# The European paradox

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**European integration and robust welfare states:**
***a tragic dilemma?***

# European integration and robust welfare states: *a tragic dilemma?*

- The founding fathers:
  - market integration => upward convergence
  - Integration & upward convergence support domestic cohesion
- Initial division of labour:
  - economic development: supranational
  - social development: national sovereignty (in theory)
- The convergence machine worked… more or less… until 2004/2008.

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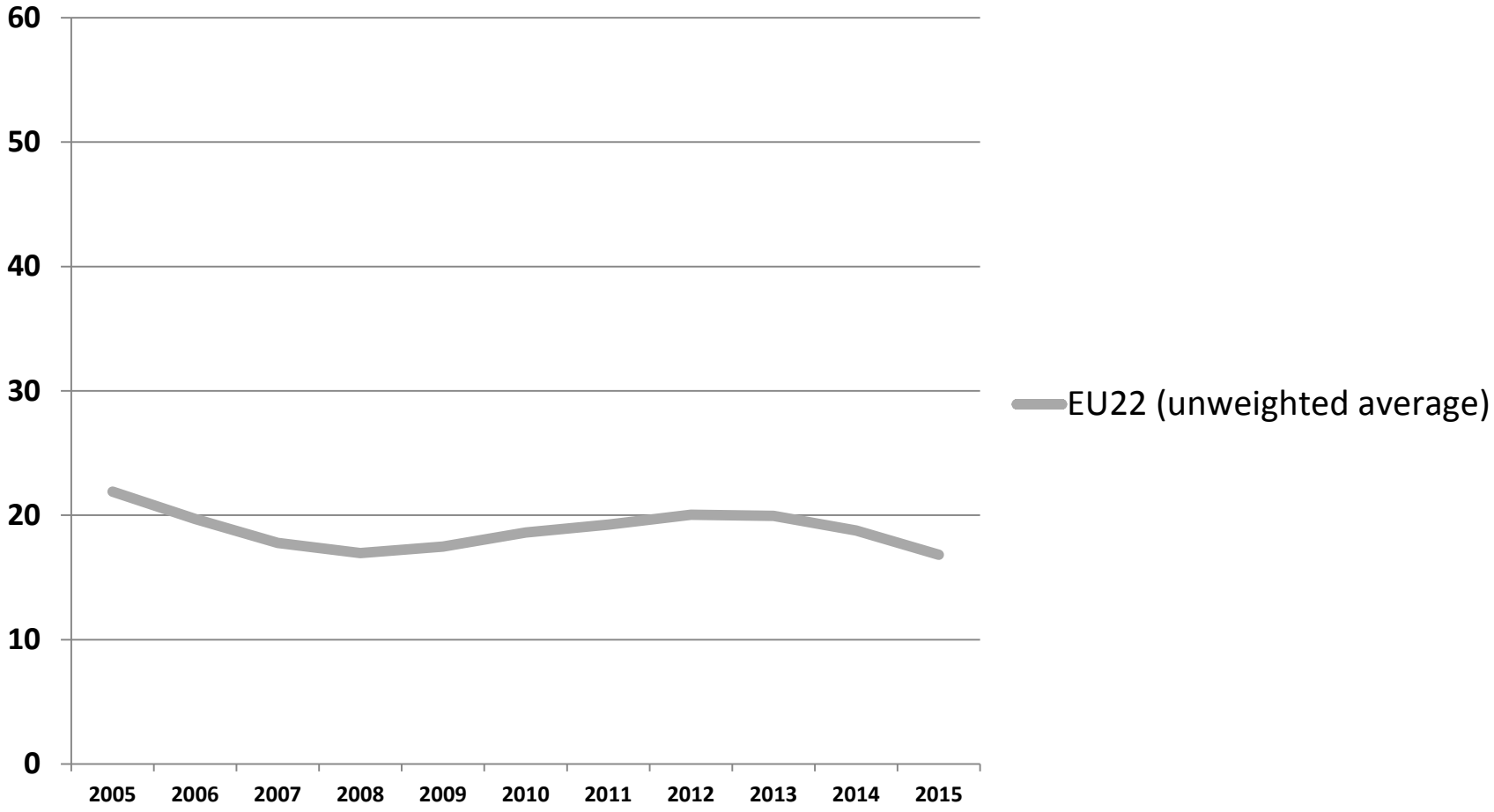
- A **tragic dilemma** of integration?
- **Design flaws** in the European project, creating instability?

