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Comment on Anton Hemerijck/3. More Europe, Not Less: Reversing the Long, Slow Decline of the European Social Model

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More Europe, Not Less: Reversing the Long, Slow Decline of the European Social Model

by Jason Beckfield

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Anton Hemerijck has made a major contribution to the literature on European welfare states by identifying the central policy challenges that are posed by the ongoing fiscal crisis in the Eurozone. His article also describes recent and ongoing changes in European welfare states that represent complex combinations of retrenchment and entrenchment. The very lively field of welfare-state research will also benefit from Hemerijck's presentation of new data and new measures of social investment, and the policy community could benefit from Hemerijck's creative ideas about how to achieve pro-social-investment political integration. Indeed, at its most ambitious, Hemerijck's article is nothing less than an elevation of social investment as the "new edifice" of the European Social Model. As a US-based scholar fascinated by Europe and the European Social Model, it is an honor and a challenge to have this opportunity to comment on Hemerijck's insightful and inspiring article.

With the aim of continuing the conversation and bringing attention to Hemerijck's important contribution, I would like to sharpen some of the points he makes, and disagree with others. In so doing, I will make four arguments, all intended to provoke debate. First, in imposing "market fundamentalism" (Somers) since the Single European Act (SEA) took effect in 1986, the EU has accomplished the Americanization of the European Social Model. The current crisis presents an opportunity to reverse this process. Second (and this is perhaps the point on which Hemerijck and I most starkly disagree), any market, no matter how social are its foundations, commodifies; and as an institution, any market creates winners and losers. Third, although

Hemerijck creatively argues for a virtuous circle wherein successful social investment is reinforced by market investment, the inherent contradictions of capitalism could create economic incentives for capitalists to undermine social investment. Fourth, a “forward-looking social pragmatism” that could counter market fundamentalism requires, as essential condition, the formation of a self-conscious European public.

The Americanization of the European Social Model

Hemerijck is certainly correct that European welfare states have been transformed by dramatic and largely overlooked reforms since the late 1980s. For the comparative political economy of the welfare state, this ought to help bring about at last the realization that welfare states have in fact changed. If welfare states have in fact changed, then several common stories about the welfare state can finally be abandoned, in favor of more accurate analyses. Retrenchment has happened, resolving debate about the ontological status of retrenchment. This of course also means that debate about the ability of the welfare state to change at all, in any direction, can also be put to rest. With these old debates settled by contributions like Hemerijck’s that illustrate clear changes in European welfare states, we can now turn to two pressing questions: how to interpret the quality of these changes, and how to explain these changes.

Hemerijck’s answers to these two questions are that *a*) welfare states are changing in many ways simultaneously, such that “retrenchment” is too simple a description, and *b*) welfare states are always in flux, driven by endogenous change that can be characterized as self-transformation. My reaction is that both answers miss the forest for the trees, in that *a*) retrenchment is the dominant trend in Europe since the late 1980s, and *b*) the labor-capital balance of power shifted dramatically toward capital, particularly in EU countries, during the same period. To put the matter as polemically as possible, I think a case can be made that many of the welfare-state changes Hemerijck identifies have in effect Americanized the European Social Model. At the very least, the 1986-2008 period was marked by a turn away from a welfare state that attempted to make capitalism safe for democracy (Offe), and a turn toward a welfare state that attempts to make social democracy safe for capital.

This turn was facilitated by a re-framing of the social rights of citizenship (Marshall) as threats to the economics rights of markets. Market-fundamentalist policy entrepreneurs aligned with capitalists accomplished this re-framing. Coupled with a failure of Social Democrats within the European integration project, this re-framing facilitated welfare-state retrenchment. Such retrenchment has been slow to appear in the expenditure data (given what a highly-aggregated measure % of GDP spent on social welfare is, this slowness shouldn't have surprised us). But retrenchment is clear in the reduced level, duration, availability, public provision, and security of unemployment and pension benefits in many European welfare states. While these changes are sometimes characterized as "enabling" and "capacitating," they are Americanizing in that they enable and capacitate the market, thus substituting citizenship rights for the "right" to enter market exchange.

Even Markets with Social Investment Commodify People

Hemerijck's article strikes me as perhaps too optimistic about the emancipatory capacity of markets. Certainly the Nordic Model and Danish Flexicurity offer reason to believe in the Social Market. But even a social market is still a market, where social things are bought and sold, and where such buying and selling is structured by unequal power relations. These unequal power relations are both cause and effect of the welfare state.

Active labor market policy – so celebrated in EU policy circles – illustrates this. Originally a Social Democratic policy innovation, ALMP is now a cudgel used against unemployment insurance and other forms of social insurance. In the name of "activation", the duration and generosity of "passive" unemployment insurance benefits are cut back, requiring labor to return to the market for sale more quickly after unemployment spell. Indeed, expenditure on "passive" welfare benefits such as unemployment insurance are excluded from Hemerijck's calculations of "social investment spending" (Fig. 5) in the various welfare states. This is quite surprising, since generous unemployment insurance benefits were originally a central component of ALMP, since such benefits afforded the worker's investment in new skills. Likewise, it is hard to understand how society is not "invested in" by old-age pensions, survivors' benefits, and disability pensions. Perhaps my complaint is that the emphasis in "social investment" is too much on the "investment," and too little on the "social." The fact that employment is a social relationship structured by power imbalances is lost in the emphasis on investment.

