Debate around the social model: evolving players, strategies and dynamics

Introduction

Europe’s economic and social model was the centrepiece of an informal European Council in October 2005. This debate built on the issues addressed in 2004 concerning the future of the Lisbon strategy, which we examined in last year’s edition of Social Developments (Pochet, 2005a). The future of the European social model as such can be approached in several ways. Looking at it in terms of current affairs, one might draw attention to developments such as the comeback of right-wing governments in most European Union (EU) Member States, or the failure of the referendum on the constitutional Treaty in France and the Netherlands, a reflection of growing distrust in a Europe perceived especially in working-class circles as becoming increasingly liberal. One might also point to the German elections of September 2005, which some people – including British Prime Minister Tony Blair – hoped would result in an outright victory of the Right, with Angela Merkel and the radical privatisation agenda of the CDU.

But focusing on these different aspects of current events and taking a short-term perspective could mean losing sight of what is most important. In our opinion, what has been at stake since the launch of the internal market in the mid 1980s – and even more so since

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1 This contribution is the result of a current research project on the European social model funded by the Belgian Federal Public Service (SPF) “Social Security”. 
monetary union – is the choice of an economic and social model for growth at European level and in the Member States (see chapter by Andrew Watt in this volume). It is a fundamental choice, of much greater magnitude than what was discussed at the extraordinary European Council in October 2005.

This chapter will not explore the debate about the social model in itself (see on this subject the excellent article by Jepsen and Serrano Pascual, 2005) or about its various dimensions (see Goetschy, 2006), or even about the various phases of European social policy (see Pochet, 2005b). What we propose to do here is evaluate the economic and social policies of the past fifteen years in an effort to better discern the different strategies deployed by the economic and social players with a view to (re-)discovering a European growth path. We have written elsewhere about European-level changes being the result of tension between two major groups of players, whom we have dubbed “economic” on the one hand and “social” on the other (de la Porte and Pochet, 2002). In this chapter we shall distinguish four groups of players, namely two in each “camp”. This will enable us to highlight the alliances and conflicts between and within individual groups.

We shall in addition identify the goals being pursued and the chosen level (global, European, national). Each group possesses its own underlying economic vision, which lends overall coherence to its actions in the economic and social field and at the chosen level. The reading which we propose is a political reading, where the different players attempt to assert their own ideas. We are not interested here in a reading based on the interests of governments (Franco-German axis, role of small countries, strategy of the United Kingdom, etc.).

Our analysis begins with a brief presentation of the different groups involved. We shall then identify three periods: from Maastricht to the Amsterdam Treaty (1991-1997); from then until the Barcelona European Council (1997-2002); and, finally, the current period (2002-2005). We shall conclude by outlining three scenarios for the future.
1. The four groups: a brief description

Our description of the different groups involved has more to do with ideal types than with clear-cut distinctions between real players. Reality is complex, as always, and situations are often more blurred or fluid than descriptions would lead one to believe. This applies in particular to the case of the European Union, where the decision-making process can be accessed and influenced in a number of ways, where there are major sectoral differences from one policy to another, and so on. Various interpretations are possible, and we would endorse those recent analyses (Falkner et al., 2005; Manow et al., 2004) which stress the importance of politics and of left/right splits when analysing European developments.

1.1 The “economists” group

This group, which we refer to generically as “economists” on account of their role in the Ecofin Council and its committees, can be subdivided into two.

Group 1: Mainstream economists and central banks

This is the dominant group among the economists. It was they who brought about the internal market and monetary union. They believe that an active monetary policy is ineffective in the medium term because agents anticipate events in a rational fashion. They start from the assumption that economic and monetary union (EMU) is not an optimal monetary area. Adjustments must therefore be possible when national economies are affected by asymmetric shocks; these must be made through labour markets (flexible employment contracts, but also flexible wages), although in the first instance this group emphasises above all the link between individual and/or regional productivity and wages – rather than calling for wages to be lowered in absolute terms. The labour market must go back to being a true market, and collective functions must be confined to cases of market failure. In addition, social security deductions should be reduced and social protection – regarded as a burden – should be scaled down.
The principal level of action is the national level, the aim being to deregulate it. As for the EU, its task must be to remove obstacles to the markets in goods, capital, services and persons.

