

УДК 327:316(4)

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POLITICAL DIMENSION OF OPTIMISING SOCIAL MODELS IN EUROPE

The content of this discussion paper is a review of major political argumentation on so-called European social model(s). The discussion on optimal system of social security systems, social standards, the role of state in the economy and other related issues has always been — by its nature — strongly politicised. However, the ongoing integration process in Europe brought about the consequence that the discourse could not any longer be led exclusively on the state's level. The Community itself became an important platform for discussing the problem and possible solutions. Consequently, this piece of text has no ambitions to be a research paper, but rather a discussion paper — scientific essay.
Key words: social model, European Union, integration, global competition.

After the last waves of enlargement European Union became much more incoherent as far as socio-economic cohesion is concerned. Specific regions and countries differ distinctively in term of their economic potential, which has far going consequences for the fact that they have an ambition of being not only a single economic area but an economic entity — a system. This system has also a potential to be enlarged with the new elements — another European countries, which are willing to be integrated inside the EU and have to be ready to contribute and to share the optimised social European model.

Thus, this topic, which has a strong acute agenda within the EU today and will remain topical in the future, was explored by many authors both in old as well as in new member states. The most complex analysis were generated due to the EU Commission needs and one should point Cohesion Reports in the first place. So far EU publication office published three issues of this extensive report and — due to the last wave of enlargement — we can expect the new, forth volume will be published in the near future. Among the analysis produced by authors from new member states, B. Schmognerova deserves mentioning, who (with the support of Friedrich Ebert Stiftung, Bonn) created a splendid political analysis on social models: “The European Social Model: Reconstruction or Destruction? A View from a Newcomer” (2005). An analytical book on general right wing — left wing dimension and economic argumentation was produced by J. Conanson, whose: “Big Lies: The Right-Wing Propaganda Machine and How it Distorts the Truth” (2001) is written much from a leftist perspective, but is a good point of reference when deliberating on social models. This discussion has its own, natural, political dynamics so

not only scientific writing should be taken into account. Also political press is a forum for debating on optimal social model for Europe and recognised authors — like sir Ralf Dahrendorf — present their views in newspapers and magazines specialising in political analysis.

In many fields the EU member states decide themselves on their economic policies, especially very little unified is the decision making on widely understood socio-economic model in each country. On one side we experience developing Single Market constituted of free movement of people, products, capital and — to some extent — service, on the other side (paradoxically — in many old member states) protectionism practices disarming liberalisation intentions. At the same time, more and more effectively, some governments implement different types of barriers, protecting their labour market or service market and others, so that the competition pressure from Central and Eastern Europe did not ruin the comfort of rich social security systems, so much liked by the citizens of France or Germany. This view was expressed very clearly by Martin Schultz — the leader of European Socialist Party: “People want employment but not with Chinese payment and Asian social standards.” On the other side of this logic, there is placed the argumentation (rooted in more liberal views) presented by Tony Blair speaking to the EU Parliament: “What kind of social model is this, a model that leaves 20 mln Europeans unemployed with lowering productivity indicators. A model that allows more scientific degrees being granted in India than in Europe, that shows R&D and IT sector are undervalued. (...) China tripled its expenditures on research and development last five years. And among twenty the best world universities, there are only two European. The objective of our social model should be improving competitiveness, coping with globalisation, taking advantage of opportunities and avoiding threats. Of course we need social Europe, but it needs to be social Europe that works.”³

Following this we have to admit, that perceiving optimal social model is strongly politicised, what is natural. In the public discourse two traditional positions polarise. The right (and centrist — liberal) centres criticize the left for its “moon economy”, underlining that the only practically functioning way of achieving society’s prosperity is free market economy with as little as possible state involvement. Leftist perspective let us see the issue in completely different prism. Liberal argumetation is called — without much hesitation — big lies. Before we come to analysis of specific argumentation of left and right parties representatives, we would like to feature one precedence, which exemplifies practical problematic nature of integrational context.

