The argument for a European Social Union rather than for a 'social dimension' of the EU is both a necessary and radical shift of focus. This position is possibly even more radical than was anticipated at the start of this debate, in so far that it requires moving beyond the necessary, but limited, focus on redistribution and on the respective responsibilities of national welfare states and of the EU – i.e., beyond the full implementation of the European Social Pillar, however important that may be. **Taking up Vandenbroucke's idea that "for the Pillar to have an impact on EU policy-making, a first condition is that its *raison d'être* is sufficiently powerful", my thesis is that its *raison d'être* is to use its role as a supra-national space and player to develop instruments which contrast unjust inequalities**. If achieving a European Social Union means developing a fairer society for all its citizens (and also for non-citizens who come to live here), the causes of 'unfairness' and of inequality-producing mechanisms, including those created by the Union itself, should be tackled. It is not only a matter of balancing 'active' vs 'passive' measures, 'enabling' vs 'compensating', or 'protecting' policies, nor simply 'insuring' against social risks. Rather, it is also, and foremost, **a matter of intervening in the socially structured and often legally underpinned drivers of inequality at the distributive level**: where income and wealth are accessed and accumulated in ways and according to rules that are far from being always fair.

Why inequality is increasing and why we cannot afford it

In developed, democratic societies, inequality has now reached heights unknown since the post-War years, as documented by a vast literature, including the OECD reports of the last 15 years, albeit in different degrees across countries. This process has also involved the traditionally more egalitarian countries, such as Sweden which, until the 1970s, was the most egalitarian country within the developed countries; however, according to Goran Therborn, it is now one of the most unequal with regard to wealth and only average with regard to income.

The EU contributes to the drivers of inequality by favouring inter-country (and even inter-regional) competition without regulating the movements of capital and enterprises within, as well as outside of, the Union *itself.*

There is a general consensus on the reasons for the increase in inequality, although individual analysts may focus more on one or another. **Four main drivers have been detected. The first is the increasing power of capital over labour**, due to the combination of capital mobility, labour market flexibilization, and technological change, in a context of the weakening of the strength of trade unions. **The second is the rise of oligarchic capitalism**, due to the concentration of income, wealth, and power in the top 10% of citizens – and most notably in the ultra-rich top 1%. This concentration, in turn, is not only nor mainly the result of the traditional concentration of wealth, but of an unprecedented gap in wages between top managers and other workers; this concentration has little to do with the added value and merit of the former, but largely with the monopolistic positions they hold, as well as with the way their compensation is structured. A large part of this, in fact, is paid in the form of bonuses and stock options and, thus, under often less traceable and more favourable taxation rules. As a consequence, an increasingly lower share of gains goes to workers. **A third driver is the individualization of economic conditions**. Workers are increasingly divided in terms of family backgrounds, education, or employment contracts – permanent or temporary, full-time or part-time, etc. – and polarized in terms of skills and wages. This makes it difficult to detect clear common interests around which to collectively organize in order to counter the diminishing value of wages. **The fourth driver is the retreat of politics**. In the name of market self-regulation, national governments, and also international bodies including the EU, have reduced their control on market rules at all levels: labour market and capital movement regulation, distribution and use of profits, and regulation of the social impact of technological development. While this retreat has de facto encouraged oligarchic – rather than true market – capitalism, it has also reduced the space for redistribution through taxes, public expenditure, and provision of public services outside of the market. It must be added that, according to a substantial body of research, inequality at the economic level translates – also in democracies – into inequality in the political arena and reduces chances to support measures and reforms favourable to the more disadvantaged. **Growing economic inequality is, therefore, a risk in itself not only for development, as pointed out in the most recent OECD reports, but also for democracy**.

The EU contributes to the drivers of inequality by favouring inter-country (and

even inter-regional) competition without regulating the movements of capital and enterprises within, as well as outside of, the Union itself. Therefore, it allows the unfairness of competition between different systems of social protection and levels of minimum wages. It is a paradox that an international community that shares common economic rules (and currency) and acts as an open market, where every enterprise can move and compete with everybody else, has not considered what this means for the social and economic structure of its member countries and for the financial underpinnings of national welfare states themselves. As EU members, they must comply with EU directives on the mobility of both labour and capital, anti-monopolistic regulations, and so forth; however, as Eurozone members, they must also contend with budget rules concerning deficit and public debt. As a result of these same rules, they have little control over who moves where across the EU, both at the individual and at the enterprise and financial level.

