels (Article 101 TFEU), the prohibition of abuse of a dominant market position (Article 102 TFEU) and of granting state aid (Article 107 TFEU).

indeed enabled by social policy and social constitutionalism at national levels.[11] With the change in Article 3 EC the Treaty makers had admitted that EU level policies for all Treaty aims are indeed essential. From this time, no area in which the EU pursued aims should have been left to national policies entirely. The Treaty of Amsterdam added some competences to legislate in the field of social policy (then Articles 138 EC, now Article 153 TFEU), as well as a high level of employment to the EU's aims (then Article 2 EU) alongside an employment title (now Articles 145-150 TFEU), which provided for coordination of national employment policies instead of EU level regulation.

The Treaty of Lisbon further expanded the EU's values and objectives in the field of social policy. Article 2 TEU complements the traditional values liberty, democracy and respect for human rights by a second sentence according to which these values are common to the Member States in a society in which (among others) solidarity prevails, which has been characterised as given the EU a stronger social orientation (Craig, 2010: 312). Further, Article 3 (3) TEU tasks the EU among others with promoting social justice as well as social cohesion and with combating social exclusion. Furthermore, Article 9 TFEU requires the EU to take promoting employment, social protection and combating social exclusion into account in any of its policies. This horizontal social clause has been the basis for high hopes of enhancing the EU's social profile (Dawson and Witte, 2012; Ferrera, 2012). Taken together with pre-existing provisions, and titles II and III of the Charter of Fundamental Rights of the EU, which contain some explicit social rights,[12] the EU's commitment to social justice and social cohesion has been enhanced, with a new emphasis on solidarity and social justice. (Schiek, 2012: 219-24) This suggests that the EU is under a general obligation to pursue an EU social model, while respecting the Member States' national ones.

Even more importantly, the Treaty of Lisbon connects the economic and social models in a common value base. This is apparent from Article 3 (2) TEU, which combines the internal market with "sustainable development of Europe based on balanced growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, a high level of protection" among others. The social market economy has been criticised as an oxymoron, precisely because it marries the EU social and economic model. (Scharpf, 2010) While this normative step only mirrors the EU's political commitments under the Lisbon strategy to enhance competitiveness of the EU economy among others in order to increase social cohesion and combat poverty and unemployment, the Treaty of Lisbon does nothing to remedy the potential contradictions between these aims. The EU remains a contradictory polity, based on conflicting values, which calls for reconciliation of economic and social aspects of any EU model.

3. EU governance in economic and social policy

If this is the new normative commitment of the EU, the question is whether and in how far the EU is equipped to contribute to realising it by EU level law and policies. TFEU chapters headed "economic policy" and "employment" maintain that the EU merely coordinates the activities of its Member States, leaving the main responsibility for these fields with the Member States. However, the EU claims exclusive competence for competition law and monetary union and shares competences in es-

[11] More detail on embedded liberalism see (Giubboni, 2006: 56-93). Frequently authors defend the view that maintaining embedded liberalism is the only opportunity to maintain any EU social model, see for a recent summary (Ashiagbor, 2013).

[12] For more detail on this see (Schiek, 2012: 102-06).

tablishing the internal market and some issues of social policy with its Member States. This leads to the well-known phenomenon of excessive complexity of EU governance[13] in the fields decisive for its socio-economic model.

Within the EU polity, hierarchical governance modes are prevalent in a variety of forms: directly binding norms in Treaties and secondary law, coupled with the supranationality of EU law as acknowledged by the Court of Justice, lead to the EU specific phenomenon of judicial governance. (Schiek, 2012: 235-37) Harmonisation through directives (Andenas et al, 2011) is the most complex form of governance: while hierarchical in principle, it maintains scope for Member States, sometimes even for social partners, to adapt the implementation to their national practices. "New governance" EU style relies on a wide variety of coordination of politics without any regulatory competence for the EU. Best known under the term "open method of coordination", (Armstrong, 2010; Dawson, 2011) these methods of coordination rely on target definition under involvement of the EU Commission and other institutions as well as private actors, including norm setting agencies.