Hemerijck's optimism about markets is also reflected in the article's downplaying of recent inequality trends in Europe. The most recent data available from the LIS (which sets the standard for the cross-national harmonization of income data) show that income inequality as measured by the Gini coefficient has increased strongly in Belgium, Finland, Germany, Italy, Sweden, and the UK since the late-1980s (LIS Key Figures). Indeed, even the Eurostat data shown in Figure 11 indicate growing income inequality in 9 of 14 EU nations where over-time comparisons are possible, including Denmark, Finland, and Sweden.

Eurobonds: Incentives to Undermine Social Investment?

Hemerijck proposes that "Eurobonds could also be issued to fund specific European projects in the realm of social investment." There is an appealing elegance to this idea. The gamble is of course that the returns to social investment will outweigh the yield on the bonds, which forces Social Democrats to again "put their money where their mouths are." But are Social Democrats the ones who have the money to invest in Eurobonds? As we have all learned so well from the Eurozone crisis, bond yield grows with the risk of bond default, such that there would seem to be a non-trivial economic incentive for bondholders to undermine the returns to social investment. Not so much of course that default would be rampant, but enough to raise bond yields to an acceptably profitable level (where bondholders are of course the ones who define "acceptable"). After all, another lesson we have learned so well is that the mercenary appetite of market speculators is unlimited.

"More Europe, Not Less" Requires a European Public

I appreciate the pragmatic spirit that animates Hemerijck's contribution. Pragmatism runs deep in the article: *a*) path dependency can be conceptualized as the generation of new problems from solutions to old problems, *b*) welfare states are self-transforming in that national actors confront national problems with national solutions, and of course *c*) even a bad crisis creates practical opportunities for socially progressive reform. Hemerijck's article serves as a strong injunction to EU technocrats and EU politicians to use the Eurozone crisis to bolster social investment. But I would argue that pragmatism, if limited to technocratic pragmatism, does not and cannot go far enough. Democratic pragmatism is a necessary condition.

Democratic pragmatism is the formation of a public around a problem (Dewey). If it is the case that European integration – especially in its post-SEA, market-fundamentalist form – causes welfare-state retrenchment by strengthening capitalist markets in the EU, then a necessary condition for a solution to this problem is the formation of a European public. The formation of a European public would certainly support the deeper political integration that Hemerijck envisions, but it is a somewhat different route to "more Europe, not less." It is different because rather than locating the problem as one of national fiscal austerity in response to global capitalism, the formation of a European public in the pragmatist sense would be a response to the EU-generated problem of EU-capitalism and EU-retrenchment. In other words, while I agree with Hemerijck on the need for "a forceful updating of the welfare legacy of William Beveridge." I would say that the update should be not to the conditions of "global capitalism," but rather to the conditions of European capitalism.

The challenge is that while national publics correctly attribute "blame" for many welfare-state changes to the EU, the "solutions" often proposed by national politicians are national in scope and are driven by national electoral incentives. One way to address this challenge might be to see that just as "welfare state futures are not foreordained." EU futures are up for grabs. Another EU is possible. A European public could close the book on the 1986-2008 triumph of market fundamentalism that began with the Single European Act. Or not.

Comment on Anton Hemerijck/3

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Abstract: In this comment on the major contribution by Anton Hemerijck, Jason Beckfield makes four arguments. The first argument is that, in imposing "market fundamentalism" since the Single European Act (SEA) took effect in 1986, the EU has accomplished the Americanization of the European Social Model. As Hemerijck notes, the current crisis presents an opportunity to reverse this process. Second, any market, no matter how social its foundations, commodifies; and as an institution, any market creates winners and losers. Third, although Hemerijck creatively argues for a virtuous circle wherein successful social investment is reinforced by market investment, the inherent contradictions of capitalism could create economic incentives for capitalists to undermine social investment. Fourth, a "forward-looking social pragmatism" (in Hemerijck's words) that could counter market fundamentalism requires as a necessary condition the formation of a self-conscious European public.

Keywords: Europe, welfare state, commodification, social investment, retrenchment.

Jason Beckfield is Professor of Sociology at Harvard University. In addition to regional integration and the welfare state, his areas of interest include globalization, economic sociology, social stratification, and population health. His 2005 PhD thesis, *The Consequences of Regional Political and Economic Integration for Inequality and the Welfare State in Western Europe,* received the Dissertation Award from the American Sociological Association. Currently, he is writing a book on how European integration has changed European welfare states and social inequality in Europe; it is tentatively titled *Stratifying Europe*.