Martin Heidenreich is Professor of Sociology at the Carl von Ossietzky University Oldenburg, Germany.

Ferrera (2018) proposes to construct a European social union (ESU) as a counterpart of the Economic and Monetary Union (EMU). This social union would be based on already-existing pillars: the national welfare states, transnational forms of harmonisation and coordination of national systems, the creation of new membership rights, supranational redistributive and regulatory EU social policies, and fundamental European social principles. Given the depth of the financial, eurozone, migration, and Brexit crises in the last decade, this proposal raises two questions: **did the already-existing institutions and rights contribute to the improvement of the living conditions of Europeans or did they at least prevent serious negative impacts of the European integration?** What could contribute to the better, more convincing forms of social protection envisioned by Ferrera and his colleagues?

The double dualisation of the European labour market

First, it has to be stated that the heterogeneous architecture (or 'holding environment') of the existing national, transnational, and supranational welfare institutions, social rights, and resources did not impede the 'double dualisation' (Heidenreich, 2016; Palier, Rovny, & Rovny, 2018) of the living, income, and employment conditions in Europe during the last decade: the discrepancies both between EU and eurozone member states – in particular due to the increasing unemployment rates in Southern Europe – and between different fractions of the labour force – in particular between younger and older, unskilled and skilled, and migrant and domestic employees – have strongly increased. This situation cannot be attributed only to national or global determinants external to the benevolent, Nobel-prize-worthy existence of the EU. **The double dualisation of the European labour markets is also the result of EU policies**.

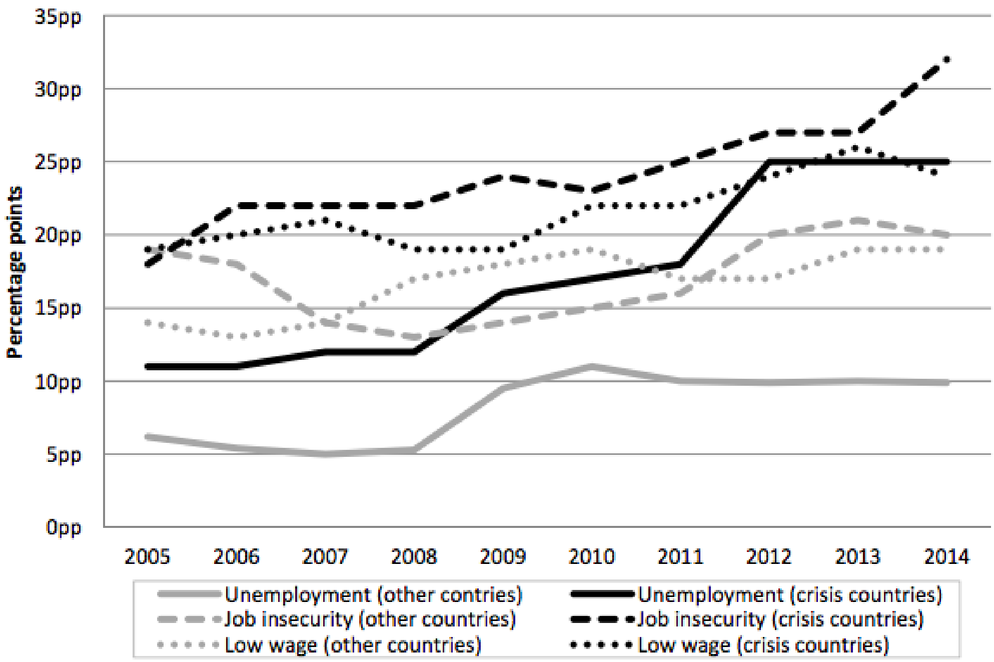
While the economic integration in Europe gradually decreased the social inequality between European nation-states until 2008, this convergence was partially reversed by the Great Recession of 2008/09 and the *subsequent eurozone crisis since 2010. These increasing labour market inequalities are the result of EU decisions on the architecture of the EMU.*

The most important and recent example of such an EU impact of social inequalities is the Economic and Monetary Union (EMU), which led to the abolition of the previous monetary buffers between the member states of the eurozone. Due to the absence of a common fiscal policy and a centralised budget in the EMU (Preunkert, 2015), the labour markets in the eurozone countries became the most important buffer against economic shocks. The result is increasing labour market inequalities, particularly between Northern and Southern European countries and between labour market insiders and outsiders (which has been termed ‘double dualisation'; Heidenreich, 2016). An example of the dualisation between European countries is the labour market inequality between Southern and Northern European countries. **While the unemployment rates of Germany and Greece were nearly identical at the beginning of the Great Recession (8.5% versus 8.4% in 2007), Greece's unemployment was five times higher than Germany's in 2014 (26.5% compared with 5.0%; Eurostat, table une_rt_a)**. The unemployment rates of Spain were 16.3 percentage points, those of Cyprus 12.2 percentage points, those of Ireland 6.9 percentage points, and those of Portugal 5 percentage points higher than before the crisis.