**Group 2: Analysts of endogenous growth theory**

On many points, the second subgroup of the “economists” is not fundamentally distinct from the first. The main difference is that it believes in bolstering the growth rate by investing in research, education and lifelong learning. These proponents of endogenous growth theory provided, *ex post*, theoretical elements to substantiate Jacques Delors’ 1993 White Paper (CEC, 1993). Unlike the mainstream economists, they are not backed by any particular social group. Their importance derives mainly from the position they hold within the Commission.

Their principal level of action is the national level. National budgets must be redirected towards growth-producing areas; so must the European budget.

1.2 The “social” group

We have likewise subdivided the “social” group into two. Unlike the two groups of economists, which are fairly compatible, these two groups have gradually diverged to such an extent that their agendas and priorities are increasingly different and even, on the most radical fringes, irreconcilable.

**Group 3: The traditional Keynesian Left**

These people stress the importance of macro-economic policies for growth and employment. EMU must be altered in their opinion because, unlike the previous groups, they believe that monetary policy is always effective in reducing unemployment in the short and medium term. The Maastricht criteria must therefore be modified, and the European Central Bank, taking its lead from the US Federal Reserve (FED), must back the goal of full employment. They argue in favour of establishing a European economic government.

The principal level of action is the European level, the aim being to substantially alter the monetary side of EMU and ensure greater economic policy coordination.
Group 4: The moderate Left, ETUC

This group is not guided by as clearly identifiable an economic corpus as the others. The role of governments is defined in relation to market failure, seen from a broad perspective. Members of group 4 do not basically take issue with monetary union. Whereas, like the previous group, they would like to see more active demand-side management, they also point out the need for a supply-side policy (human capital). Political union, the indispensable basis and pre-requisite for a true social union, must be reinforced above all else. The aim is to add an employment/unemployment criterion to the Maastricht criteria. Lifelong learning is an appropriate response to globalisation. They focus on the issues of poverty and social exclusion. They accept globalisation, whose adverse social effects must be tempered.

In their opinion, the principal level of action is the European level, which should be supplemented in order to achieve political union. Well-balanced reforms should be carried out at national level.

Having rapidly described these four groups, let us now see how their interactions and alliances have evolved during the course of the past fifteen years.

2. Developments over the past fifteen years

Three periods can be distinguished. The first covers the establishment of EMU; the second is when the final touches were put to it; the third begins with the comeback of centre-right and right-wing governments in a majority of Member States.

2.1 1992-1997: from the Maastricht criteria to the Stability Pact

The inclusion in the Maastricht Treaty of the goals of monetary union and the attendant criteria marked a victory for those who advocated deepening the economic dimension, as opposed to the social and political dimension, of European integration. EMU was devised without any proper consolidation of political integration. In other words, progress made towards political union was no match for the step-change represented by the goal of a unified monetary area. As for the social dimension, it was relegated to a protocol containing the Social Policy Agreement from which the United Kingdom opted out, thereby
preventing the real progress written into it (qualified majority voting, role of the social partners) from becoming effective until the start of negotiations leading to Amsterdam.

The European Commission’s 1993 White Paper on Growth, Competitiveness and Employment constituted the first attempt at an alliance between groups 2 and 4. It quite brusquely dismissed the idea of a collective reduction in working time, which had been central to the demands of the Left during the 1970s and 1980s and was to become the priority of the French Socialists in 1997.

That alliance was a pragmatic one: the White Paper sought to summarise the different approaches within the Commission, and some of its chapters are rather contradictory. Yet the document was after all masterminded by Jacques Delors (Ross, 1995) and sent out a coherent overall message.