> *How long can we agree to accept that, within the EU, the poverty thresholds measured in reference to the median national incomes, if translated into PPS, indicate enormous cross-country differences? Households living at the level of poverty line risk in Belgium can afford more than 2.5 times more goods and services than similar households in Hungary.*

The unfairness of growing inequality has been strengthened, de facto and in public opinion, by the asymmetrical impact of the Great Recession, with lower income households having suffered the most. The better performance during the recession of countries with stronger and more universal welfare states, as mentioned also by Hemerijck in this Forum, certainly speaks in favour of the positive role of well-designed national social protection systems in navigating the crisis and buffering the most disadvantaged at the national level. In a contest of differently performing economies, however, strict common budgetary rules (particularly within the Eurozone) risk widening the inter-country gaps in national welfare states' capabilities to protect their citizens. **The EU itself, rather than being perceived and functioning as** (in Hemerijck's words) **a 'holding environment, based on shared values and a common purpose, matched by competent**

institutions, in times of painful adaptation' risks being identified as a space of inter-country blaming, of asymmetrical power relations, and a cause of misery and disruption for the most marginal and/or most disadvantaged. In this context, populist/nationalist movements and parties do not only collect the dissatisfaction of the 'losers'. They also assemble the dissatisfaction of those who, without being losers, feel threatened in their way of life by the possible demands coming from other member countries and from intra-EU imbalances.

The differential exposure to unregulated migration from developing countries, the unwillingness of many Member States to share the responsibility for hosting refugees and asylum seekers, and the inability of the EU to develop and implement a joint migration policy further add to the weakening of a positive EU 'holding' role while increasing intra-EU conflicts.

In order to counter this risk, at the redistributive level, it is not enough to promote what Ferrera in this Forum describes as a 'process of "coming together" of already existing welfare states, allowed to maintain their "legitimate diversity"but (i) committed to mutual adaptation based on jointly defined criteria and (ii) open to engage in some risk pooling'. Or, at least, the third item in the list should come first. As mentioned by Vandenbroucke and Matsaganis in this Forum, **the role of the EU at the redistributive level, and also the monetary union specifically as an 'insurance union', is important; this is not only for solidaristic or functional reasons but also in order to correct the inequality-producing mechanisms set in place by the EU being an inefficiently and asymmetrically regulated open mobility space**. In this perspective, I share Vandenbroucke's hopes for the Commission's initiative concerning the European Labour Authority with the task of organizing and enforcing 'fair mobility' across EU countries, and his proposal for some kind of *European Unemployment Risk Sharing* instrument. However, I also share his disillusionment for the failed promise of a 'hard' legal initiative on 'access to social protection' in parallel with the European Social Pillar. Furthermore, as pointed out by Matsaganis, **any EU-wide minimum social protection should also tackle two crucial issues**. **One is the growing differentiation within the labour market and labour contracts**, which exclude a growing number of workers from traditional unemployment benefits. Re-insuring these at the EU level, without rethinking the instruments of unemployment protection in a diversified and often deregulated labour market, risks crystalizing this exclusion. **The second issue concerns diversity, with regard to eligibility and duration rules, as well as in subsistence levels of the national systems of social protection**. I wonder, from this perspective, how long we can agree to accept that, within the common political, economic, and social space of the EU, the poverty thresholds measured in reference to the median national incomes, if translated into PPS, indicate enormous cross-country differences. Households living at the level of poverty line risk in Belgium can afford more than 2.5 times more goods and services than similar households in Hungary. Those in the same situation in Luxembourg can afford seven times more goods than those counted as poor in Romania. These differences in level, and not only cost, of living have increased greatly with the inclusion of the Eastern European countries, while the 2008 financial crisis has deepened the 'older' North-South differences. **The promise included in the Treaty of Rome – the 'harmonization of the living and working conditions' – seems farther away than ever**.