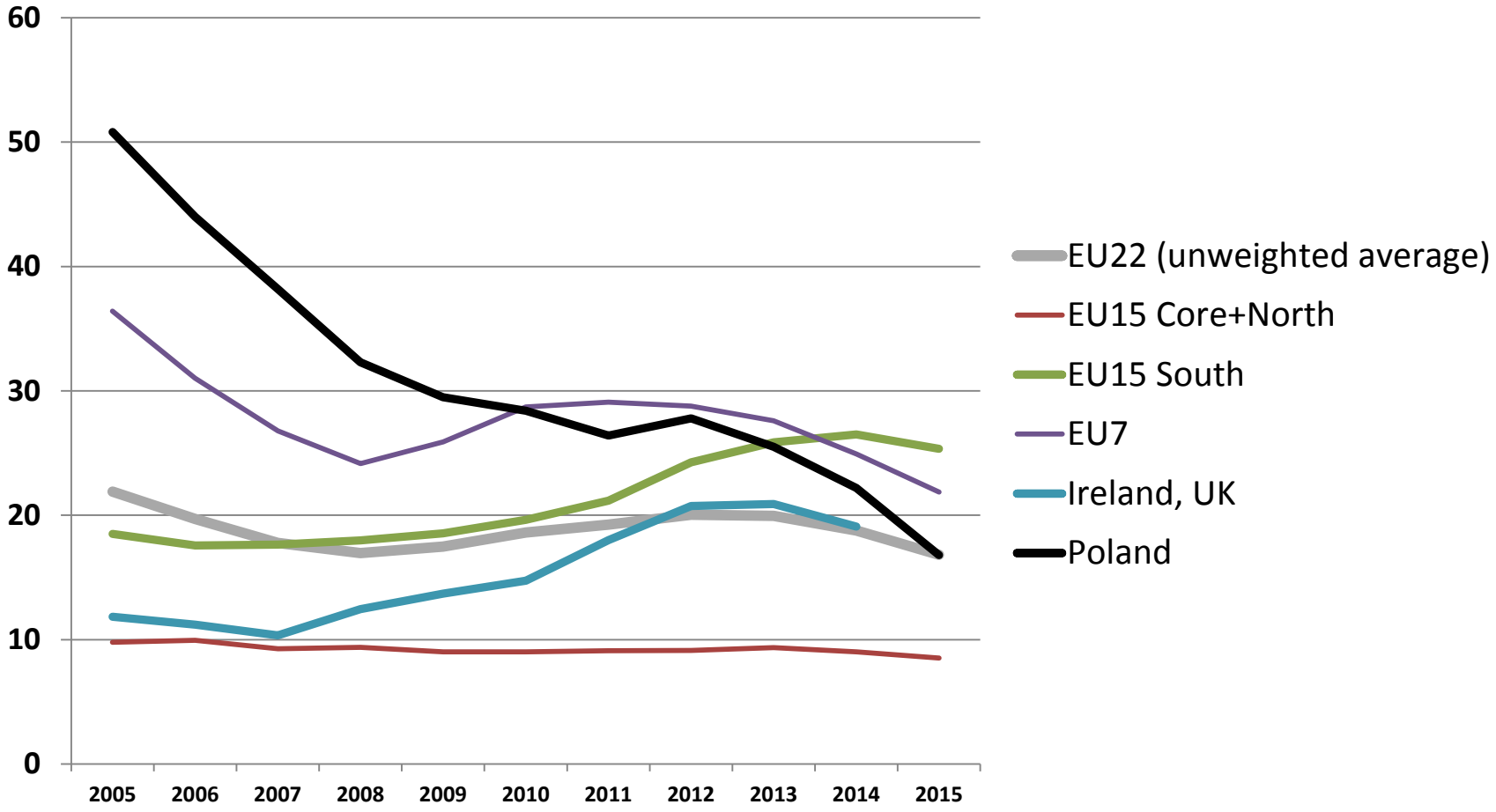
# Material deprivation: an absolute notion of poverty

