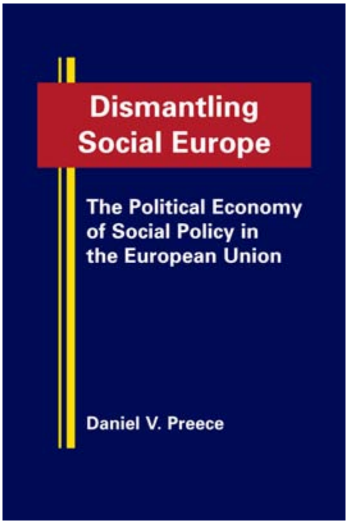
EXCERPTED FROM

# Dismantling Social Europe: The Political Economy of Social Policy in the European Union

Daniel V. Preece





ISBN: 978-1-935049-10-4 hc

FIRSTFORUMPRESS

A DIVISION OF LYNNE RIENNER PUBLISHERS, INC.

1800 30th Street, Ste. 314
Boulder, CO 80301
USA
telephone 303.444.6684
fax 303.444.0824

# Contents

# 1
# Introduction

During his opening address at a 2007 intergovernmental conference on the future of Social Europe, Joaquín Almunia, the European Commissioner for Economic and Monetary Affairs, proclaimed that

> Steps must be taken to improve the competitiveness of the economy by modernizing the public administration, improving the functioning of the labor market and promoting more competition and innovation …. [T]here is no question here of undermining the foundations of the Economic and Social Model in Europe. The issue at stake is not which model we prefer, but rather how efficient that model might be for delivering growth, jobs and equality of opportunity to citizens, taking into account the new challenges and the rapid changes that we are facing. … Ultimately, new challenges mean that we can only secure our highly valued social systems for future generations through change. The biggest threat to our models will be our own inability to reform. (p. 6)

Even though traditional understandings of Social Europe have revolved around the ideas of social rights and social solidarity, and premised on the idea of state involvement in the economy to militate against the social costs of capitalism, the contemporary debate over social policy within the European Union [EU] has been increasingly narrowed to focus upon questions of efficiency, competition, and innovation. As demonstrated by Almunia's declaration, the public debate surrounding Social Europe is being filtered through a discourse of fear that asserts that European social systems must be modernized in order to continue to exist. Within this policy environment, the question of how focused welfare policies should be on enhancing solidarity and de-commodification is now being rephrased as an attempt to bring social protection regimes in line with the goal of greater competitiveness. By manipulating the discourse surrounding Social Europe, neoliberal actors have systematically dismantled the social dimension of the EU and reoriented European social policy to strengthen their own hegemonic project.

Even though there is variation in how neoliberalism is put into practice, this ideological model advocates for a reduction in barriers to international trade and capital, a commitment toward low inflation and supply-side fiscal policy, a reorientation of state agencies towards 'pro-market' regulation, and a broad adherence to the 'New Public Management' approach to the public bureaucracy (Cerny, Menz, and Soederberg 2006, pp. 14-19). However, this trend towards neoliberalism seems to be at odds with both the welfare policies historically adopted by the member-states and the way that Social Europe is traditionally understood. Within most discussions of Social Europe, the concept is often vaguely defined as a broad commitment to "a mixture of values, accomplishments and aspirations, varying in form and degree of realization among European states" (Giddens 2006, p. 15). For example, in her 2003 speech on the European social model, Anna Diamantopoulou, European Commissioner for Employment and Social Affairs from 1999 to 2004, acknowledged that this concept is "not really a 'model', it is not only 'social', and it is not particularly 'European'" (p. 2). Instead, Social Europe reflects an aspirational goal that is best understood through defining what it is not; in this way, the promise of Social Europe is drawn on by policy-makers and commentators to indicate that "EU work and welfare policy is not the same as, for example, US policy in these fields [or] … the notion of the European Social Model as a political counterweight to the EU fiscal rules limiting excessive government deficits, commonly known as the 'Stability Pact'" (p. 1). Similarly, the European Social Agenda limits its definition of Social Europe to merely "jobs and opportunities to all" through the pursuit of two interrelated objectives: prosperity and solidarity (European Commission 2005a, pp. 2-3). However, beyond these broad values and orientations, the specific operation of the European social model is left explicitly undefined, reflecting the wide variety of welfare practices among the member states, and open to manipulation and interpretation by competing social forces. Capitalizing on this ambiguity, neoliberal actors have successfully (re)defined the manner in which the concept of Social Europe has been put into practice.