It was not until later that a more theoretical basis (endogenous growth theory) was advanced to justify the Commission’s approach. An article appearing in the journal “European Economy” in 1996 stated: “Since the publication of the Commission’s White Paper on growth, competitiveness and employment, the ideas contained in the latter report have been progressively incorporated into the Community’s economic policy message (...). In this context, the present technical study tries to give a short synthetic description of current economic thinking relative to the White Paper” (CEC, 1996: 33).

This line of reasoning was taken up in other documents, most notably the Green Paper on innovation (CEC, 1995: 9), which points out that: “The new theories of growth (known as ‘endogenous’) stress that development of know-how and technological change – rather than the mere accumulation of capital – are the driving force behind lasting growth”.

But the Ministers of Finance stuck firmly to their radical positions, rejecting a policy of major infrastructure projects (“missing links”) and insisting above all else on budgetary discipline.

2.2 1997-2002: from selection for EMU to the Barcelona European Council

In 1997, a majority of governments included social-democrat or socialist parties for the first time in the history of the EU (Manow et al,
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2004). New Labour in the UK tried to unite modern-day socialism with liberalism around the idea of a “third way”.

The negotiation of the Amsterdam Treaty opened up new horizons. Group 1 (mainstream economists) sought to set in stone the criteria for monetary union, and spearheaded the adoption of a Stability Pact.

Group 3 (and 4) tried unsuccessfully to alter the Stability Pact and added the word “growth” purely for the sake of form. Group 3 received backing from the German Minister of Economics, Oscar Lafontaine, when the SPD won the 1998 election, but he soon resigned from office. The main achievement was the macro-economic dialogue between the European Central Bank (ECB), social partners, Ministers of Economics and Finance, and Ministers of Social Affairs.

Group 4 achieved a Title devoted to employment in the Treaty, which constituted the point of departure for the European Employment Strategy (EES) (Goetschy and Pochet, 1997) and, more generally, for the open method of coordination.

Groups 1 and 2 were caught unaware by the insertion of the employment Title and by the push for a European Employment Strategy, since they thought monetary union could be used as a tool of social deregulation. As pointed out by Dyson (2002: 101) “The ECB-centric eurozone policy community had to absorb and accommodate the so-called Luxembourg ‘process’ – with its annual employment guidelines and national action plans – and the Cologne ‘process’ – the Employment Pact and the macroeconomic dialogue. These developments opened up the dialogue about EMU by transforming the definition of who was in the policy domain”. However, the “economists” fought back on the wages and labour-costs front and went on the offensive again regarding pensions, seen by them as problematic in terms of stabilising public finances in the medium term.

More generally, the long-term sustainability of public finances was to become the priority theme for group 2 (Sapir et al., 2003).

Mention should also be made of the adoption in 1998 of the Cardiff process on freedom of movement for goods, services and capital. This process never gained a high profile and remained largely a paper exercise.
A Commission Communication on social protection, published in 1999, paved the way for using "open methods of coordination" in this area (CEC, 1999). Four major themes were addressed: pensions, poverty and social exclusion, healthcare, and making work pay.

It is interesting to contrast the positions of the four groups on this subject.

Group 4 regards social protection as a factor of production (Netherlands presidency of 1997) and, with support from the 1999 Finnish presidency, attempted to Europeanise this issue. Group 1 opposed the idea, on the grounds that social protection is above all a "burden" which should be offloaded and privatised as far as possible. Group 2 did not tackle this matter directly, focusing instead on the sustainability of public finances. However, inasmuch as it believed that budgets should constantly be balanced, deficits should not be allowed to accumulate and investment in the factors of growth (education and research, in its opinion) should be encouraged, it was only logical that the public share in social security should be cut back. Group 3 was opposed to these approaches and to the "marketisation" of social protection, especially because its prime objective was to get people into jobs whatever the cost. Strong social protection system is still seen as an alternative to capitalism.