## Inability to afford 3 or more items on a list of 9; a true pan-European benchmark



# Material deprivation in clusters of EU countries

## Unweighted averages for clusters of EU countries



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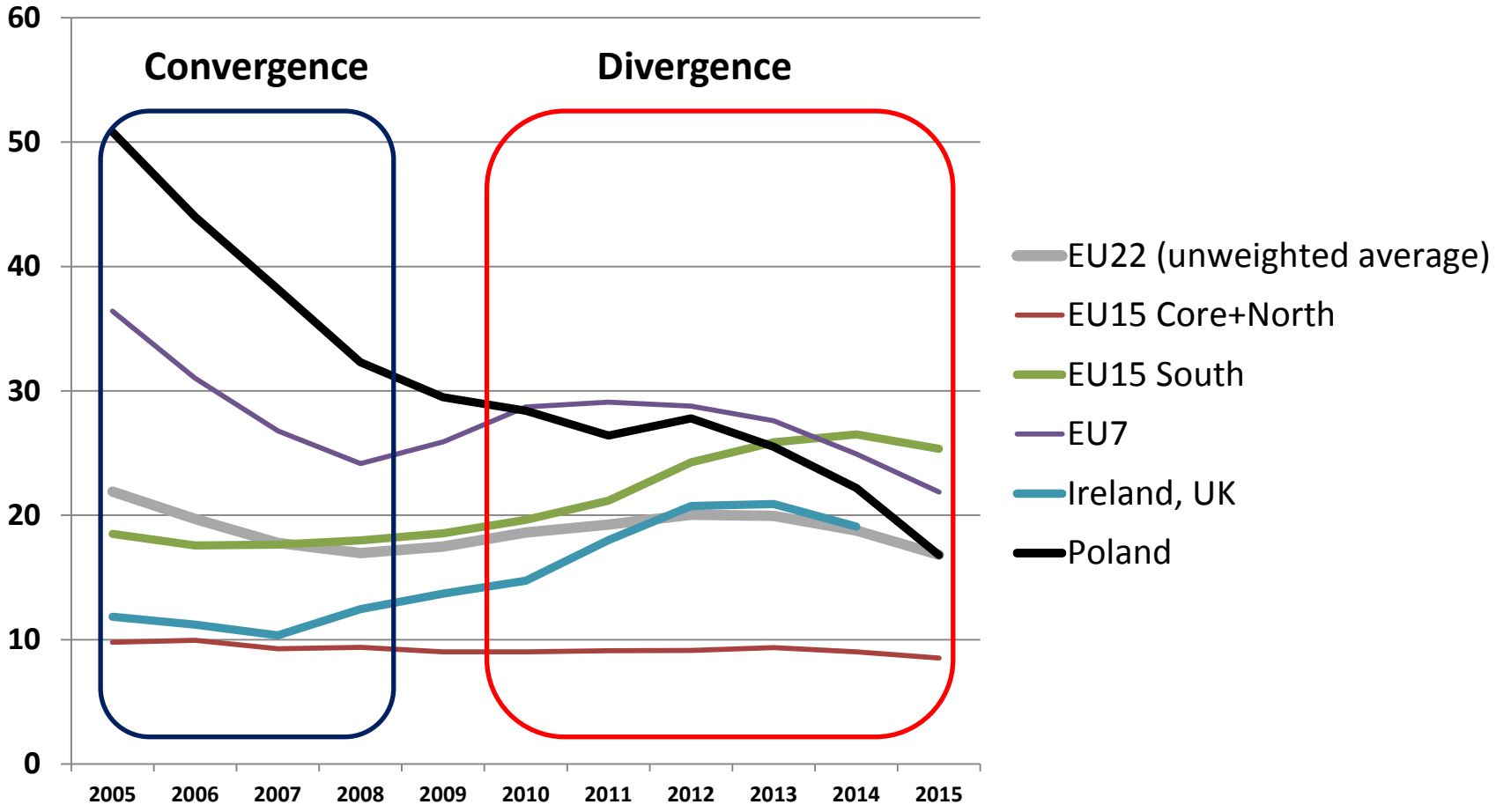
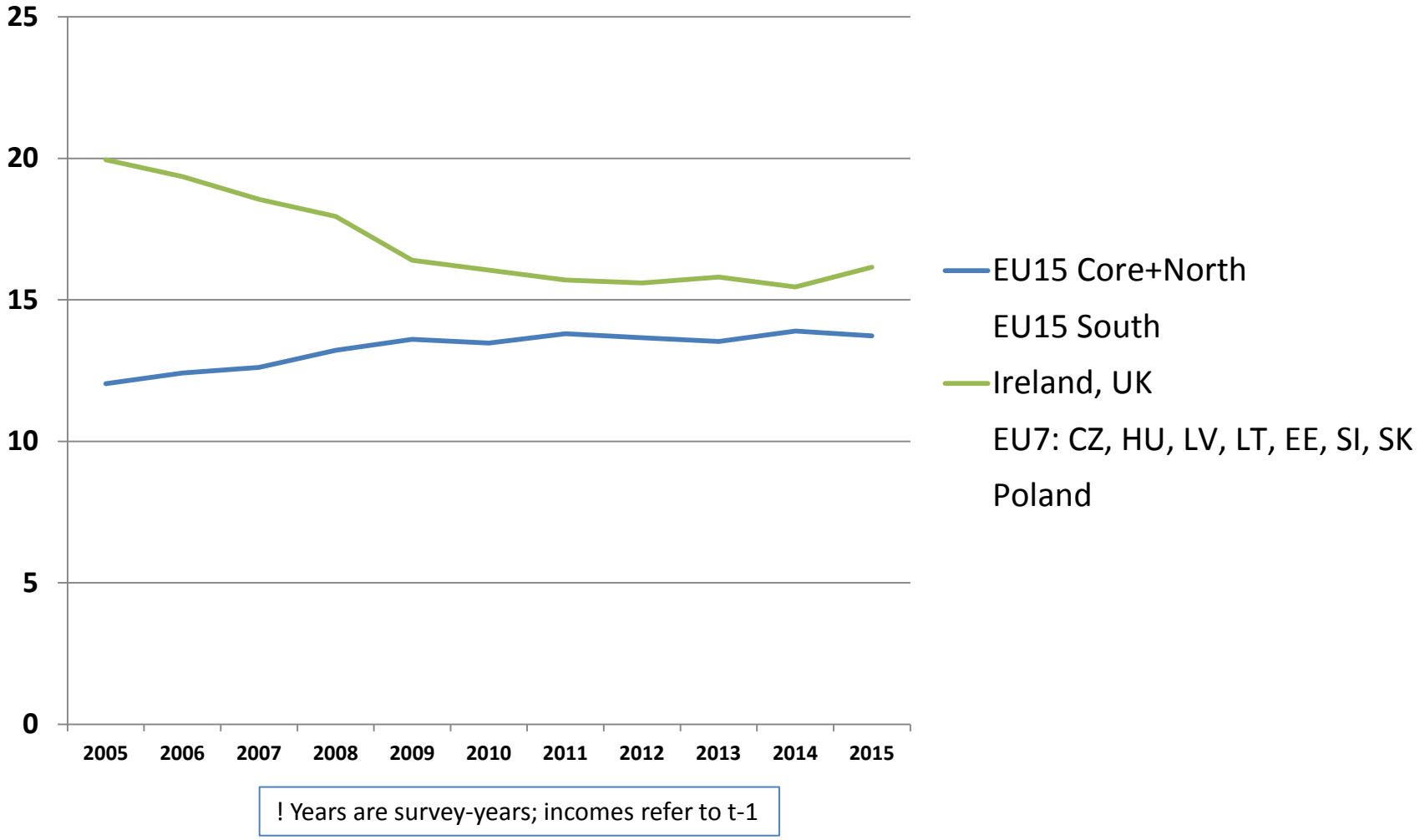