Still, the initial idea of Social Europe and the European social model emerged from the welfare state tradition in post-war Europe. Irrespective of national nuance, most western nation-states implemented a policy regime loosely based upon the economic theories of John Maynard Keynes and William Beveridge following the Great Depression of the 1930s (Overbeek 2003b, p. 1). Reflecting the post-war consensus of embedded liberalism between domestic social forces, which included left-leaning political parties, trade unions, and business elites, most advanced capitalist economies established welfare regimes to pursue the overarching economic goal of full employment (Esping-

Andersen 1990, p. 163). As well, different types of welfare regimes emerged within the nation-states, depending upon both the particular historical development of each state and its governing coalition, to create a wide variation of approaches to welfare capitalism. Examining this diversity, Gøsta Esping-Andersen identified three separate ideal-types of welfare capitalism—liberal, conservative, and social democratic—in 1990, and more recent work has expanded this typology (see Arts and Gelisse 2002 for an overview). However, by the 1970s, the commitment toward the goal of full employment began to weaken in all of the different ideal-types, as the structural conditions supporting these welfare programs began to breakdown, and the practice of welfare capitalism was thrown into crises.

The widespread consensus around both the practice of welfare capitalism and the goal of full employment was premised upon the ability of economic policies inspired by Keynes to deliver high levels of non-cyclical economic growth. As the growth in the global economy began to slow down in the 1970s, the hegemonic position of Keynesian economics began to be challenged by critics on both sides of the ideological spectrum (Kleinman 2002, p. 8). While some commentaries have suggested that these challenges threw the welfare state into a crisis, demanding a radical policy shift, more recent work such as that of Mark Kleinman (2002) has shown that the majority of welfare states have maintained the same general policy focus and different state patterns are consistent with the typology proposed by Esping-Andersen. Despite this general trend of continuity, there has still been a noticeable shift away from the overarching goal of full employment and towards a low inflationary model of growth in the policies of all welfare states. While there were national differences in the manner through which the new growth model was applied, dependent upon the particular historical development of each state, all regime-types have attempted to reorient their policies to be attuned to the new understanding of economic success and the changing global environment.

The acceleration of globalization has led to structural changes in the global political economy, creating new problems that the post-war welfare states were unable to accommodate. Ranging from the increasingly transnational nature of production, the changing composition of the labor supply, and the rise of "transplanetary relations and supraterritoriality" (Scholte 2005, p. 60), the processes of globalization create new constraints that must be addressed by states. Increasingly, the solutions proposed for these new problems revolve around market liberalization, flexible labor markets, and minimal state regulations to enhance an economy's competitiveness. In a gradual manner, these solutions have consolidated into the new ideological model of neoliberalism and growing influence of this model has begun to erode the differences between the separate welfare regimes within Europe. Reflecting the rising influence of transnational capital and neoliberalism, member-states of the EU are implementing social policies more conducive to this ideology.

Yet, the process of convergence is not inevitable. As Peter Hall and David Soskice (2001) demonstrate, the dynamic pressures of globalization and European integration may lead to divergent responses by different types of capitalist regimes: liberal states may react by extending market de-regulation, while conservative or social democratic states may enhance or deepen existing regulations to support domestic industries (pp. 56-60). However, this assumption fails to acknowledge the transformative effect that the processes of globalization are having upon capital in Europe, and the role that the project of European integration has in facilitating the development of a new hegemonic consensus. Since the development of the single market, European business has become more globally focused and European business elites are increasingly rejecting the belief that the project of European integration should focus on the development and promotion of European champions (van Apeldoorn 2001, pp. 79-80). Similarly, the neoliberal discourse of competitiveness has emerged in the late 1990s as a comprehensive concept of control defining the direction of European integration and influencing the type of social policies that are identified as best practices at the EU level. Due to the "political decoupling of economic integration and social protection issues" that has historically accompanied European integration and "ensured the privileged access of economic interests to European policy processes" (Scharpf 2002, pp. 646-647), the coordination of social policies at the EU level is being subordinated to concerns of economic efficiency and growth. As a consequence, the commitment of Social Europe has become dismantled and the social policy environment at the regional level has shifted to conform to the principles and ideals of neoliberalism.