2.3 Freeze frame: 2000, the Lisbon European Council

The Lisbon European Council of 2000 was a key moment. It took place in a context where social-democrat governments had a clear majority in Europe and where alliances were shifting. Group 2 was distancing itself from group 1 and aligning itself with group 4. This alliance between 2 and 4 was personified by Maria João Rodrigues, former Portuguese Minister of Social Affairs and holder of a French doctorate in economics, who played a crucial role as a broker. Investment in a knowledge-based society was the concern shared by both strands. According to Rodrigues (2002: 14), "The Lisbon strategy launched by the European Council of March 2000 was precisely the elaboration of a European comprehensive strategy for economic and social development in the face of new challenges: globalisation, ageing, faster technological change. Its central idea is to recognise that, in order to sustain the European social model, we need to renew it well
as well as to renew its economic basis by focussing on knowledge and innovation. This should be the main purpose of an agenda for structural reforms”.

The open method of coordination (OMC) was the procedural brainchild of group 4 in an attempt to achieve European social convergence.

The compromise between groups 2 and 4 relates to levels of action as well, since the OMC contains both national reform programmes (priority of group 2) and a means of creating a social Europe (priority of group 4) (Vandenbroucke, 2001).

The European dimension was constructed by adopting joint European indicators (at one stage there were almost 150 for the EES) and by standardising the national data contained in the various national action plans. The aim was to facilitate comparisons and to continuously improve the indicators; the reason for the proliferation of indicators was to give a fuller picture of complex realities. This applies in particular to the fight against poverty and social exclusion (Atkinson et al., 2002). Group 1 for its part focused on a smaller number of more classic structural indicators.

An undeclared war was also being waged between groups 1 and 4, especially on the subject of pensions (de la Porte and Pochet, 2002; Pochet and Natali, 2005). The response from group 4 to the offensive from the Finance Ministers and their committees on pensions was to create the “pensions OMC”, designed to highlight the social aspects of these.

Group 4’s preferences likewise lay behind the “poverty and social exclusion OMC”. It is worth noting that (subject to resource availability) measures to combat poverty and social exclusion are fully compatible with the views of the mainstream economists’ group, provided that this policy of combating poverty does not take centre-stage.

This alliance between groups 2 and 4 around the knowledge-based society deepened the divide between the two social groups. One of these (group 3) criticised the liberal thrust of the policies advocated in the EES, the absence of a clear European dimension with binding
measures, and the weakness and underlying prescriptive intent of the indicators (particularly the use of employment rates as a key indicator) (Salais, 2004). But group 3 became increasingly marginalised, above all because it had no strong mouthpiece within social-democrat inclined governments. Their only institutional achievement – macro-economic dialogue – was reduced to its simplest expression. Moreover, several heavyweight intellectuals (Esping-Andersen, Atkinson, Boyer, etc.) rallied to the cause of group 3 (Portuguese, Belgian and Greek presidencies but also the Commission). Group 4 had no such resources to validate its theses.

This consensus lasted for just over two years before several changes occurred. The first was political. In 2002, the Barcelona European Council signalled the end of the predominance of social-democrat governments and the start of a new liberal ideological offensive. The takeover happened by means of a streamlining process involving economic policy (broad economic policy guidelines - BEPGs) and employment (EES). The argument went that these processes needed to be simplified (it was easy to lose the plot) and better integrated. This resulted in a fresh balance of power in two senses.

First of all, the already weak links between employment and social security were now severed. The two communities/networks became structurally separate (even though some crossovers, or passerelles, were envisaged). Social security matters were now dealt with in a distinct process, and its component parts – pensions, poverty and social inclusion, healthcare – were to be brought together at a later stage, in 2006 (for a critical approach, see Marlier and Berghman, 2004).

Secondly, a third element – the market in goods and services – was added to macro-economic policy and employment. The new process in fact incorporates under the heading “micro-economic policy” the objectives formerly contained in the Cardiff process.