# Relative inequality *within* EU countries: at-risk-of-poverty rates

**(unweighted averages of country clusters)**

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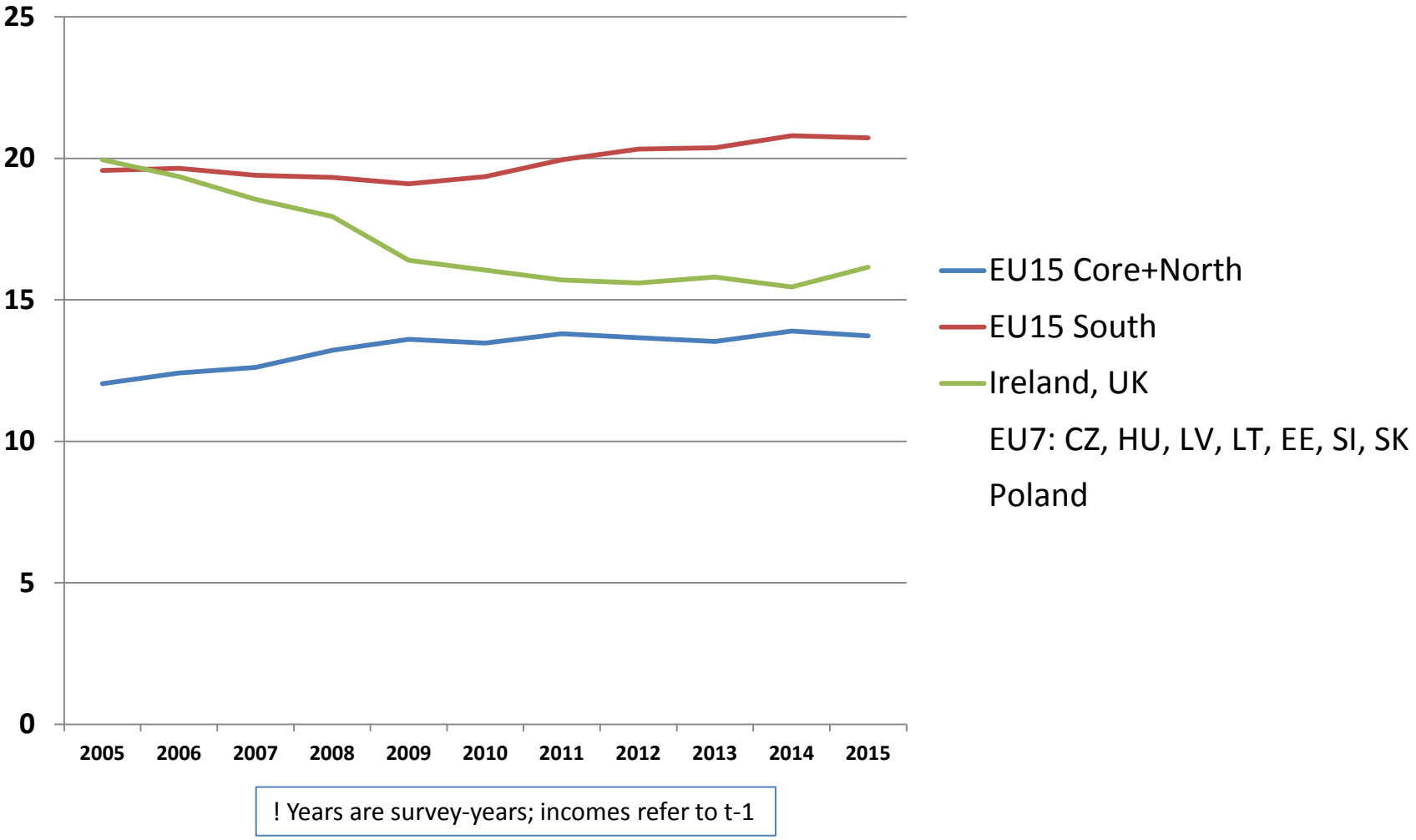