This book analyzes this contradictory shift by examining how capital has been able to successfully consolidate into a transnational class, driven by the neoliberal fraction, and reorient the debate over Social Europe to systematically entrench a hegemonic order within the EU. While differences between the separate fractions of capital still remain, neoliberal organic intellectuals were able to construct a historic bloc around their fraction in the early 1990s. In contrast, the fractional particularities of transnational labor and the wide variety of social models among the member-states impede the ability of oppositional groups to consolidate within a coherent historic bloc. In particular, different fractions of transnational labor, such as trade unions and civil society organizations, struggle to present an alternative policy framework to neoliberalism and seem limited to the neosocialist project of institutionalizing support for the idea of Social Europe within EU. Within the literature on European integration, this project is alternatively identified as social democratic, supranational social democracy, social neoliberalism, and Euro-Keynesianism. However, a more accurate label is neosocialism. While the key elements of the neosocialist project will be outlined below, this label distinguishes the (counter-)hegemonic project from the social democratic welfare regime, indicates the primary focus of this project is on institutionalizing an employment based European social model, and ensures consistent terminology with the dominant hegemonic project of neoliberalism.

Even though neosocialist actors have been able to establish the idea of the *European* social model "at the level of political and economic relations now imagined to be inter- and supranational, i.e., more than the sum of the separate member-states" (Walters 2000, p. 116), they have been unable to shape the social purpose of this concept due to the variety of welfare traditions in Europe and the inability of these counter-hegemonic actors to overcome their fractional particularities. In other words, neosocialists have successfully constrained the ability of member-states to pursue autonomous social policies without successfully defining what types of policies the member-states should adopt. In contrast, capital has been able to exert a greater influence in framing the policy debate in the EU and defining the content of the European social model. As transnational capital has been able to construct an ideological consensus, these actors have been able to integrate the challenges posed by various subordinate social forces to expand its historic bloc and present a relatively coherent position within the subsequent negotiations over the newly created idea of Social Europe.

As part of the empirical research performed for this study, I conducted 40 interviews with representatives from the major stakeholders in the formation of social policy within the EU, Ireland and Germany, between 2003-2004, in order to develop a complete understanding of the process through which social policy has been coordinated at the regional level and the impact it has had upon the member-states. These interviews have allowed a more robust understanding of the process of policy creation both within and between the three jurisdictions. In addition, the information gathered from these interviews was combined with a thorough analysis of primary documents such as European and national legislation, speeches made by elected and non-elected policy officials, and documentation produced by business groups, trade unions, and other civil society organizations, as well as an extensive survey of secondary sources. Nonetheless, the interviews were critical in understanding the dynamic shifts in social policy within the EU and the way in which competing interests framed the debate over Social Europe. As the participants were assured of the confidentiality of the information that they provided, the interviews evolved into candid discussions that offered a degree of insight into the negotiations surrounding the development of social policy beyond what may be gleamed from official policy documents. By interviewing groups at both the European level and within two member-states, Ireland and Germany, I was able to determine the relative influence of the two principal hegemonic projects of neoliberalism and neosocialism in shaping and defining the implementation of Social Europe. Through the development of comprehensive concepts of control, such as the discourses around competitiveness and flexicurity, neoliberal actors were able to define the benchmarking indicators and best practice standards used to evaluate the social policies adopted by the member-states. As a result, these transnational actors were able to integrate the concept of Social Europe into their broader hegemonic strategy.

The understanding of hegemony adopted in this study draws from the work of Antonio Gramsci and Robert Cox. Concerned with the process of identity formation and subjectivity, Gramsci sought to determine the role of ideas in both the reproduction and the transformation of a system of domination (van Apeldoorn, Overbeek, and Ryner 2003, pp. 36-37). Unlike more orthodox approaches of hegemony, such as neorealism, which limits hegemony to superior material capability, a neo-Gramscian understanding also includes an ideological component in order to understand the consensual basis of domination (Cox 1996d, pp. 102-104). The need for hegemony to foster the development of acquiescence throughout a society is informed by the inherent differences between social classes; the particularity of any given class impacts upon its ability to establish a hegemonic order that both serves their interests and is accepted by the other components of society. By using different institutions within society to shape and define the consciousness of the public through transmitting values, life-styles, cultural orientations, and behaviors, the ruling class is able to present its particular interest as the general interest of the society (Cox 1996c, pp. 126-127). To the extent that these cultural beliefs are internalized by the majority within society and accepted as 'common sense,' the ruling class is able to secure its hegemonic position by establishing a historic bloc (Bieler and Morton 2001, p. 20).