Redistribution is not enough if the drivers of unfair inequality are not tackled at their sources. It is also necessary to intervene at the level of distribution, with the mechanisms that determine who gets how many resources. It is necessary, therefore, to develop what have been called 'pre-distributive policies'.

These differences in levels of living are not only a serious obstacle in building any kind of pan-European solidarity. They are also a great temptation for wages and social protection dumping, thus feeding nationalist and populist parties and public opinions. It may well be, as Hemerijck argues, that **'cognitive inertia prevented a generation of European policymakers from recognizing that greater cross-national heterogeneity also allows for better joint-insurance'. However, overcoming this cognitive inertia is more easily said than done, because it now feeds the emotional basis of emerging nationalism and of anti-EU hostility**. Yet, overcoming that inertia and addressing those huge inequalities in levels of living and in social protection (in some cases also in basic democratic rules) is a challenge that cannot be avoided. It should become a more explicit and better-monitored target of structural funds, which in turn should be better coordinated with the goals of the European Social Pillar. In this perspective, I share Cantillon's proposal concerning the process and possible building blocks towards a decent income for all guarantee.

Why the EU needs a pre-distributive agenda

Redistribution is not enough if the drivers of unfair inequality are not tackled at their sources. It is also necessary to intervene at the level of distribution, with the mechanisms that determine who gets how many resources. **It is necessary, therefore, to develop what have been called 'pre-distributive policies'**, but which might simply be called 'fairer economic policies'. The aim of these policies, in fact, is to promote market reforms that encourage more equal distribution of economic power, assets, and rewards before government collects taxes or pays out benefits. Pre-distribution seeks to restructure the market economy, ensuring that fairer outcomes for all be secured without sacrificing long-term growth and productivity. **Rather than wholly relying on the redistributive sphere of social policy, therefore, the aim of pre-distribution is to address the structural context of contemporary capitalism**: the quality of work and the satisfaction it generates; the allocation of 'good' and 'lousy' jobs; the prevailing framework of employment rights and market flexibilities; the distribution of the benefits of technological change; and the unequal impact of globalization. **Going beyond an equal opportunity framework which focuses mainly on the individual level, the aim of pre-distribution is to eliminate biases that benefit privileged groups, promoting public interest objectives that reduce the need for *post hoc* government intervention**. Its agenda encompasses and includes some of the measures highlighted by Vandenbroucke, such as the already mentioned Commission initiative concerning the European Labour Authority in order to organize and enforce 'fair mobility' across EU countries. It also considers some of the concerns of the social investment agenda, in particular, its focus on education and on work-life balance policies. It also includes the introduction of legislated minimum wage thresholds, to protect the more vulnerable workers, together with the strengthening of the role of trade unions. Yet it also aims at reforming financial systems to reduce moral hazard and the loading of their costs onto the taxpayers. It argues in favour of limiting executive and CEO pay awards, which often lose their reference to any added value based on evidence and have widened the gap between the top and the average wage earners. In a counter-trend compared with what has happened in most capitalist democracies in recent decades, proponents of a pre-distributive agenda are also in favour of the taxation of inheritance, in order to limit the intergenerational transfer of inequality and to allow some social, rather than familial, redistribution at each generational passage.

On the eve of the European elections, a pre-distributive agenda and, more generally, an agenda where the social and economic dimensions are closely linked together, is finding its way both into the European intellectual community and into some political platforms

Following Ferrera's attempt to make sense of and systematize the already existing EU institutions within the social policy field, **one might detect a few already existing items of the EU pre-distributive agenda. Some of these are hard policies; others are soft policies and are often at risk of being overcome by EU rules concerning the formation of national budgets, rather than being a focus of negotiation over budget between the Commission and national governments**. Anti-monopolistic regulation pertains to the hard policies. It should be added that this is argued for more in terms of supporting market competition than, as it should be, in terms of busting undue privileges. Support for education, including early education and work-life balance policies belong to the 'soft' set. **Putting some weight towards supporting their implementation within the negotiation of national budgets would be a positive move, demonstrating that the EU is not only interested in making national governments comply with its financial rules, but also, first and foremost, in improving the life chances of its citizens**. Unfortunately, this has not been the case until now.