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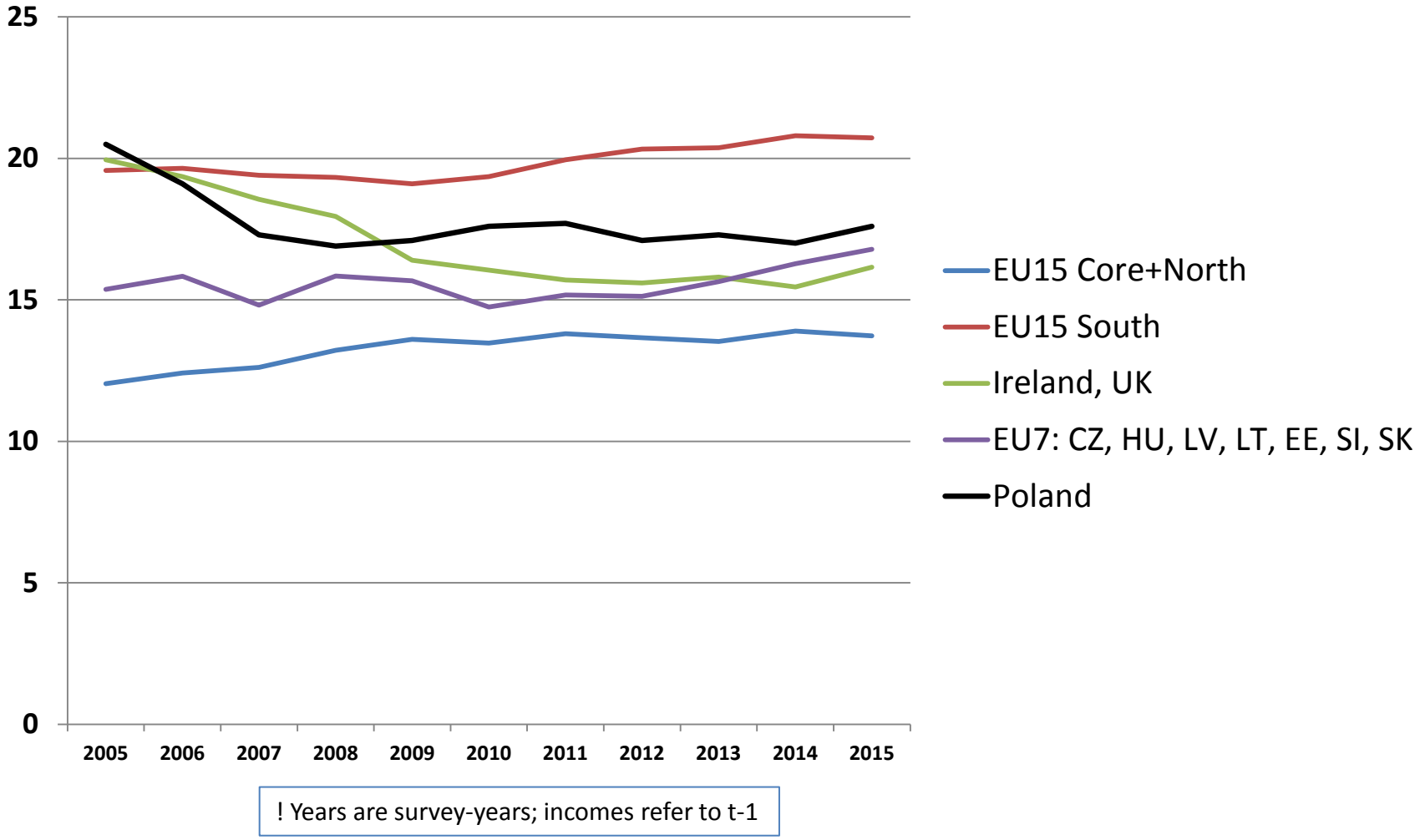