25 October 2005 euro-deputies called to Strasbourg the President of the EU Commission: Jose Manuel Barroso together with Single Market Commissioner: Charlie McCreevy, to question them on the so called Vaxholm case. Latvian company Laval sued Swedish government in the European Court of Justice, they accused the Swedes that they made Laval go bankrupt, by allowing the Swedish labour unions to block the contract on building a school in Vaxhalm, small, but now famous, city in Scandinavia. Swedish unions blocked the construction process as they claimed the Latvian company paid its employees

(Latvians) lower wages than agreed in “collective agreements” between Swedish employers and employees. Commission stayed on the Latvian side in this case, claiming that Laval practiced the free movement of services principle.⁵

The demonstrated problem is not only connected with labour standards but -what is much more important — imperfections of the Single Market. Despite of arrangements coming from the 50-s of XX c (Paris and Rome Treaties), there is still no functioning free market of service. In February and November 2006 EU Parliament completed its reading on the so called Bolkenstein’s Directive⁶, aiming at liberalising the free movement of not only service itself but service providers as well. The above given example is strictly connected with social standards, as a company registered in any new member state (countries with lower social protection standards, meaning less ballasted welfare systems) and at the same time rooted in its tax and social contributions system, would confront not only service sectors but welfare systems in Western Europe with competition pressure coming from Central and Eastern European states.

When debating in the EU Parliament, there were a number of demonstrations and riots all over Europe against the Service Directive (for instance in Berlin — forty thousands people). The Left is convinced that the directive would lead to the situation in which the Western European markets could be flooded with cheap and low quality service providers from the East, who would not stick to any local regulations and would practice dumping.⁸ Michael Sommer, leading the German labour union federation DGB, claimed: “Bolkenstein wants free service market without social and environmental protection. His idea of Europe is anti-social, he wants capitalism without barriers.” After enlarging the EU with 10 new-comers in 01. 05. 2004, the symbol of the problem became “Polish plumber” who — especially in France — endangered local service providers, offering his work cheaper, better, faster, etc. but — practicing (in French protesters’ opinion) social dumping. This argumentation was accepted by large part of French society, so much tied to the comfort of rich social standards.

However today — at this stage of integration processes — no country can perform its social policy without taking into account other socio — economic factors determined by decisions taken on Communities’ level. Indirectly — Also within UE, we decide on what kind of social model we will build in the future. In fact, EU consists of 25 (27) different socio-economic models, therefore after enlargement answer to the described problem is not easier. The so-called social market economy, a model that functioned in many Western European countries is beyond the financial reach and possibilities of new member states’ economies.¹⁰

At the same time, the societies of these countries are characterised with strongly “demand-full” attitude, typically a homo-sovieticus mentality citizen expects a lot of social help from his/her state. Help that is beyond financial possibilities of any budget. The proof supporting the above mentioned thesis can be the (better and better) results of populist political parties that concentrate on satisfying needs of “under-privileged”. Taking into account the fact that the argumentation for and against social or liberal Europe is full of

myths and dogmas, it is worth to review major logics of it and verify it just from the meritorious point of view. The below is just authors' selection of the most important arguments.

First of all, the suggested choice between greater prosperity and greater social justice. The right claims the more social the state is, the lower its economic growth and higher unemployment level. Consequently — the minimalist concept of state is a fundament of prosperity as the state — by definition — is an “ineffective owner”. The only solution is privatisation. Correlated argument — the less regulated the labour market is (accompanied by minimalist social protection policy), the higher employment level. The right, in general supporting lower taxation, is changing the priority from taxing incomes, to taxing consumption. On the opposite side of the budget — the re-distributive policy, the right lowers expenditures on social protection, reduces unemployment (and other social-nature) benefits, as well as is a great opponent of minimum wage solutions. The right is convinced that such an attitude brings about the result of better motivation of the unemployed to search employment possibilities and lack of minimum wage makes employers create new jobs. Overall result is — again — higher employment rate. However this theory ignores — in the left's point of view — quite an important fact that if two phenomenon coincide: high level of unemployment and chances for self-employment relatively low, the only result of limiting and lowering social benefits is the grow of people who are socially-excluded. And this general statement is particularly true in those systems, in which the overall socio-economic development is relatively low.