For proactively realising any social models, the EU can only rely on a limited range of legislative competences. After the Treaty of Lisbon, it can legislate in favour of (social) services of general interest, (Dawson and Witte, 2012: 57-62) some aspects of health protection and (as before) some aspects of employment legislation, including equality and workers' and employers' representation, but excluding wages and industrial warfare. (Craig, 2010: 178-81) This is very little to match the new normative commitments resulting from the new Treaty objectives. (Dawson and Witte, 2012: 54) This lack of policy competences does not prevent that the different national social models are impacted upon by directly effective Treaty norms, and the judicial governance mentioned above. For example, with increasing marketization national welfare states become vulnerable to EU competition law,[14] and labour market regimes have frequently been held as being in conflict with the economic freedoms of the Treaty.[15] In addition, the dynamics of economic policy coordination, especially in the context of negotiating a bail out, have the potential of impacting on social security legislation (Pochet and Degryse, 2013) as well as labour legislation (Clauwaert and Schömann, 2012).

The often conjured asymmetry of EU integration (Scharpf, 2002; 2010) is thus still an adequate assessment of the European social model: while the EU is lacking some competences and the political determination to establish any EU level elements of the socio-economic model to which the Treaties acclaim normatively, the impact of EU policy and Court of Justice case law on the national level at times threaten the pillars supporting EU socio-economic model from below. Accordingly, negative integration has been said to outperform positive integration, leading to the danger of downward spirals or a general move of all Member States to liberal market economies. Received wisdom has it that it is the stronger legally binding character of negative integration through case law that achieves

[13] Obviously it is impossible to cover the full extent of the governance debate here (overviews are provided by Börzel, 2012 and Diederichs, 2011; see also Dawson, 2011.

[14] This has been demonstrated by the restrictions which the Court imposed on establishing third-pillar pension schemes through collective agreements. (C-271/08 Commission v Germany [2010] ECR I-7087) Further the maintenance of (social) services of general interest, which are important elements of many national welfare regimes, is seen as threatened by Commission policies. (Neergaard et al, 2013).

[15] The 2008 case law around the restrictions of collective bargaining and collective action with trans-border dimensions by reference to freedom of establishment and freedom to provide services is illustrative of this (C-341/05 Laval [2007] ECR 11767; C-438/05 International Transport Workers' Federation (Viking) [2007] ECR I-10779 ECR, see also C-271/08, as referenced in footnote 14.

such movement, and the lack of legal bases and political will for positive integration through legally binding harmonisation.

However, considering the EU economic model, this seems increasingly misconceived. As stated above, the EU internal market can rely on extremely efficient constitutionalization through direct effect and supranationality, which generates de facto judicial competences to de-integrate aspects of national law and policy making. In addition, the EU commands about veritable legislative competences, in particular through Article 114 TFEU as base for any legislation harmonising national laws with the object of ensuring that the internal market is established and functions well. This widely used provision is frequently exploited to cast into positive law principles developed by the Court. Thus, in relation to the internal market the EU is in the comfortable situation to legislate in order to either outperform or confirm the results of judicial governance. In addition, the Commission is free to use other forms of governance in this field.

Only as regards economic policy in a narrow sense, the EU is thrown back on coordination of national politics exclusively. The relevant coordination mechanisms are seen as efficient in principle, although they do not differ fundamentally from the open method of coordination in social policy, whose practical implementation has been criticized as lacking in efficiency. (e.g. Hatzoupoulos 2007) The mechanism consists of guidelines (broad economic policy guidelines – BEPG, Article 121 (2) TFEU), supervision and warnings on the basis of national programs (Article 121 (3, 4) TFEU). When it comes to combating “excessive government deficits”, warnings and recommendations are supplemented by the option to take a case to the Court of Justice (Article 126 TFEU).