Moreover, a historic bloc is engendered by the development of a broad consensus between different class fractions by a dominant social class seeking to establish a hegemonic project. Initially, a conflict between two key fractions of the transnational capitalist class over the social purpose of the EU prevented it from coming together in a historic bloc. First, the neomercantilist fraction sought to use the development of a single market to promote trade diversion through regionalization (Hveem 2006, p. 298). Concerned with the impact that globalization was having upon the relative competitiveness of European firms, more 'regionally-oriented' European capital desired the creation of a protectionist regime that would help transform national champions into European champions through the development of larger economies of scale (van Apeldoorn 2006, p. 309). On the other hand, the neoliberal fraction, consisting primarily of 'globally-oriented' European capital, sought to implement a more radical program of economic liberalization that expanded free trade within Europe and integrated the European market more fully with the global political economy (van Apeldoorn 2001, p. 74). As demonstrated by Bastiaan van Apeldoorn (2001, 2002, 2003, 2006), the conflict between these two fractions of the transnational capitalist class was eased by negotiations within the European Roundtable of Industrialists [ERT], as the competing visions became consolidated around neoliberalism. While elements of the neomercantilist fraction do still exist, they are now primarily tied to reasserting national sovereignty rather than redefining the social purpose of the EU.

In contrast to the neoliberal project, the hegemonic project of neosocialism consisted of subordinate social forces who attempted to institutionalize support for the idea of Social Europe and the European social model within the project of European integration. Despite the wide variety of welfare traditions in Europe, the initial discussions of Social Europe were principally defined by the social democratic orientation of the Delors Commission, who identified social solidarity and employment creation as the core components. For example, by calling on member-states to develop active and preventative social policies that emphasize "social reinsertion" into the labor market and employment, rather than residual payments or social protection, Social Europe was defined in the 1993 *White Paper on Growth, Competitiveness, Employment* in terms of enhancing four key types of solidarity—gender, generational, regional, and 'neighborly'—throughout Europe (European Commission 1994b, pp. 16-17). By concentrating on reforming the labor markets of the member-states, the Commission recommended a wide range of policies focused on moving greater numbers of the population into the labor market in order to expand the employment rate (European Commission 1994b, pp. 145-146). In this way, these proposals echoed the bias of social democratic welfare regimes in maximizing the labor supply through the expansion of the social service (Esping-Andersen 1990, p. 159). However, in moving from the recommendations of the Commission to the implementation of European practices, the social democratic focus of Social Europe was diluted so that it could be integrated with both the liberal and conservative welfare traditions.

At the same time, neoliberal social forces were seeking some way of integrating elements of the neosocialist project in an attempt to establish a hegemonic order. Taking advantage of the variation of the European social models, transnational capital began to associate their project with the liberal welfare regime, due to the similar emphasis on market freedom. Just as liberal welfare regimes adopt a minimalist approach to the labor market, encouraging the market to expand and increasing the demand for labor while only implementing residual programs (Esping-Andersen 1990, p. 159), the neoliberal project also advocates economic efficiency through minimizing state involvement in the economy. Through their association with the liberal welfare regime, neoliberal social forces participated in negotiations over the harmonization of social policy in the EU by emphasizing the minimalist nature of the liberal social model and seeking to curtail the development of more active measures and positive integration. That being said, it is important not to conflate these two groups, as the neoliberal hegemonic project and the proponents of the liberal welfare regime consist of separate, but overlapping, social constituencies. Nevertheless, by working in tandem, the two groups reinforced the need to ensure that any measures to coordinate social policies between the member-states would enhance 'market freedom.' As a result, these social forces have been relatively successful in reinterpreting the neosocialist hegemonic project of institutionalizing the idea of Social Europe by ensuring that EU social policy is primarily focused on maximizing the relative competitiveness of the European economy. Reflecting both the rise of 'competitiveness' as a key comprehensive concept of control, and the manner in which this discourse is increasingly framed in neoliberal terms, the ability to define the meaning of Social Europe enables the creation of a transnational hegemonic order in the EU.

Granted, the notion of competitiveness is not exclusive to neoliberalism, and both this idea and the definition of Social Europe are being contested. Initially promoted by the European Roundtable of Industrialists and other neoliberal social forces during the launch of the Single Market, competitiveness emerged as an amorphous concept that all three hegemonic projects attempted to define (van Apeldoorn 2003, pp. 125-126). Echoing their focus on the development of 'European champions,' neomercantilist social forces defined competitiveness as "enhancing the global market power of European industry *against* non-European competition through government intervention and protectionism" (van Apeldoorn 2003, p. 125, emphasis original). While the neosocialist definition also included provisions for government action to improve the relative competitiveness of Europe, these proposals focused on using "corporate strategies" and "public policy" to enhance the "competitive advantages" of Europe (European Commission 1994b, p. 71). Stressing the need for governments to actively coordinate market behavior in order to augment the capability of Europe to compete in the global market, the neosocialist project advocated state investment in education and training programs to take advantage of the global shift toward a "knowledge-based economy," as well as active measures to move citizens into paid employment (European Commission 1994b, pp. 75-77). In contrast to the neosocialist program, the neoliberal concept emphasized promoting market freedom to develop the relative competitiveness of European business. Within social policy, a key component of this definition is the attempt to subordinate concerns of de-commodification and social solidarity "to the demands of labour market flexibility and employability and to the demands of structural or systemic competitiveness" (Jessop 2003, p. 39).