Another facet of the dualisation of European societies is the increasing gaps between native and migrant, unskilled and qualified, and young and old employees. In an exemplary way, Figure 1 shows the increasing low-wage, unemployment, and temporary employment risks for young workers (aged 20–25 years) compared with prime-age workers (aged 25–54 years) from 2005 to 2014 (Figure 1). After taking into account the heterogeneous composition of the labour force, the unemployment risk of young workers compared with older ones in 2008 was about 12 percentage points higher in the crisis countries of the eurozone (Italy, Spain, Greece, Cyprus, Portugal, and Ireland) and 5.5 percentage points higher in the other eurozone countries, indicating the greater segmentation of (mostly) Southern European labour markets. **In 2014, the age gap in the risk of unemployment rose significantly to 25 percentage points in the crisis and to 10 points in the other countries. Hence, the already highly segmented labour markets of the crisis countries are now even facing a higher relative risk for the**

young than before the crisis. In the same period, the relative risk of being temporarily employed was 32 percentage points higher in the crisis countries. The risk of earning a low wage in 2014 was 24 percentage points higher for younger workers than for prime-age workers.

Figure 1: Age gaps in low-wage, unemployment, and job insecurity risks in the crisis countries and other eurozone countries. Source: EU-SILC (2005–2015); calculations by Sven Broschinski and Matthias Pohlig.



The risk of younger in contrast to core employees is calculated on the basis of binary logistic regression models for each year, controlling for the individual health status and household type, specifically single parent, single person, adults without children, and adults with children. The coefficients in the figure are average marginal effects, which can be interpreted as percentage changes in the predicted probability. We designate Cyprus, Greece, Ireland, Italy, Portugal, and Spain as 'crisis countries', because they have been most strongly affected by the financial and eurozone crises.

How to strengthen European forms of social protection?

These two facets of increasing inequalities between and within eurozone member states indicate that the labour market was the most important buffer against the crisis in the EMU. While the economic integration in Europe gradually decreased the social inequality between European nation-states until 2008, this convergence was partially reversed by the Great Recession of 2008/09 and the subsequent eurozone crisis since 2010 (Beckfield, 2006, 2009, 2013, 2019). These increasing labour market inequalities are – as rightly mentioned by Ferrera (2018) and Vandenbroucke (2018) – the result of EU decisions on the architecture of the EMU.

> *As Stein Rokkan and Maurizio Ferrera argue, the successful establishment of an external boundary increases the pressure for internal structuring [but] which power resources can contribute to such 'bounded structuring' at the transnational level? Perhaps the emerging cleavages and struggles between cosmopolitan and populist–national movements might provide an answer – similar to the class struggles in the nineteenth century, which also contributed to the creation of the first social insurance.*

Secondly, this raises the question of how European forms of social protection (or an ESU) can be strengthened. Ferrera (2018) and Vandenbroucke (2018) discuss three different social mechanisms: functional requirement, solidarity, and power. These mechanisms will be discussed in the following, starting with the first one. It is convincing that Vandenbroucke (2018) proposes, similarly to Ferrera (2018), an ESU as an 'insurance union' that will 'not only centralise risk management concerning banks but (…) also (…) unemployment insurance'. **Therefore, these authors want to legitimise the ESU by reference to the functional complementarity of a social and a monetary union. At**