On the grounds that the OMC was ineffectual, a general offensive was launched (both by groups 1 and 2 and by group 3, all of which had always been suspicious of the OMC).

The first Sapir report (Sapir et al., 2003) on the (lack of) growth in Europe symbolises the change in group 2’s approach. This report proposes organising the European budget around factors of
competitiveness and growth (research and development and investment in these activities), which are the priorities of group 2. On the other hand, it totally ignores the social dimension, including social cohesion and environmental concerns. It advances the hypothesis that in this configuration (without the common agricultural policy, whose budget would be slashed) a budget of 1% of Community GDP would be sufficient.

2.4 2003 onwards

The operation of the OMC first began to be discredited in the reports penned by former Dutch Prime Minister Wim Kok – the Kok 1 report (Kok et al., 2003) on the EES and the Kok 2 report (Kok et al., 2004) on Lisbon – and then in critical remarks by the Commission. (It should be remembered here that when the President of the Commission, José Manuel Barroso, took over from the Socialists in Portugal, he put a stop to all innovations related to the Lisbon strategy in his country). Then came the onslaught on the social model, of which the Sapir 2 report drawn up by the Ecofin Council is emblematic (Sapir, 2005). This report maintained that there is no such thing as a European social model, but only national social models, and that the Union must therefore concentrate mainly on structural reforms and on completing the internal market, especially in services.

The alliance between groups 2 and 4 collapsed over the European dimension of the OMC, with group 2 insisting that social affairs must be handled at national level.

Three different sets of changes were carried out. The first entailed grouping together the various processes, with a view to simplifying (“streamlining”) them and subordinating the European Employment Strategy to economic objectives. The second involved abandoning European aspirations and falling back on national reforms. The third consisted in addressing issues in terms of competitiveness and no longer in terms of a society based on knowledge and innovation. We shall now review these three areas of change.

a) Streamlining the various processes

The streamlining of the processes with a view to simplifying them led to the EES becoming increasingly subordinate to the BEPGs and to
internal market objectives. The players in the Cardiff process (which was not operating, as we have already said) discovered a new opportunity to enter into the dominant Lisbon process by way of a micro-economic approach. Commissioner Verheugen and his officials did not pass up this opportunity (2). One sign of the shifting balance of power was the fact that group 1 achieved two references to wages and one to overall wage costs in the 24 integrated guidelines (see last year’s *Social Developments in the European Union*).

**b) European aspirations are abandoned**

The discourse on the OMC as a component part in the formation of the European social model came to an end. The sole objective now assigned to it is the implementation of reforms at national level. The Kok report makes no bones about this: all parties know what must be done (the diagnosis exists and is a good one); what is lacking is the political will at national level to do it (i.e. to implement reforms which may be politically and socially awkward). The OMC is designed to help overcome such obstacles. This strategy runs counter to the approach whereby the European level serves as a discussion forum for deciding which are the best national policies and attempting to generalise them (the “learning” and “bottom-up” aspects; for developments in this respect see Zeitlin, 2005).

This strategy, aimed at abandoning the European dimension, means not only diminishing the role of European indicators by making them fewer in number and less visible, but also diminishing the comparability of national plans. The European Employment Strategy is a case in point. Having spawned more than a hundred indicators, the EES downsized to sixty or so, consisting of basic indicators and contextual indicators. In November 2005, the Employment Committee tasked its “indicators” subgroup with drawing up a limited set of indicators (25 was the number suggested) for the new integrated strategy. The German delegation even proposed scrapping the so-called contextual indicators, whose purpose is to make more sense of the primary indicators. Having twenty or so indicators would mean getting back to the most traditional

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2 I am grateful to Jonathan Zeitlin for this comment arising out of his interviews.
indicators (which can be found in any OECD publication) and shelving the idea of including additional indicators to give a fuller picture of complex social realities.

Once greater flexibility is encouraged at national level in order to prioritise the issues of greatest concern to each country, one loses the database of information supplied by relatively standardised national action plans (i.e. covering all aspects of the EES). In its first review of the Lisbon programmes, the Commission identifies 290 priorities including 94 new ones.