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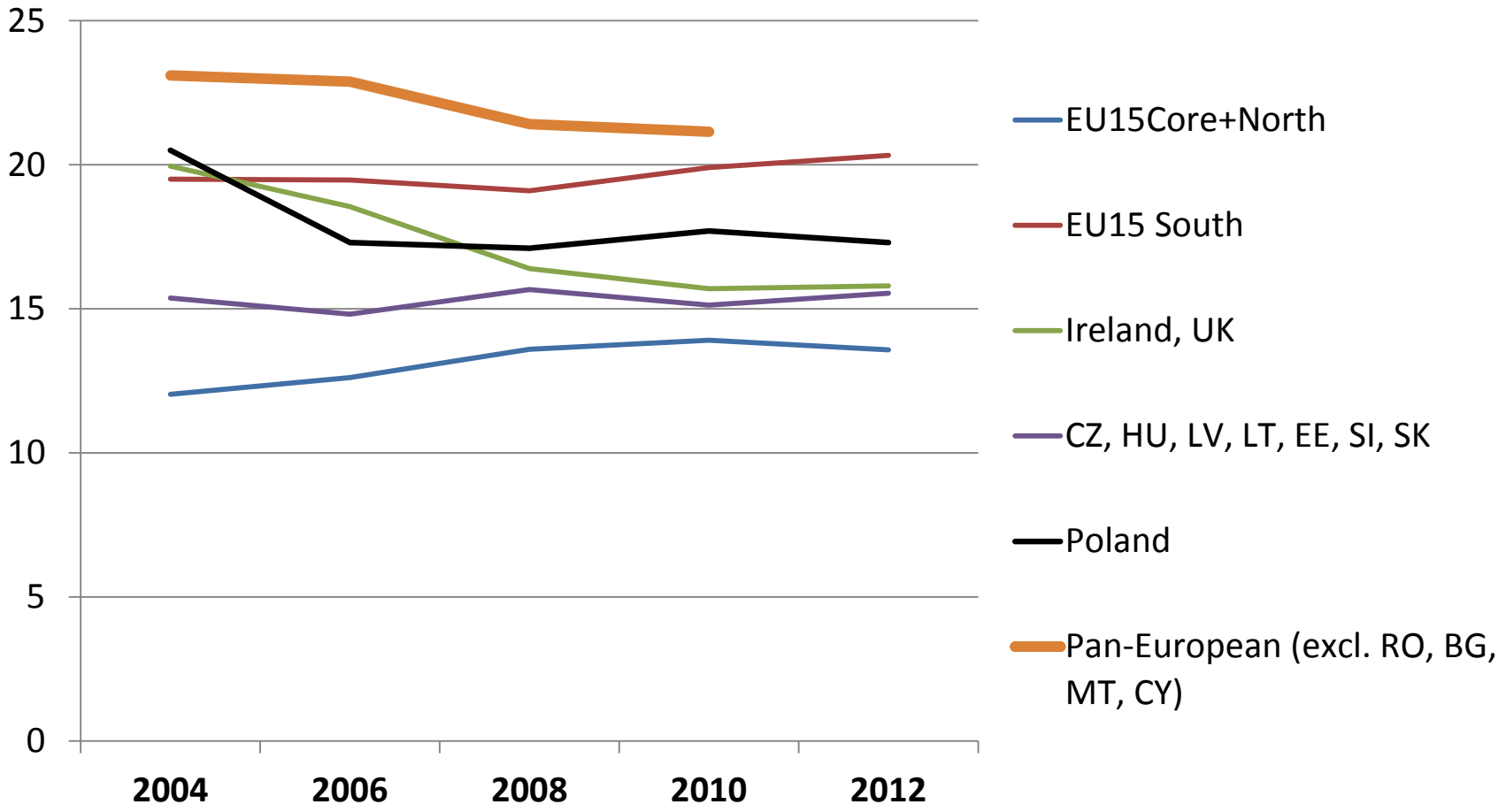
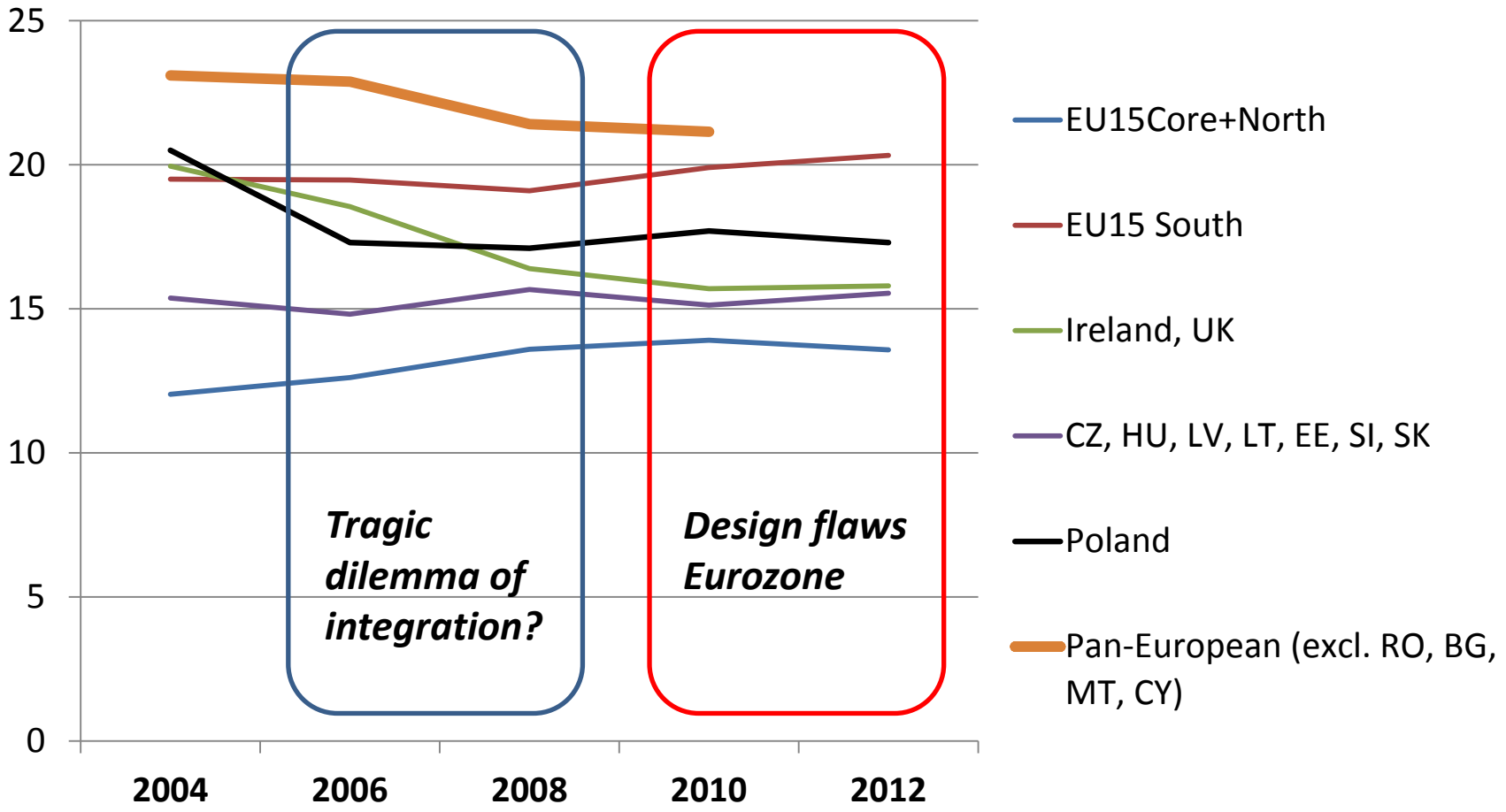
# *Pan-European* relative income poverty is on an 'American level', but decreased until 2010