The emerging interest in drafting a pre-distributive agenda

The good news is that the problem of intra- and cross-country inequality is emerging as a central issue in policy debates and there is a growing awareness that, although redistributive policies are important and social rights need to be strengthened, something must be done at the distributive level, not only to improve individual life chances, but to contrast the mechanisms that produce excessive and unfair inequalities. **On the eve of the European elections, a pre-distributive agenda and, more generally, an agenda where the social and economic dimensions are closely linked together, is finding its way both into the European intellectual community and into some political platforms**. Matsaganis has already mentioned the Green platform, which, among interesting redistributive proposals, mentions a clear pre-distributive one: a directive on an adequate minimum income and uniform European rules on minimum wage. Two other very recent initiatives are worth mentioning in this line.

The first initiative is the manifesto drafted by Manon Bouju, Lucas Chancel, Anne-Laure Delatte, Stéphanie Hennette, Thomas Piketty, Guillaume Sacriste and Antoine Vauchez, which is now collecting thousands of signatures across Europe. This manifesto, tying together the social and economic dimensions of the EU, proposes stipulating a treaty on the democratization of the economic and social government of the European Union which recommends a EU budget based on four common taxes (on corporate profits, high incomes, wealth, and carbon emissions) in order to put the issues of inequality, climate change, research and social protection at the heart of the European growth regime, replacing the 'hard economic logic of ultraliberalism'. Consisting of 4% of European Union GDP, this budget should finance research and universities, direct investments towards sustainable forms of growth with regard both to inequality and the environment, provide for the reception and integration of migrants, support agents involved in the transition, and direct transfers to nation states to reduce taxes on lower incomes.

Only by addressing the issue of unfair inequalities and their roots is there a chance of developing a European policy that acknowledges the good reasons for the resentment and fears caused by globalization and technological change, and which takes part of the responsibility for finding solutions.

The second initiative I wish to mention is the *Sustainable Equality Report* by the Progressive Society, an initiative sponsored by the Parliamentary Group of the Progressive Alliance of Socialists & Democrats in the European Parliament (S&D Group). This report starts from the idea that 'policies and actions targeted at re-empowering people and re-shaping our economies must be combined with a range of policies that specifically target poverty and excessive inequalities linked to gender, income, wealth, origin, and place of residence –– and poverty'. To this end, the report, on the one hand, at the re-distributive level, advocates the full implementation of the European Pillar of Social Rights principle by 2012, the introduction of a European-wide Child Guarantee, the development of an Anti-Poverty Plan, including the introduction of a directive on a minimum income guarantee, and support for a reform of existing social protection schemes in order to take account of both changes in the labour market and environmental risks. On the other hand, at the pre-distributive level, in addition to the launch of a vast European Fair Wages Action Plan particularly focused on improving the lower wage group, the report argues in favour of EU regulatory action to make all business forms much more accountable for their social and environmental responsibility. Minimum business obligations towards society as a whole should be enshrined in European legislation and sustainable public procurement should become the norm. The Report also stresses the need to strengthen the regulation and supervision of the financial sector, 'to ensure that they play their full role in financing the transition to sustainability, provide adequate finance to smaller firms and consumers, and recognize and manage new risks, including shadow banking'. In order to reduce the social damages of footloose capitalism, it also suggests that the largest firms be subject to stricter rules embodied in a binding Corporate Responsibility Passport necessary to operate inside the Single Market. Similar to the Manifesto quoted above, the Progressive Society Report proposes to finance these and other initiatives geared towards reversing growing wealth inequality and financing social policy aimed at ending poverty through a European Net Wealth Tax and through a Financial Transactions Tax.

These proposals may seem even more unrealistic than the pure redistributive ones, in a context where public discourse seems to be dominated by nationalist/populist parties. Yet, **only by addressing the issue of unfair inequalities and their roots is there a chance of developing a European policy that acknowledges the good reasons for the resentment and fears caused by globalization and technological change, and which takes part of the responsibility for finding solutions**. These solutions, in fact, do not lie in nationalistic closure, which can only feed inter-country competition and conflict at the expense of the weakest. Rather, they lie in a joint, consensually negotiated revision of the functioning of the market economy supported by common rules and by a common social budget.

Photo credits CC Flickr: Saleh Dinparvar