Another right wing argument, strongly argued from leftist positions, is the convincement that projecting growth and development it is necessary to radically minimise state's expenditures not only on social protection system or public health care but also on public education, housing policy or infrastructure. These needs should be more and more often covered from private means. For former communist societies such a solution means a challenge of philosophical nature: ideological transition from collective responsibility (typical for soviet times) to individualism (being the base of capitalism). The right wing centres claim, that individual responsibility guarantee high efficiency and justice, additionally — is more beneficial for everybody. The pragmatics, in such a disagreement case usually try to find empirical justification. If we compare USA and Western Europe and the criterion is the share of expenditures on social and health protection among the elderly, it appears that the numbers are quite similar (at least in per cent — as a share of GDP). The difference is — who redistributes the money and how effectively. When in America it is usually the private sector (insurances, funds, etc.) in Europe it is mostly public sector — namely the state. This political argumentations very often crosses the state borders. It was the former German chancellor, Gehrhard Schroeder, who — in the fever of electoral campaign in 2005 -many times pointed that it is difficult accept a situation in which Central and Eastern European states lower their taxes and at the same time ask for subsidies from Brussels — meaning money collected from highly-taxed citizens of the

old union. If the taxation level in Poland, Lithuania and other CCE states, had been as high as in Germany, Denmark or Austria — they would have had their own resources to built motor-ways. Additionally, — in G. Schroeder's opinion -immorality of this situation is clear when one realises that, implementing "taxation dumping", those countries attract investments, which very often is connected with relocating entrepreneurs from Germany and France to Poland or Slovakia (which brings social problems in old member states, like: unemployment).

Another right wing argument — "the best solution is the one proposed by the market", is neutralised by the leftist thinkers also pragmatically: "Ultra-liberals ignore the imperfections of free market. They do not admit that free market does not deal with social issues at all and therefore needs improvements."¹² According to the right wing centres, states re-distributive policy slows the economic growth. and therefore has negative effect (actually is counterproductive) on individual prosperity. It is also important to notice that there is no compatibility between the right wing and the left wing among specific member states. Namely, there is lack of consensus within the European right and left on the optimal social model. For example, German and Danish right wing parties are supporters of social market economy, whereas the British Labour Party is an enthusiast of neo-liberal market model. Any attempt of mapping the party system for international comparative analysis is fated to fail. Every state party system has its own specifics, for example the British Labour Party (taking into account its economic programme) would be positioned right-wards from each and every right wing party in France.

The same the European social model — it does not have one face. Some of its characteristics look similarly in many member states, shorter working week, growing expenditures on pensions, etc. Both left wing as well as right wing parties need to prepare political concept for the challenges of today and tomorrow (globalisation, aging society, etc.). Sir Ralf Dahrendorf states: "(...) Demographic changes limited the number of people paying contributions to the social system, and at the same time increased the number of people claiming for social services." New social uncertainties are accompanied by new opportunities -technological and innovation possibilities. They also bring new risks. Among them — in social dimension — the risk of losing professional qualifications, the necessity of changing the place of work, individualisation of work, just those examples show the need for more flexibility. Also more flexibility in the status of work and related phenomena. Reforming social models need to take into consideration those risks and protect social cohesion. In the new EU member states with communist pedigree, in which the first phase of reforms (transition from centrally — planned economy to market economy) is finishing, and the new one has just begun (consolidating the market economy) the situation is even more complicated. Their external determinants are quite similar to the old Europe's, therefore their cross-bar is put even higher — they do not only must catch up the civilisational gap but at the same time cope with newly emerging risks and challenges connected with competitive socio-economic environment.

At the beginning of XXI century we have empirical knowledge on the consequences of socio-economic system build on "Sozialmarkt-wirtschaft". Not many years ago the Germans and other continental Europeans pointed the American "working paupers" and poor level of the British public service, as a price that needs to be paid for practicing aggressive anglo-american type of capitalism. Today, after budget deficit problems in France and Germany, nobody argues that the market oriented reforms were essential (paradoxically implemented by SPD) to make the economy — and consequently the social system — recover. 2006 was the first year in German economy in which the results of the reform were seen in economic parameters. The more re-distribution, the less free market — and less effectiveness. That is the right wing mantra coming true.