first glance, this is a convincing starting point for legitimating the strengthening of the ESU. However, such a proposal not only overlooks functionally equivalent solutions but also risks committing a classical functional fallacy. On the one hand, there is no necessary link between monetary unification and the ESU. The European unemployment insurance mentioned by Vandenbroucke (2018) is only one example of an automatic stabiliser. Basically, the completion of the monetary union requires the Europeanisation of fiscal policies and capacities, as proposed by Macron (2017) and already shown by Friedman (1997) and Mundell (1961). European fiscal policy is not limited to the field of social policy. On the other hand, not everything that might be seen as necessary actually takes place. Researchers may convincingly argue that the Europeanisation of social or fiscal policies is a necessary basis for a currency union. Currency unions should deal centrally with the risk of public debt defaults, with the risk of private and in particular bank insolvency and with asymmetric economic cycles (Shambaugh, 2012). This requires a central bank that functions as a lender of last resort and different types of fiscal stabilisers allowing the recapitalisation of banks (a 'banking union') and the bailing out of highly indebted territorial communities (the 'European Stability Mechanism'). Unfortunately, the proof that a stable currency union depends on the Europeanisation of fiscal policies does not result in such Europeanisation – as the still-deficient institutionalisation of the eurozone (Preunkert, 2015), the dualisation of social inequalities, and the immense damage caused to the social cohesion of the EU show. **Therefore, functional necessity is not a sufficient basis for the strengthening of an ESU**.

Transnational solidarity, another social mechanism mentioned by Ferrera (2018) and Vandenbroucke (2018), may be another basis for the ESU. Such an argument, however, might run the risk of assuming that attitudes are a reliable basis for social practices. In addition, it might confuse solidarity between people with solidarity between states. Solidarity among Europeans might not be a stable and reliable basis for 'solidarity (…) between Member States' (Vandenbroucke, 2018). Furthermore, **the concept of solidarity among states might be strongly misleading, at least from a realistic theoretical perspective**. It might be more useful to limit solidarity to interpersonal relations – as proposed by the following definition – and not to extend it to solidarity between states, which is usually analysed as the realm of power and self-interest: 'We usually comprehend "solidarity" as mutual vouching, to be found in people who are linked to each other by specific things in common. One is "solidary" with those to whom one is close due to some common ground: a shared history, shared feelings, convictions or interests. In this sense, a particularistic – maybe even exclusive – dimension is inherent in the general use of the term solidarity' (Bayertz, 1999, p. 8). Therefore, **it is not clear whether and how the declared solidarity between Europeans reported by Gerhards, Lengfeld, and Häuberer (2016) and Gerhards and Lengfeld (2015) can be used as a basis for institutionalised solidarity among states**.

> *The deep frictions in the aftermath of the financial and eurozone crises and the related crisis of legitimacy might lead to greater consciousness of the gap between the winners and the losers of Europeanisation processes. In the best of all worlds, this might be the power basis for a stronger and more integrated ESU.*

The third social mechanism mentioned by Ferrera (2018) might be a more reliable basis for an ESU: power. Ferrera (2018) rightly refers to the role of power resources and power relations as the consequence of and a prerequisite for the establishment of social rights. However, it is not clear whether the declaration of European social rights is a sufficient base for the practical realisation of these rights. **This raises the question of which power resources might strengthen transnational social rights**. On the basis of the previously reported double dualisation of European labour markets, we assume that an answer to this question has to look for dynamics that might empower peripheral countries and labour market outsiders by providing them with better access to power resources.

An answer can be based on the earlier, pre-Weberian works of Maurizio Ferrera. A Rokkanian dynamic of boundary building and internal structuring (Ferrera, 2003; Rokkan & Flora, 1999) might contribute to the legitimation and establishment of an ESU. **This argument starts from the observation that EU and eurozone member states do not have any more realistic options for leaving the EU or the eurozone after having acceded to it** (in spite of the famous article 50 of the EU Treaty). This has been shown by the events in 2015 when the new Greek Government reflected on the possibility of leaving the eurozone and the difficulties that the UK is experiencing in leaving the EU (2016–2019). **It has become clear that these exits result in prohibitively high costs in four dimensions**:

- They might **revitalise border conflicts** that had been put to rest due to the common EU membership and a usually pragmatic collaboration within the EU. Currently, relevant examples are the border disputes between the UK and Ireland and between various Balkan states.
- Leaving the customs union and the single market will seriously **damage manufacturing industries** by threatening transnational production chains with tariffs, non-tariff barriers, and delayed supplies.
- The **interruptions might be even more serious in the service trade**, even if services are not dependent on customs checks or on the ports in Dover and Calais. Sir Rogers, the former UK Permanent Representative to the EU, has convincingly argued that both the size and the share of the British service trade and the regulatory gap between the single market and all the existing free trade agreements (FTAs) will lead to serious damage to the British economy: "Where services represent 80% of the economy and tradeable services much the fastest growing element of our trade; where barriers to services trade are all about regulatory architecture. And where the difference between commitments which are at Single Market levels and those in an FTA on Canadian lines could represent the loss of a very substantial percentage of our current total services exports to the EU"(Rogers, 2019, p. 14).
- In a similar vein, the debate in 2015 on the consequences of a Greek exit from the eurozone has shown that the introduction of a local currency (for example, a new Drachma) in a former eurozone member state will result in general in **an immediate sovereign debt default and the insolvency of many domestic companies**, because the new currency will rapidly devaluate while previous debts will often still be denominated in euros.