There has been criticism regarding the number of indicators and the excessive rigidity of national plans, but a total lack of any alternative strategy. Basically, those Member States in favour of continuing the process have endeavoured to restrict the changes but have not put forward any persuasive arguments in favour of this approach. The Party of European Socialists decided at the end of 2005 to launch broad-based internal deliberations about the European social model.

However, the attempt to eliminate the social OMCs, or at least to make them entirely peripheral, has been a partial failure. The NGOs involved in the process and, to a lesser extent, the European Trade Union Confederation (ETUC) have been the most vocal critics of this attempt to sideline the OMCs.

As stated above, the continued existence of the poverty/inclusion OMC is not seen as a problem by groups 1 and 2, provided that it remains marginal compared with other policies.

c) Competitiveness – the number-one priority

The objective of competitiveness carries more weight than the knowledge-based society in the Lisbon reform. Along with this there is an offensive in favour of the “services” directive, which incites competition between one country and another (Van den Abeele, 2005), as well as initiatives related to “better regulation” (see chapter by Van den Abeele in this volume).

While the Commission’s document on the European social model (CEC, 2005) was in its preparatory stages, an internal memorandum clearly revealed the mainstream economists’ state of mind: “Ensuring a
sufficient level of investment in developing (education, training), preserving (health) and activating (child and elderly care, employment measures) human capital”. According to this way of thinking, social policies are nothing but a tool used in achieving economic performance. Healthcare is no longer a basic right but a means of producing healthy workers. Esping-Andersen’s idea (Esping-Andersen et al., 2002) of investing in young people is viewed in terms not of equal opportunities but of reinforcing human capital: “eliminating disincentives to work” (even though governments have revised the benefits they provide in relation to net wages, this issue persistently returns to the agenda with particular reference to people who are disabled or on sick leave); “enhancing the efficiency of social policies and services; and finally organising the financing in a way that minimises the negative impact on employment and growth”. It says in the body of the text that this should be done by abolishing employers’ contributions and by giving workers a choice between social security contributions and net wages. All DG Employment did in the face of this steamroller was to issue a feeble text recalling priorities already agreed on.

The only new element is the proposal to establish a Globalisation Adjustment Fund, although we should recall here that such a fund has existed since the 1960s in the United States.

3. What of the future?

Circumstances appear to be particularly difficult for the two “social” groups. On the one hand, they are more divided than ever over their strategic vision of the future. On the other, enlargement has not strengthened the position of these groups. Let us look in more detail at both of these aspects.

The split between groups 3 and 4 about priorities has widened since the adoption of the draft constitutional Treaty. The rejection of the draft Treaty has radicalised part of the group in its criticism of Europe’s liberal leanings (see Fitoussi and Le Cacheux, 2004). Nevertheless, and this became especially plain in the wake of the French “no” vote, the members of group 3 are not proposing any well-structured alternative project, apart from enhanced cooperation around monetary union. A critical attitude to the conditions of enlargement makes it difficult for
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this group to rethink its strategy in relation to an enlarged Europe which is continuing to expand (start of negotiations with Macedonia, Serbia and Turkey).

Group 4 not only supports the constitutional Treaty but is also seeking to salvage what it can of Lisbon. Maria João Rodrigues, who was the linchpin of the Portuguese presidency, acted as an advisor to the Luxembourg presidency and caused it to revisit the issues of innovation and the knowledge-based society. These themes are to be found in the conclusions of the Luxembourg European Council held in March 2005.

Enlargement heightens these centrifugal tendencies. It has produced three developments.

1. The social dimension does not emerge any stronger – neither its legislative, collective bargaining nor soft regulation component. Even though the central and eastern European countries constitute anything but a monolithic bloc, their shared experience of emerging from Communism hardly endears them to the notion of developing a supranational social dimension, especially since they do not enjoy full freedom of movement for workers (see chapter by Dalila Ghailani in this volume).