The currency crisis has been taken as a starting point to tighten the enforcement mechanisms for these new governance styles. The so called “six pack”[16] introduced an automatic penalty for Member States whose currency is the Euro in case of a macroeconomic excessive imbalance; and the Treaty on Stability, Growth and Governance establishes a similar mechanism. Similarly, the Member States in need of so-called “bailouts”, i.e. the taking over of part of their debt by the European Union, have been made to comply with “Memorandums of Understanding”,[17] which typically address matters such as wage setting that are beyond the EU legislative competences. The desire to maintain “conditionality” of any financial support of states mirrors the principles pursued by the International Financial Institutions such as the IMF. For the EU, it is enshrined in Article 125 (2) TFEU (Witte, 2011) as well as in the Treaty on European Stability Mechanism. (ESM Treaty, Merino, 2012)

[16] A set of five regulations and one directive reinforcing the stability and growth pact, consisting of Regulation (EU) No 1173/2011 on the effective enforcement of budgetary surveillance in the euro area; Regulation (EU) No 1174/2011 on enforcement measures to correct excessive macroeconomic imbalances in the euro area; Regulation (EU) No 1175/2011 amending Regulation (EC) No 1466/97 on the strengthening of the surveillance of budgetary positions and the surveillance and coordination of economic policies; Regulation (EU) No 1176/2011 1 on the prevention and correction of macroeconomic imbalances; Regulation (EU) No 1177/2011 amending Regulation (EC) No 1467/97 on speeding up and clarifying the implementation of the excessive deficit procedure and Directive 2011/85/EU on requirements for budgetary frameworks of the Member States (OJ L 306, 23.11.2011, p. 1-47).

[17] The publication of a list of demands established by the ECB and the IMF as a precondition of Italy’s bail-out in August 2011 is still instructive (http://www.corriere.it/economia/11_settembre_29/trichet_draghi_inglese_304a5f1e-ea59-11e0-ae06-4da866778017.shtml) While not suggesting specific legislation, the letter details a number of measures which would, if taken at EU level, be well beyond the EU legislative competence.

All these methods of "new governance" in the field of economic policy presuppose that Member States in principle remain competent to formulate the specific measures which enable them to comply with targets such as a limit on budget deficits. Given the need of Member States to remain able to serve their sovereign debt, such institutionalised governance by cooperation generates a degree of coercion that may well outperform traditional hierarchical governance. It is thus not necessarily "soft" in its effects, although it may be "soft law". (Peters, 2011) That latter aspect has meant so far that it also escapes judicial review by the Court of Justice. However, in inducing national policy-makers from abandoning core elements of EU socio-economic models it seems no less efficient than the Court's case law.

To draw an interim conclusion, the EU commands about an incredibly complex array of instruments to realise its normative commitment to an EU socio-economic model. While "hard law" and "new governance" have often been perceived as representing two opposed end points on a spectrum of more or less efficient modes of action, the short overview of economic governance has shown that "new governance", while not legally binding, is not necessarily less efficient. However, more efficiency of "new governance" requires the existence of sanctions or other mechanisms to induce Member States to seriously pursue targets. As long as such mechanisms (or even targets) are not introduced in relation to social policy fields such as combating poverty or unemployment, the imbalance between economic and social aims is perpetuated. (Cantillon and Mechelen, 2012)

4. Can the EU's socio-economic model survive?

All this seems to question whether the EU socio-economic model can survive at all. Recently, such doubts have focused on the euro currency crisis, which coincides with a less positive appreciation of the EU generally.[18] This renewed EU scepticism is mirrored in academic writing, where an EU sceptic position seems on the rise generally. (Tsoukalis, 2011; Usherwood and Startin, 2013)

a) The currency crisis and the design of European Economic and Monetary Union (EMU)