During the early 1990s, the differences between the two hegemonic projects of neomercantilism and neoliberalism were overcome, as both fractions of European capital were articulated into the neoliberal definition (van Apeldoorn 2003, p. 121). To a large degree, the convergence between the two fractions substantially increased the relative influence of European capital to define the social purpose of European integration. As a result, transnational capital was able to ensure that the institutional framework of the Economic and Monetary Union [EMU] enforced a policy commitment to low inflation, fiscal discipline, and the free movement of goods and services (Gill 2001, pp. 47-48). However, despite the success of transnational capital to shape the EMU, and the increased pressure posed by deeper integration on national welfare models to engage in a practice of "competitive deregulation" (Bieling 2003, p. 52), measures directed at the harmonization of social policy at the EU level were still defined by the neosocialist project. As noted above, most proposals were initially characterized by an attempt to institutionalize state action to promote employment growth and social solidarity. Nevertheless, a number of more recent developments have acted to reshape these debates by elevating the concept of flexibility until it has come to equal, or even surpass, the notion of solidarity within social policy discussions at the EU level. First, the operation of the European Employment Strategy [EES] and the use of social policies became embedded within the discourse of competitiveness, and explicitly tied to the quantitative targets adopted during the Lisbon European Council in March 2000. Secondly, the decision reached at the Barcelona European Council (2002b) to align the formation of the Employment Guidelines [EG] with the Broad Economic Policy Guidelines effectively subordinates the operation of social policy to the goal of economic efficiency (de la Porte and Pochet 2004, p. 75). Finally, the compromise concept of flexicurity is being established as a social policy 'best-practice,' combining "flexible labour markets" with "good social protection offering high unemployment benefits" (European Commission 2006, p. 15). By merging the focus of employment creation with market freedom, the concept of flexicurity may be seen as a defining concept that serves to firmly establish a neoliberal hegemonic order by effectively re-articulating aspects of the neosocialist project into a transnational historic bloc.

This book is organized into seven chapters. Emerging from a neo-Gramscian and post-Marxist understanding of hegemony, Chapter 2 demonstrates that the dominant theories of European integration, supranationalism and intergovernmentalism, are unable to take into account the role of both globalization and transnational actors in shaping the social purpose of the EU. By examining the role of hegemony in structuring the policy environment, Chapter 2 details how my theoretical approach was able to identify both how different social forces have promoted alternative hegemonic projects and how the neoliberal historic bloc has been successful in entrenching their project. In addition, this chapter demonstrates how insights drawn from the theory of cooperative federalism can help conceptualize the increasing influence of transnational actors within the mechanisms of European governance.

Still, a distinction must be made between federalism and a federation. While I am not suggesting that the EU is destined to be a supranational entity that will eventually compel the member-states to slowly wither away, the process of integration does act to continually redefine the relationship between the member-states and the EU, and the (re)designation of competencies that has accompanied deeper integration has acted to develop an institutional relationship that is both new and familiar at the same time. Within some policy areas, such as Common Security and Foreign Policy, the EU remains clearly intergovernmental. However, on other issues, such as social policy, the act of sharing competency between member-states and the EU has transformed the relationship in this area into one that mimics those found between central and regional governments in a federal system. Much like federal systems, institutional arrangement governing social policies in the EU demands a substantial level of coordination between the member-states. As integration has deepened, the capacity for individual governments to pursue fully autonomous social policies has substantially diminished. Consequently, European governance is a multi-level process that resembles a form of nascent federalism and allows actors that are able to operate in a transnational manner a greater degree of influence within policy debates.

By examining the process through which social policy has been harmonized since the Treaty of Rome, Chapter 3 investigates the institutional evolution of social policy within the EU. In particular, this chapter shows how the competition between different social forces seeking to entrench policies that reflect their competing ideals within the legislative framework of the EU has limited the scope to which regional social policy has been developed. However, even though harmonization was not driven in an active, coordinated manner, the resulting policy arrangement does reflect a coherent ideological position. The project of European integration has largely been driven by the need to construct an economic environment structured around ensuring investor confidence through expanding property rights and investor freedoms, while imposing "market discipline" on the actions of the state and on labor (Gill 2001, p. 47). As a result, attempts to harmonize social policy with the EU have been largely subordinated to the goal of perfecting the common market.