Bringing the discussion to its conclusive phase, we would like to emphasize that the intention of this essay is not to decide which option — more liberal or more social — is better and more adequate for today's Europe. There is no doubt that from Central and Eastern European point of view — low social standards, relatively low labour costs and other factors determining the price competitiveness of this region — more advantageous situation would be the maximalisation of free market solutions. As a country being permanently accused of practicing social dumping — Poland (being quite a typical representative of the region), from the point of view of an investor (generally entrepreneur), is more friendly environment. Therefore it is not in the interest of such a country and the whole region to promote social model that generates less business competitiveness. As long as the labour and other social costs are (relatively) lower, the exporters can entertain competitive advantage and the economy in total — welcoming and absorbing new investments. Reflecting the political argumentation, it is clearly seen that both sides of the debate, very often refer to exactly the same arguments, however perceived from different perspective and therefore the interpretation is (often extremely) different. As it was put by one of leading Polish publicists, K. Niklewicz: "European debate between the right and the left looks more and more often as a dialog of the blind and the deaf."¹⁵

In the summary, it is important to emphasize the global context of the debate. This, however, is more evident in the right wing argumentation. It is observed that the competition pressure — especially from Asia — will verify the comfort and at the same time expensive European social model, as less effective. Analysing this aspect through the prism of integrating Europe, it is worth to point that the protectionism practices oppose the "spirit of integration", nevertheless the union — without much hesitation — implements tariffs, contingents and other administrative barriers when trading with external partners. All mentioned mechanism aimed at protecting the European producers, service providers, farmers, etc. (socio — economic system) from global competition. However, global trends of socio-economic processes characterise of gradual liberalisation, which must be taken into account by the EU and those European countries, which are knocking the EU door, like, for example, Ukraine. Treating European Union as a kind of filter protecting so-

cial solutions can not be efficient in a long-time perspective. Politicians must not instrumentalise the group effect, so important in the Communities, as the project that was designed for decades, cannot be wasted for short — term particularism.

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**ПОЛІТИЧНИЙ ВИМІР ОПТИМІЗАЦІЇ СОЦІАЛЬНИХ МОДЕЛЕЙ
В ЄВРОПІ**

Резюме

Кожна країна-член Європейського Союзу певною мірою самостійно реалізує соціально-економічну політику в межах своєї території. Так чи інакше, потенціал та рівень інтеграційних сил — безпосередньо та опосередковано — гармонізують багато стандартів соціальної та економічної реальності в Європейському Союзі в цілому. Цей процес життєво важливий (та постійно набирає значущість в умовах глобалізації) для ЄС. Після останніх двох розширень ЄС він став справжнім викликом, тому що певні розбіжності між старими та новими членами ЄС створили певний тиск на традиційний “Sozialmarkt-wirtschaft” в Західній частині континенту. Такий виклик додав нового динамізму старомодній лівацькій політичній парадигмі, з якою повинні зараз рахуватися в Європі.

Ключові слова: соціальна модель, Європейський Союз, інтеграція, глобальна конкуренція.

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МОДЕЛЕЙ В ЕВРОПЕ**

Резюме

Каждая страна-член Европейского Союза в полной мере самостоятельно реализует социально-экономическую политику в рамках своей территории. Так или иначе, потенциал и уровень интеграционных сил — непосредственных и опосредованных — гармонизируют много стандартов социальной и экономической реальности в Европейском Союзе в целом. Этот процесс жизненно важный (и постоянно набирает значимость в условиях глобализации) для ЕС. После последних двух расширений ЕС он стал настоящим вызовом, потому что определенные несоответствия между старыми и новыми членами ЕС создали определенное давление на традиционный “Sozialmarkt-wirtschaft” в Западной части континента. Такой вызов придал новый динамизм старомодной левацкой политической парадигме, с которой должны сейчас считаться в Европе.

Ключевые слова: социальная модель, Европейский Союз, интеграция, глобальная конкуренция.