While there have always been pessimistic as well as optimistic views on the viability of any EU social or socio-economic model, the euro currency crisis has had a devastating impact on any remaining optimism. (Jepsen, 2013) The pessimist views are most pronounced in relation to economic and monetary union, its intrinsic viability in spite of a focus on balanced budgets and the lack of federal style fiscal transfers (Arestis & Sawyer, 2011), as well as its negative impact on any EU social model. (Barbier, 2013; Whyman et al, 2012: 321)

These pessimist views chime with those that emerged upon inception of EMU, predicting that the European social model would be 'sacrificed on the altar of the common currency' (Hay, 2000; Panić, 2005). After 2005, optimists seemed to be confirmed in their initial hope that EU national welfare regimes would prove resilient to the pressures that were predicted to result from the convergence criteria (Tolga Bolukbasi, 2009; Glennester, 2010). However, with the crisis, even those who were opti-

[18] Eurobarometer surveys confirmed that citizens in autumn 2010 still expected the EU to successfully govern the crisis (Standard Eurobarometer 74 Europeans, the European Union and the crisis - autumn 2010), while in December 2012 citizens' trust in the EU institutions and their positive appreciation of the common currency were suffering a steady decline (Standard Eurobarometer 78 Citizens and the EU, December 2012: 15 and 16). However, more detailed analysis suggests that the crisis is a mere trigger for increased public hostility towards the EU, whose causes lie in the rise of nationalism and populism (Serricchio et al, 2013).

mistic initially (Pochet and Vanhercke, 1999), have now come to the conclusion that fundamental policy changes resulting from changed compositions of the European institutions endangered any development (Pochet and Degryse, 2013). Such pessimism leads some authors to propose radical re-nationalisation of all politics by leaving the EU. (Whyman et al, 2012: 266-80) Such a return to national protectionism with a "Keynesian" profile does obviously not offer any perspectives for EU countries with weaker economies. Others impatiently demand to develop a true constitution of economic prosperity by stressing the obligations to maintain "healthy budgets", if necessary by ignoring national electorates (Adamski, 2013).

In spite of the prolonged economic and currency crisis proposals in favour of realising the EU socio-economic model have been made. Above all, demands for more integration and credible steps towards a political union are made in order to decrease the democratic deficit inherent in the mechanisms based on Memoranda of Understandings described above. (Habermas, 2012: 345-48) More substantively, it has been suggested to support the monetary union by complementing mere economic crisis governance by a new social pact. (Begg, 2013) Specific proposals include the creation of a European pension fund to avoid losses of old age income as a consequence of future global crises. (Zuleeg and Martens, 2009) However, it must be said that presently the design of a future economic and monetary union that allows developing the EU socio-economic model in line with its normative base is still nebulous. Much research and policy debate will be needed to achieve that aim.

The two chapters immediately following this introduction tackle the questions that still need to be answered from the perspective of heterodox economics and political economy respectively, while at the same time highlighting different points on the spectrum between pessimist and optimist assessment of the viability of the socio-economic model. The two chapters by Arestis, Fontana, Sawyers and Verdun agree that economic and monetary union is not perfect: it suffers from design faults (Arestis et al) and an asymmetry between monetary union and mere economic coordination (Verdun). Arestis et al provide a detailed critique of the recent policy responses to the euro currency crisis based on heterodox macro-economics. They show how the reinforcement of the euro-convergence criteria of 1993 (including a ceiling for government budget deficits of 3 % of GDP and for overall government debt of 60 % of the GDP) through the Stability and Growth Pact and the Treaty for Stability, Coordination and Governance amounts to strangulating any economically weak national economy, after having explained their view that the construction of economic and monetary union does not allow upholding the European Social Model. They conclude that so far the policy responses to the crisis are ill conceived and that a major policy change is warranted. Verdun starts her chapter by recounting the history of EMU and the degree to which the social dimension had been addressed at its inception. She then recounts the various stages of development via the Stability and Growth Pact of 1999 and the responses to the 2008 crises. In the end she argues in favour of deeper integration in the euro area, and expresses concern about the lack of democratic accountability of the measures to contain the crisis. Her optimism that a solution will be found is based on the conviction that a leap to deeper integration will be made possible by the threats experienced presently.