In sum, the strong political, economic, and monetary integration has effectively created an EU border that prevents the exit of EU and eurozone member states. **An indicator for this boundary consolidation is that, since the start of the Brexit chaos, none of the populist parties in the EU has raised the issue of leaving the EU again**. If even a big, wealthy, stable, well-organised, and globally integrated country like the UK cannot succeed in leaving the EU without major frictions, the process will be even harder for other countries.

A mephistophelian dynamic of bounded structuring

As Stein Rokkan and Maurizio Ferrera argue, the successful establishment of an external boundary increases the pressure for internal structuring. Taking the historical example of European state and nation-building processes, Ferrera (2003, pp. 615–616) distinguishes four phases of such ‘bounded structuring’: ‘State building, nation building, mass democracy, and redistribution are the four ingredients and at the same time the four-time phases of territorial system building in modern Europe’. These Rokkanian insights of Ferrera can be combined with his current Weberian emphasis on the role of power by asking **which power resources can contribute to such ‘bounded structuring’ at the transnational level**. Perhaps the emerging cleavages and struggles between cosmopolitan and populist–national movements (Kriesi & Pappas, 2015; Kriesi et al., 2006) might provide an answer – similar to the class struggles in the nineteenth century, which also contributed to the creation of the first social insurance. However, the reference to the cosmopolitan–populist–nationalist cleavage in combination with the brutal impact of the decade-long financial and eurozone crises on the European labour markets is a somewhat mephistophelian logic: **can the ‘Power that would Always wish Evil, and always works the Good’ (Goethe, 2003, p. 56) contribute to the transnational strengthening of social rights?**

Indicators for such a mephistophelian dynamic are, first, those populist parties are now trying to dominate the EU discourse (and the European Parliament), because an exit from the EU or the eurozone is no longer a viable option even for eurosceptic parties. Second, the projects of these parties might also reflect the social interests of their voters and populations – even if some of these projects (Brexit, early retirements, or the fight against refugees and migrants) might oppose the material interests of the groups that voted most decisively for these options. Third, other parties might also react to these populist challenges and to the gap between the losers and the winners of Europeanisation processes (Recchi, 2019). Fourth, the EU institutions might reflect more on the social consequences of liberalisation strategies or the insistence on the Maastricht orthodoxy, for example by the redefinition of the policies of the European Central Bank, which (‘whatever it takes’) have tried since 2012 to reduce the burden of the highly indebted eurozone. The role of the non-bailout principle (Article 125 TFEU) might be reduced gradually due to the destructive impact of the financial and eurozone crises on the European labour markets. Fifth, also at the national level, the issues often raised by social movements all over Europe might be taken more seriously, in particular, the increasing social and territorial inequalities between booming capital regions and deindustrialised or rural regions. An example is the ‘gilets jaunes’ (‘yellow vests’) protests in France. In sum, **the deep frictions in the aftermath of the financial and eurozone crises and the related crisis of legitimacy might lead to greater consciousness of the gap between the winners and the losers of Europeanisation processes. In the best of all worlds, this might**

be the power basis for a stronger and more integrated ESU.

The only problem of such an argument is that Mephistopheles might not be the best advisor and architect of an ESU. He might prefer 'illiberal democracies' and populist, eurosceptic, nationalist, or even xenophobic and antisemitic positions or he might prefer the construction of new boundaries and walls, forcing universities out of the country, undermining the independence of constitutional courts, and designating refugees as terrorists, German chancellors as Nazis, civil servants as 'unelected bureaucrats', and cosmopolitans as 'international elites', 'citizens of nowhere', 'party of Davos', 'Jewish mafia', troublemakers, speculators, and 'foreign agents' who are alienated from their compatriots. This has been highlighted by the Brexit decision, which can also be interpreted as a reaction to national austerity policies (Fetzer, 2018) and to the huge and increasing territorial gaps in England. **Therefore, a less risky strategy for constructing an ESU would be highly welcome. However, I am afraid that a solemn declaration of a European Pillar of Social Rights at the Social Summit might not be sufficient for strengthening the ESU**.