Still, the initial proposal for the EES was a counter-hegemonic act by neosocialists that sought to create an international space through which social democratic ideals could be reinforced in debates over socioeconomic governance, both within member-states and at the European level. In this way it echoed both the attempt by French President Jacques Chirac to create the Stability Council and the proposal by German Minister of Finance Oskar Lafontaine for a Macroeconomic Dialogue within the EU. However, much like the other two initiatives, the compromise required for implementation made the EES unable to effectively promote more social democratic ideals. For the first five years of its existence, the social democratic ambitions of the various social forces were tempered through the intergovernmental negotiations performed in the Employment Committee [EMCO]. Within these negotiations, the goal of the EES shifted away from "promoting a skilled, trained and adaptable workforce and labour markets responsive to economic change" (Treaty establishing the European Community [TEC], Art. 125), and toward simply the development and exchange of 'best practices' that would enhance the relative competitiveness of the member-states. Due to the increasing influence of the emerging transnational capitalist class within Europe, the EES became firmly embedded in the neoliberal discourse on competitiveness during the five-year review in 2003, when the process was 'streamlined' with the Lisbon Strategy. Reinforcing the articulated goal to become the "the most competitive and dynamic knowledge-based economy in the world" by 2010 (European Council, 2000), the focus of the EES, and other elements of Social Europe, are now focused toward the "modernization" of the European social model (see, for example, Diamantopoulou 2003, European Commission 2005a, European Council 2002b).

As detailed in Chapter 3, the dominant discourse surrounding Social Europe has come to revolve around supporting sustainable economic growth and promoting market-based solutions, such as the expansion of the employment rate and the activation of the labor supply, to deal with social ills. In this new debate, a key concept is the idea of "flexicurity," which the Commission defines as the combination of

> a more flexible labour market, where protection from dismissal for instance is relatively low, with good social protection offering high unemployment benefits, which make the transition for one job to another less painful. Along with this, flexicurity promotes a pro-active employment and training policy shortening the period between jobs. (European Commission 2006, p. 15)

As can be seen by this definition, there is an active attempt at the European level to bring the debate over social policies in line with the goal of greater competitiveness. By designating the discourse of flexicurity as a 'best practice,' and advocating for its adoption, the rising influence of this concept is pressuring member-states to implement more neoliberal social policies.

Chapter 4 explores the debate surrounding Social Europe to examine how neoliberal social forces have reconstituted the dominant policy discourse at both the EU level and within a number of member states to promote economic competitiveness and flexibility over concerns of social solidarity and social rights. In reaching this conclusion, this chapter shows that transnational capital has been relatively successful in positioning its understanding of competitiveness as a filter through which any further harmonization of social policy must be debated. With their emphasis on market liberalization, entrepreneurialism, and employability, these actors seek to depoliticize economic governance as merely a scientific exercise of identifying 'best practices.' In addition, this chapter also shows that this trend toward treating regional social policy as merely administration, as well as the growing belief that the open method of coordination [OMC] allows for the formation of a policy without ideology, is creating a process that is able to promote neoliberalism while hiding behind the guise that it is ideologically neutral. By focusing on the three interrelated aspects of hegemony—ideas, forms of state, and social relations of production—this chapter examines the extent to which a neoliberal hegemonic order has been established within the EU and the manner in which these social forces have successfully dismantled the commitments to social rights and social solidarity envisioned by the concept of Social Europe.

In order to evaluate the impact European integration and globalization is having on the welfare policies and labor market strategies pursued within Europe, Chapter 5 examines the experience of Ireland and Chapter 6 examines the experience of Germany. Since the manner in which the harmonization initiatives are implemented depends upon the individual nation-states, it is essential that the process of policy-making in the member-states be examined in significant detail. In addition, by examining two different states, the results may be compared and contrasted in order to develop a more general understanding of how social policy coordination is being performed throughout the EU.