b) The EU socio-economic model beyond (and before) EMU

While the debate at the time of writing is dominated by the currency crisis, the viability of the EU socio-economic model has been a matter of concern before and beyond the economic and monetary union. The recent assessments frequently rest on opinions formed long before the crisis, and not necessarily on the common currency only.

The optimists have stressed the positive potential of the Internal (Common) Market of overcoming national parochialism, and opening up a new world for the cosmopolitan citizens moving freely between Member States. (Weiler, 2003) While this is a general statement, among those who analyse aspects of the EU impact on national welfare policies and national labour regimes more specifically pessimism prevailed from the mid-1990s, conjuring the image of Member States' "semi-sovereignty" (Leibfried and Pierson, 1995) in the field of welfare policy and the continued abstinence of the EU in this field (Streeck, 1999). Such scepticism has been a relatively dominant theme throughout a number of publications.[19] Today, some authors seem to have given up on the possibility of a true EU level social policy and focus on defending the Member States' ability to retain scope for national policies in this regard. (Everson and Joerges, 2012; Syrpis, 2007) Of course maintaining the national pillars of the EU socio-economic models is essential. (Schiek, 2008) However, establishing the EU socio-economic model exclusively at national levels has been correctly labelled reverse ordoliberalism (Giubboni, 2006) - a strategy that is not tenable for Member States without a comfortable export surplus. (Schiek, 2012: 230-32)

In spite of all this, optimist alternatives are possible and have been developed. For example, the decreasing capacity of Member States to guarantee the preconditions of national welfare has been identified as a viable driver towards a new social contract at EU level (Poiares Maduro, 2000); a new constitutional principle of solidarity has been devised as a lever to overcome tensions between competiveness and national welfare state principles (Ross, 2010); and nesting of national welfare states in a European framework has been proposed as a strategy to overcome national closure (Ferrera, 2012). Positive visions of a new dynamic of EU social policy were also inspired by the initial Lisbon strategy, which endeavoured to coordinate national social policies. (Daly, 2012; Dawson, 2011) It was seen as creating space for creative policy learning (de Schutter and Lenoble, 2010) and is still, together with enhanced social values, hailed as a starting point for new liberal welfarism. (Ferrera, 2013) Such positive views could be developed further in the expectation that some of the suffocating aspects of socio-economic models in coordinated market economies with conservative welfare states could be overcome through such Europeanization: the normative commitment to equality and non-discrimination, for example, could be used to challenge gender stereotypes entrenched in welfare legislation. Above all, new orientations for EU level social law and policy have been developed on the basis of the new normative framework established by the Treaty of Lisbon. (Cantillon et al., 2012; Dawson and Witte, 2012)

Current and future research must, however, neither forget to carefully analyse the impact of the CJEU case law on Member States' room for manoeuvre in maintaining social standards at national levels nor omit to analyse the mutual impact of preconceived (restrictive) conception of social solidarity and an EU social policy driven by competitiveness.

The next two chapters of this book work on these critical junctures of EU integration and national social policy. The commonality of these chapters is that they focus on the alleged intervention of the EU into national social policies, and at the same time show scope of manoeuvre for Member States – though this scope is more widely used in Sweden than in the UK. Vinterskog's chapter discusses the relation of the EU to international law regimes securing rights of workers, contrasting judicial governance and the content of harmonising directives with Member States' (in this case Sweden's) wish to comply with ILO convention 94. This convention requires governments to ensure that their contracting partners and their subcontractors comply with local working conditions. The Convention