Pan-European data: Goedemé e.a. , Centrum voor Sociaal Beleid

# What went wrong?

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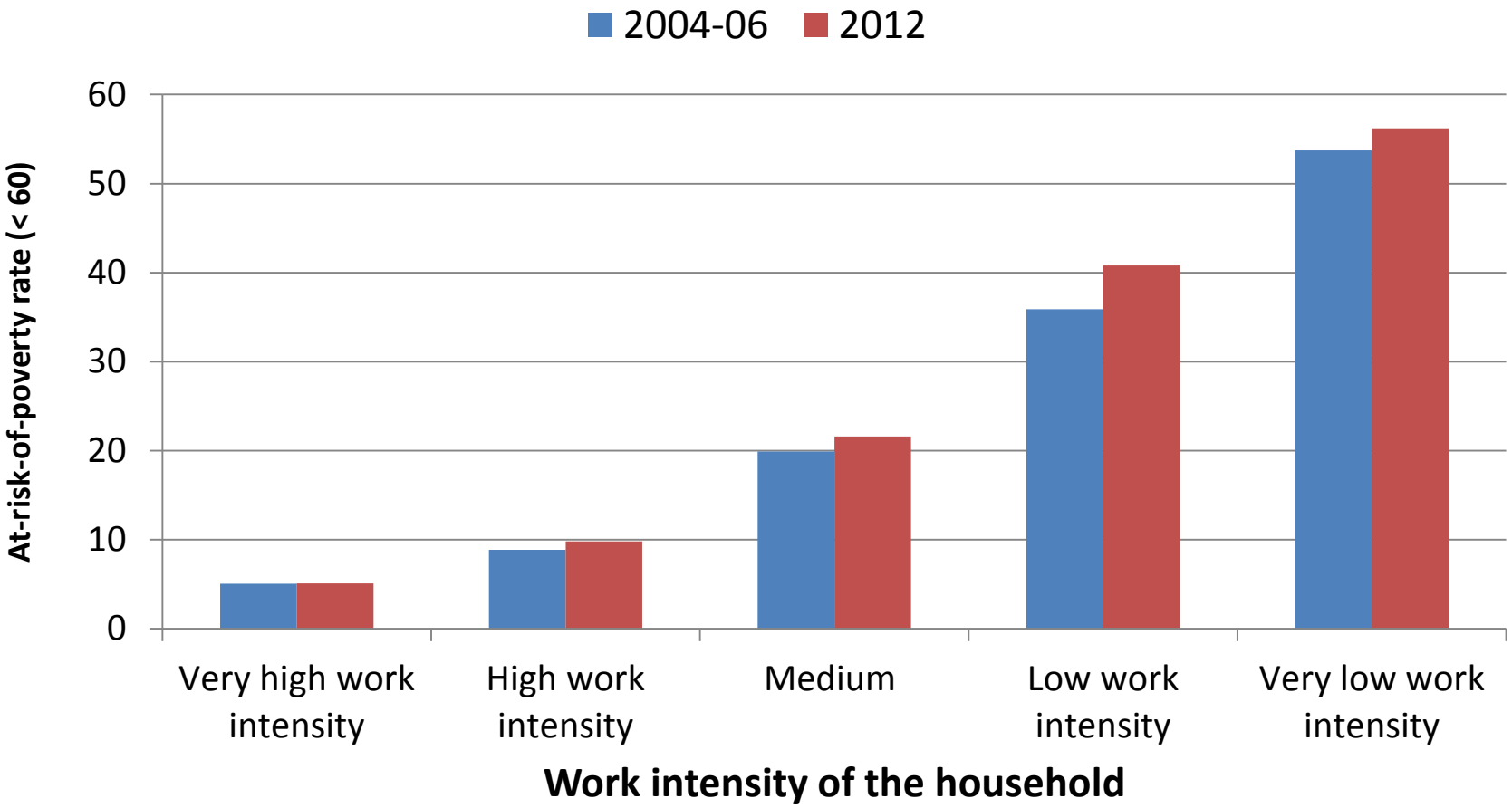
# Poverty risks in the population < 60, by work intensity of the household: illustration of a tragic dilemma?