Photo credits Flickr CC: Joel Cooper

References:

Bayertz, K. (1999). Four uses of 'solidarity'. In K. Bayertz (Ed.), *Solidarity* (pp. 3–28). Dordrecht: Springer.

Beckfield, J. (2006). European integration and income inequality. *American Sociological Review*, *71*, 964–985. https://doi.org/10.1177/000312240607100605

Beckfield, J. (2009). Remapping inequality in Europe. *International Journal of Comparative Sociology*, *50*, 486–509. https://doi.org/10.1177/0020715209339282

Beckfield, J. (2013). The end of equality in Europe? *Current History*, *112*, 94–99.

Beckfield, J. (2019). *Unequal Europe: Regional integration and the rise of European inequality*. New York: Oxford University Press.

Ferrera, M. (2003). European integration and national social citizenship changing boundaries, new structuring? *Comparative Political Studies*, *36*, 611–652.

Fetzer, T. (2018). *Did austerity cause Brexit?* (Warwick Economics Research Papers Series No. 1170). Coventry. Retrieved from the University of Warwick website: http://wrap.warwick.ac.uk/106313/

Friedman, M. (1997, November 19). The Euro: Monetary unity to political disunity? *The Times*.

Gerhards, J., & Lengfeld, H. (2015). *European citizenship and social integration in the European Union*. London: Routledge.

Gerhards, J., Lengfeld, H., & Häuberer, J. (2016). Do European citizens support the idea of a European welfare state? Evidence from a comparative survey conducted in three EU member states. *International Sociology*, *31*, 677–700. https://doi.org/10.1177/0268580916662385

Goethe, J. W. V. (2003). *Faust*, A. S. Kline (translator). Delaware: Poetry in Translation.

Heidenreich, M. (2016). The double dualization of inequality in Europe: Introduction. In M. Heidenreich (Ed.), *Exploring inequality in Europe* (pp. 1–21). Cheltenham, Northampton, MA: Edward Elgar.

Kriesi, H., Grande, E., Lachat, R., Dolezal, M., Bornschier, S., & Frey, T. (2006). Globalization and the transformation of the national political space: Six European countries compared. *European Journal of Political Research*, *45*, 921–956.

Kriesi, H., & Pappas, T. S. (2015). Populism in Europe during crisis: An introduction. In H. Kriesi & T. S. Pappas (Eds.), *European populism in the shadow of the great recession* (pp. 1–19). Colchester: ECPR Press.

Macron, E. (2017, September 26). Initiative for Europe. *Ouest France*. Retrieved from http://international.blogs.ouest-france.fr/archive/2017/09/29/macron-sorbonne-verbatim-europe-18583.html

Mundell, R. A. (1961). A theory of optimum currency areas. *American Economic Review*, *51*, 657–665.

Palier, B., Rovny, A., & Rovny, J. (2018). European disunion? Social and economic divergence in Europe, and their political consequences. In P. Manow, B. Palier, & H. Schwander (Eds.), *Welfare democracies and party politics: Explaining electoral dynamics in times of changing welfare capitalism* (pp. 281–297). Oxford: Oxford University Press.

Preunkert, J. (2015). The hidden side of the crisis. In L. V. Baptista, J. Preunkert, & G. Vobruba (Eds.), *Aftermath: Political and urban consequences of the Euro crisis* (pp. 185–2002). Lisbon: Edições Colibri.

Recchi, E. (2019). *Everyday Europe: Social transnationalism in an unsettled continent*. Bristol: Policy Press.

Rogers, I. (2019). Where did Brexit come from and where is it going to take the UK? Lecture at UCL European Institute, 22 January 2019. Retrieved from https://www.ucl.ac.uk/european-institute/news/2019/jan/sir-ivan-rogers-brexit-lecture-text-and-video

Rokkan, S., & Flora, P. (Eds.). (1999). *Comparative European politics*. *State formation, nation-building, and mass politics in Europe: The theory of Stein Rokkan; based on his collected works*. Oxford: Oxford Univ. Press.

Shambaugh, J. C. (2012). The Euro’s three crises. *Brookings Papers on Economic Activity*, 157–231.