[19] See for example most of the contributions in (Dougan and Spaventa, 2005) and some of those in (Shaw, 2000).

could be seen as a new governance instrument as well, since the instrument for such compliance lies in contractual agreement rather than legislative imposition. Such government strategy can conflict with judicial governance by the Court, whose case law requires that Member States abstain from imposing social contract clauses, in particular if aiming to ensure that collectively agreed local conditions are applied. Vinterskog proposes to utilise the new social values of the Treaty of Lisbon as an additional argument to interpreting Treaty provisions and the public procurement directive in ways that allow for Member States to comply with ILO obligations. O'Brien's chapter focuses on the ambiguous character of EU social law and policy, which, in her view betrays the de-commodification ethos of classical welfare state benefits. Discussing EU citizenship and related rules as well as the OMC's in social policy she identifies a predisposition to embracing values such as individualism and competitiveness for granting benefits. The UK, she argues, as an emanation of liberal welfare states, is well disposed to being infiltrated by those values, and giving up its nominal autonomy in defining welfare provision in favour of "neoliberalising" it.

c) The EU socio-economic model and citizen's involvement

The apparent friction between expanding the normative demands on the EU to pursue its specific socio-economic model and refraining from adopting additional legislative and policy competences can be used as a starting point to develop the societal base of EU policy making. It can be argued that the lack of EU competences in fields such as setting of wages or combating poverty corresponds to another element characteristic of the European socio-economic model: that social and welfare policy is not only or even mainly pursued by the state, but partly or predominantly left to civil society in the guise of charity, consumer organisations and social partners. Such reading can be perceived as a necessary complementation of the EU's incomplete new constitution. (Schiek, 2012: 238-40) Long before the Treaty of Lisbon, involvement of civil society and social actors has been one of the hallmarks of "new governance" EU style. The Open Method of Coordination, as developed on the basis of the employment chapter, offered ample room for including citizens and their organisations when Member States developed national policy goals and identified best practice examples. With the Treaty of Lisbon, citizens' involvement has also become an element of the EU's democratic legitimacy, in particular through the citizens' initiative (Article 24 TFEU) as an element of direct democracy. All this enhances the role of civil society, and poses the question what role is adequate for civil and social organisations in contributing to the EU's socio-economic model.

Chapters 6 and 7 contribute to this debate. Cseres and Schrauwen discuss whether consumer empowerment as promoted by the Commission in its recent consumer policies satisfies the conditions of creating a new class of citizens who can enhance the legitimacy of EU consumer law and policy. The chapter's ambitions go beyond consumer law, though. The authors initially provide a critical analysis of the Commission's discourse around citizens' empowerment as emanating from policy documents issued on the Citizens' Initiative and the role of public consultations independently of such an initiative. Their interim conclusion is that both the Citizens' initiative and the public consultations empower the Commission rather than the citizens. Unsurprisingly, their analysis of the "active consumer's" role in legislation on the electricity market and consumer redress concludes that these too do not exhaust the potential of truly empowering consumers to act as critical citizenry. Guasti analyses the role of civil society in contributing to EU legitimacy. In defining civil society, she distinguishes between civil society organisations in a narrow sense and the organisations engaged in social dialogue, i.e. trade unions and employers and their organisations, and compares the respective influence of both these elements of European civil society on EU legitimacy. Her analysis is based on a dataset developed for media coverage of debates of the Constitutional Treaty. Relating to issues relevant to the socio-economic models, she finds that while civil society is an active player, social dialogue partners are more active and better networked throughout the EU. The confrontation of the research question with reality proves sobering: there is little proof of influence of both civil and social dialogue on the shaping of the EU socio-economic parts of the draft constitution, not least due to a lack of transparency. However a glimpse of hope can be derived from the chapter in that civil and social dialogue offer an opportunity for networking to the participants and may thus contribute to the establishment of EU civil society.

d) The EU as a global model?