2. There is a wider diversity of social systems. It is difficult to slot the new Member States into the classic categories established by Esping-Andersen and others.

3. The law of large numbers dictates procedural changes (for example, peer review in the Cambridge process now takes place in four subgroups, with a plenary session to summarise the discussions).

By contrast, other changes have strengthened groups 3 and 4. They (together with group 2) prompted the revision of the Stability and Growth Pact. Admittedly, many economists – including some in the mainstream – had criticised the Pact for being rigid and inappropriate. Admittedly, it had been proposed that certain expenditure, such as investment in the future, should no longer be taken into account when calculating deficits. It nevertheless remains the case that the revision in itself (despite its imperfections - see below) signals a victory over what had appeared to constitute a strong consensus among the economic and
monetary elites (Watt, 2005). Be that as it may, a careful reading of the new Pact tells us two things. Firstly, whereas there was a consensus around amending the Pact, there is still no strong consensus about what it is authorised to do, nor about the margin of flexibility around the 3% threshold. Secondly, more than one page out of 14 is devoted to pensions, with a view to permitting/facilitating the transition from pay-as-you-go system to personal account (the cost of this switch is substantial: while contributing to their own pension pots, workers must still pay for today’s pensioners) (see also the chapter by Andrew Watt in this volume).

4. Where do we go from here?

Having taken stock of the players involved and their ideas, let us now look ahead. In our opinion, three scenarios can be sketched out. They are of course over-simplified but do indicate three different ways forward. We have named them “Voice”, “Loyalty” and “Exit”.

4.1 Voice

This scenario entails a renewed alliance between “social” groups 3 and 4. This could for example take the form of promoting enhanced cooperation around EMU and the countries belonging to it. There would need to be a strong consensus on pushing social issues up to European level and constructing solidarity at this level.

One example in the social policy field would be the creation of a minimum wage proportionate to average earnings in all 12 countries. The main weakness of this scenario is the very unfavourable context (e.g. with the Netherlands now turning Eurosceptic). Its main advantage is the formation of a consensus about putting additional touches to monetary union. Moreover, the “voice” scenario reduces complexity because decisions are taken by 12 countries – or by 15/16 if some of the new Member States join EMU between now and 2010 – and not by 25, 27 or even more.

4.2 Loyalty

This second scenario relates to an alliance between groups 2 and 4 aimed at preserving Lisbon and returning to the initial project. The advantage is that, contrary to the first scenario, it is not in crisis. It
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prolongs a trench warfare situation whereby each party attempts to have a phrase favourable to its position inserted into European Council conclusions. This is the usual method of resolving conflicts in the building of Europe. The limitation is that it would appear difficult to resurrect such an alliance because, despite the French referendum, the protagonists’ positions have scarcely changed. However, the Commission’s proposal of March 2006 to create a Globalisation Adjustment Fund may constitute a step towards re-establishing the alliance between groups 2 and 4. It is not a matter of declaring globalisation to be intrinsically good (group 1) or bad (group 4), but of attenuating its most obvious social consequences, namely restructuring.

4.3 Exit

This scenario starts from the assumption that the balance of power at European level is structurally unfavourable to social policy. The principle of subsidiarity should be reapplied to social affairs (the European Union should play no part in it), and the European institutions should focus on the changes needed in respect of economic and monetary affairs. They should for instance carry out a proper reform of the Stability Pact or else confront the issue of tax, especially company taxation.

The limitation of this approach is that it is hard to justify, because the discourse constructed about social Europe over the past few decades has been the need for it to be created. Its advantage is that it focuses on essentials and on the real sources of social tension, i.e. the chosen monetary and economic model. What is more, this scenario mounts a rearguard action against groups 1 and 2, which have always advocated a predominantly national social dimension.

Obviously none of these scenarios will be followed to the letter, but they do nonetheless illustrate all the potential choices, alliances and strategies.
References


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