When Ireland joined in 1973, it was poor, conservative, and largely insular. Historically, Irish political culture was defined by religious deference and social conservatism, and these aspects were actively reinforced by different social forces, like the Catholic Church and nationalist leaders, who sought to mask cultural difference and promote a sense of cultural homogeneity (Coakley 2005, pp. 37-39). Moreover, Ireland's economy was also inwardly focused until the 1960s, when the Irish government adopted a new development agenda that focused on export led growth and economic liberalization (Kirby 2002, pp. 17-18). However, following its accession to the EEC, Ireland underwent a socioeconomic transformation. Membership slowly modernized Irish legislation on workers' rights and gender equality, with Directives strengthening domestic equality claims. Similarly, Ireland substantially expanded its educational programs and developed its infrastructure; by orienting its programs to receive the maximum benefit from the European structural funds, Ireland has been able to reach a level of utility unmatched by any other member-state. As well, the expansion of trade links within Europe greatly reduced Ireland's economic dependence on the UK, and its agricultural sector benefited substantially from European grants and subsidies. Granted, all of these changes were not solely caused by European integration. Still, a number of developments at the European level contributed to both the direction and strength of the changes. Moreover, these structural changes caused by its membership put in place the economic conditions that allowed Ireland to undergo the dramatically high levels of economic growth in the 1990s. With an 11.5 percent decrease in unemployment from 1992-2001, and an average gross domestic product [GDP] growth rate of 7.5 percent from 1991-2004, the so-called 'Celtic Tiger' has been the fastest growing economy in the EU (Fortin 2002, pp. 7-13).

In contrast to Ireland, the recent experience of Germany has not been as positive; from 1991 to 1998, the total number of employed people in Germany fell by 4.4 percent (Cameron 2001, p. 23). However, while the unemployment rate within Germany never dipped below 6 percent throughout the 1990s, this trend is not indicative of its overall performance during the process of European integration. One of the original members of the European Community, the German government signed onto the Treaty of Paris in an attempt to rebuild itself and regain its independence and international acceptance as a sovereign state (Dedman 1996, p. 64). While the actual influence that European integration has had upon the economic success of Germany is debatable, the country has had high levels of economic growth over the last fifty years due to the form of corporatism that emerged after World War II. Identified as the social market economy, the German government has used this system to provide a loose management of the economy and maintain stable growth by establishing broad frameworks for cooperation between capital and labor, rather than direct regulation. In fact, its style of economic regulation is the primary reason why Germany has not been more adversely affected by the recession throughout the 1980s and the economic costs of unification. Yet, with the infrastructure costs of integrating the East and West Germany economies peaking at approximately 20 percent of the entire budget, high levels of regional disparity and unemployment have plagued the German state. While western and south-western Germany has enjoyed relatively low levels of unemployment throughout the 1990s, the former East German *Länder* have averaged an unemployment rate of 20 percent or more (Cameron 2001, p. 17).

There are also differences between the two countries, which have further influenced the decision to compare them both. On the one hand, Ireland, which joined in 1973, is one of the smallest economies in the Union, has a predominantly male workforce, is an economy primarily focused on the service sector, and has an export to GDP ratio that exceeds 85 percent (Fortin 2002, p. 9). On the other hand, Germany, one of the original members, is the largest economy in the EU, has a workforce that is approximately 42 percent female, is relatively balanced between the industrial and service sectors, and possesses an export ratio that is nearly half of Ireland's (C. Allen 2000, p. 134). Furthermore, while the German economy may be classified as an "organized market economy" on the basis of the regulatory influence that the state plays, Ireland is primarily identified as a "liberal market economy" (Hall 2001, pp. 51-52). These very differences underline the rationale for including both cases. As one of the purposes of my research is to evaluate the extent to which European integration has influenced the social policies pursued by the member-states, a more complete understanding is achieved by analyzing two drastically different member-states. Moreover, the inclusion of these two specific cases is bolstered by the fact that their programs of economic restructuring and growth have been largely driven by similar policy arrangements. Just as Germany adopted the corporatist model of economic governance after World War II and experienced high levels of rapid growth, the success of the 'Celtic Tiger' has been largely attributed to the adoption of a similar model of centrally negotiated national wage agreements by the Irish government (Fortin 2002, p. 15). Identified by Martin Rhodes (2001) as "competitive corporatism," the Irish government negotiated seven agreements since 1987, in which "inflation proof benefits, job creation, and the reform of labour legislation" were emphasized, floor and ceiling levels were established for pay raises, and "trade unions have delivered industrial relations harmony" (p. 107). By analyzing two very different states that have experienced comparable economic growth through pursuing similar strategies, this study uses results achieved within each case study to develop more general conclusions that are applicable to the EU as a whole. Moreover, by examining two member-states that have entrenched systems of social partnership, this study is able to identify the impact of corporatist arrangements on socioeconomic governance.