The currency crisis is not merely a European one,[20] as is among others evidenced by the IMF's involvement in its management. It impacts on the global economy - if only by relegating the European Union to a lower rank in that global economy than it had occupied before. This seems a regrettable development, since it was the European Union which had been seen as a protection against "global winds of change" furthering a "pure market form of capitalism". (Mistral, 2009: 2, 10) Arguably, it did fulfil this role in the very early stages of the crisis, when its politicians supported heterodox concepts such as Keynesian policies beyond mere quantitative easing, which were gaining traction globally. While this initially only lasted for two years, until 2010, (Wilson, 2012), at the time of writing, both the IMF and the EU Commission have demonstrated a renewed distance to overly draconian austerity measures. Thus, possibly the EU may once again have the opportunity to fulfil the role of holding up an alternative version of capitalism, perhaps by establishing a new social contract between its own citizens and, for example, banks having profited from the bailouts, and propagating similar solutions globally. (Wilson, 2012: 408)

Presently, these ideas appear as a very optimistic vision. However, it must not be forgotten that the EU Commission has from the 1990s portrayed the Union as contributing to a social face of globalisation. The last two chapters discuss the EU's self-declared global role from two distinct perspectives that may well become decisive for any such export of the EU socio-economic model.

Zahn's chapter is concerned with the question how exactly the EU develops its role as a global actor for the social side of globalisation, and how this outward face in social policy matters relates to the inner-EU social policy. In the first part she traces the development of EU internal social policy, taking a mainly critical position to the predominance of new governance which is not prone to creating legally binding instruments. In addressing EU external social policy, she finds that, while this is necessarily restricted to indirect influence of non-EU states, the practice of conditionality of aid or cooperation has similar coercive potential as the MoU discussed above. Going further in discussing the (limited) changes of the legal framework for external social policy after the Treaty of Lisbon, and the practical use of conditionality within the EU in the financial crisis, the chapter demonstrates how the coercive force of conditionality is much better developed for economic aims internally. The external social policy could thus serve as a model on how to promote social policy aims through those same instruments. Sokhi-Bulley's chapter too tackles "new governance" in relation to the EU's global role, taking the field of human rights as an example. Investigating the activities of the EU Fundamental Rights Agency in monitoring human rights compliance, the author exposes this practice as an emanation of governmentality in a Foucaultian sense. The EU utilises and arguably demotes international human rights to instruments of control and monitoring, which may well run counter to their noble cause. Human rights become quantified by indicators, measurable and parts of a toolkit inducing

[20] Although the argument that an US and EU based crisis has "arrogantly been defined as a global one" (Tsoukalis, 2011: 25) deserves some thought.

Member States to constantly monitor themselves. The parallel to practices used to monitor performance in the field of economic governance is obvious, though not explicitly argued. In an eerie way she manages to expose how governance without government can pervert the content of values central to democracy, such as human rights.

5. Outlook

If the EU to maintain momentum beyond the current crisis, its official motto of unity in diversity must be taken seriously. The common currency arguably constitutes a half way house on the road to deeper political and socio-economic integration. Deeper integration across this vast continent, however, should not only respect, but also embrace the diversity of its regions, which presently comprise economies with stronger agricultural and touristic sectors as well as strongly export based economies and egalitarian knowledge based societies. Forcing any of Europe's regions to converge to another's socio-economic strengths would ultimately result in overall loss. In maintaining diversity deeper socio-economic integration will need to establish sustainable interregional exchange and pan-European redistribution. The transnational solidarity necessary to achieve such sustainability would have to be tied into a common future of developing new directions for Europe's societies based on active citizen participation and democratisation of its socio-economic model(s). In that way the EU could one's again contribute its visions to the world's future, instead of initiating ever further downward spirals in prosperity and societal integration. The chapters in this collection contribute to answering questions posed by these challenges, and while not providing complete answers constitute starting points for future cross disciplinary research on this.

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