Consequently, Chapter 5 surveys the changing dynamics of socioeconomic governance in the Republic of Ireland and how developments in European social policy and the practice of social partnership helped foster an ideological consensus between competing social forces. Focused on a wide range of social and economic issues, the social partnership agreements were centered on enhancing Irish competitiveness through fiscal conservatism, macroeconomic monetarism, and economic liberalization. However, a number of pressures began to develop in the second half of the 1990s that created fissures in the hegemonic consensus. This chapter also shows that social democratic initiatives from the EU and increased influence from civil society organizations after they joined social partnership exerted a counter-hegemonic pressure upon the consensus. Nevertheless, these alternative positions are now being re-integrated into the governing consensus of embedded neoliberalism, in parallel to the rising influence of the neoliberal discourse of competitiveness at the European level.

In a similar manner, Chapter 6 examines the historical conditions that led to the recent policy shift towards embedded neoliberalism in Germany and demonstrates how developments within the EU have engendered a reorientation of German socioeconomic governance. In particular, this chapter indicates how the reciprocal relationship between German and European policy networks has led to a growing congruence between national and supranational policies. Toward this end, this chapter also shows how the German tradition of industrial relations was a critical factor in shaping the development of corporatism at the EU level. Finally, this chapter concludes by examining the perceived crisis of the German welfare state and the manner in which developments in European social policy are contributing to domestic realignment toward embedded neoliberalism.

Finally, the concluding chapter details the core themes addressed in this book and evaluates the broader implications of my findings. First, the deepening of European integration has redefined the relationship between the member-states and the EU. Within the area of social policy, the process through which integration has evolved has resulted in an institutional arrangement that is neither solely intergovernmental nor clearly supranational; while welfare polices remain the responsibility of member states, the enhanced level of coordination demanded by the Treaty means that national governments are no longer able to solely determine their social policies in isolation. Reflecting this new institutional form, social forces that act in a transnational manner are able to exert a greater influence at both the national and the EU level. To a large degree, neoliberal actors have taken advantage of this new institutional form most successfully; by consolidating into a transnational class, capital has begun to operate at a transnational level and has been able to establish a hegemonic order that reflects their ideals and interests.

However, it is important to not conflate this new institutional form of state solely with the neoliberal historic bloc. Even though the new mode of social relations of production accompanying the neoliberal hegemonic project acts to hinder ability of neosocialist actors to consolidate into a transnational class, the pseudo-federal nature of social policy within the EU may potentially enable counter-hegemonic actors within member-states to also draw upon developments at the EU level to strengthen their national political projects. Still, it is also important not to overemphasize the agency of transnational actors within this new institutional form. Social forces that operate transnationally do influence debates over socioeconomic governance to a greater extent than actors that focus exclusively on either national or European debates, but the new strategic selectivity of the EU form of state still constrains the access of subordinate social forces—even if they continue to cooperate transnationally. In this way, the conclusion will also outline how the neoliberal mode of social relations of production has weakened the connections between subordinate social forces and depicted the divisions between the separate fractions of labor as insurmountable obstacles.

Through the explicit delineation of participants between social partners and other civil society organizations, the European social dialogue acts to institutionalize and normalize a particular form of class conflict, and positions employers and trade unions as privileged actors in both bipartite and tripartite processes. In this way, established trade union organizations, such as the European Trade Union Congress [ETUC], were "recognized and accepted as legitimate and came to perform regular functions in industrial relations" whereas other fractions of labor "never acquired such legitimacy" (Cox 1987, p. 65). As a result, established trade unions fear diluting their own influence by including other civil society organizations within the European social dialogue and the involvement of radical trade unions, social movement representatives, and other civil society organizations within debates over socioeconomic governance is limited. Even though recent developments, such as the increasing participation of established trade unions and the European Trade Union Congress in the European Social Forum, suggest that the degree of cooperation is expanding, all but established trade unions still remain explicitly outside the decision making process within most jurisdictions. While they may be consulted through mechanisms like the civil dialogue, civil society organizations must rely upon established participants to represent their interests within the actual policy debate.

Finally, the book concludes by examining the limited ability of reform-based projects, such as Social Europe or flexicurity, to effectively challenge neoliberal hegemony. Both of these projects rely upon the use of ideas and ideational power to shape the policy process. However, these types of reform-based strategies are particularly susceptible to being co-opted; while the language and terminology of a counter-hegemonic critique may be integrated into a governing consensus, it may not lead to any substantive shift in policy. In this way, proponents of an alternative policy model must ensure that the content of their critique is neither diluted nor redefined as it moves from proposal to practice. Even though some degree of compromise is necessary for any hegemonic project to foster the development of acquiescence throughout a society, this compromise should not be at the expense of the critique itself.