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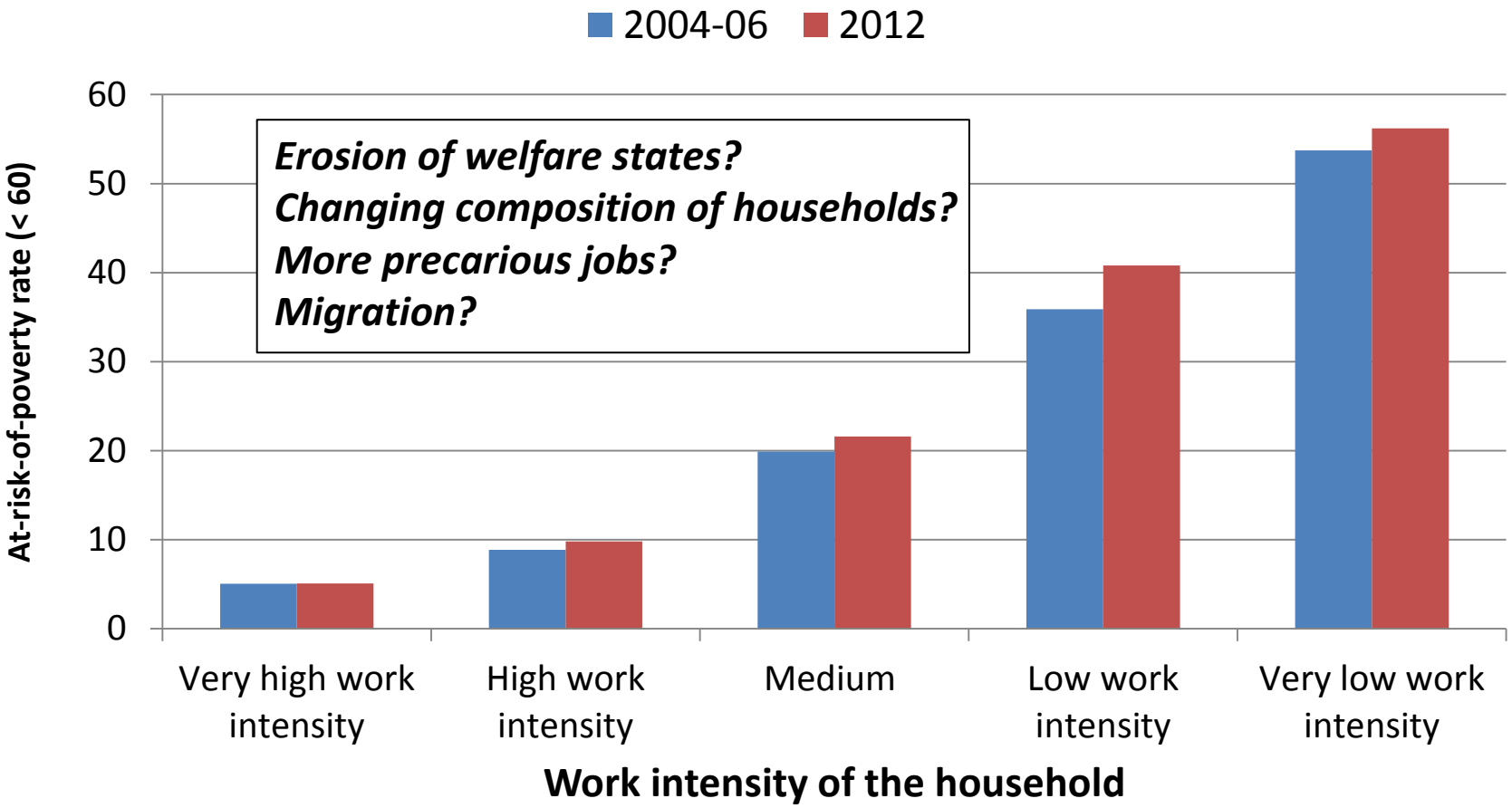


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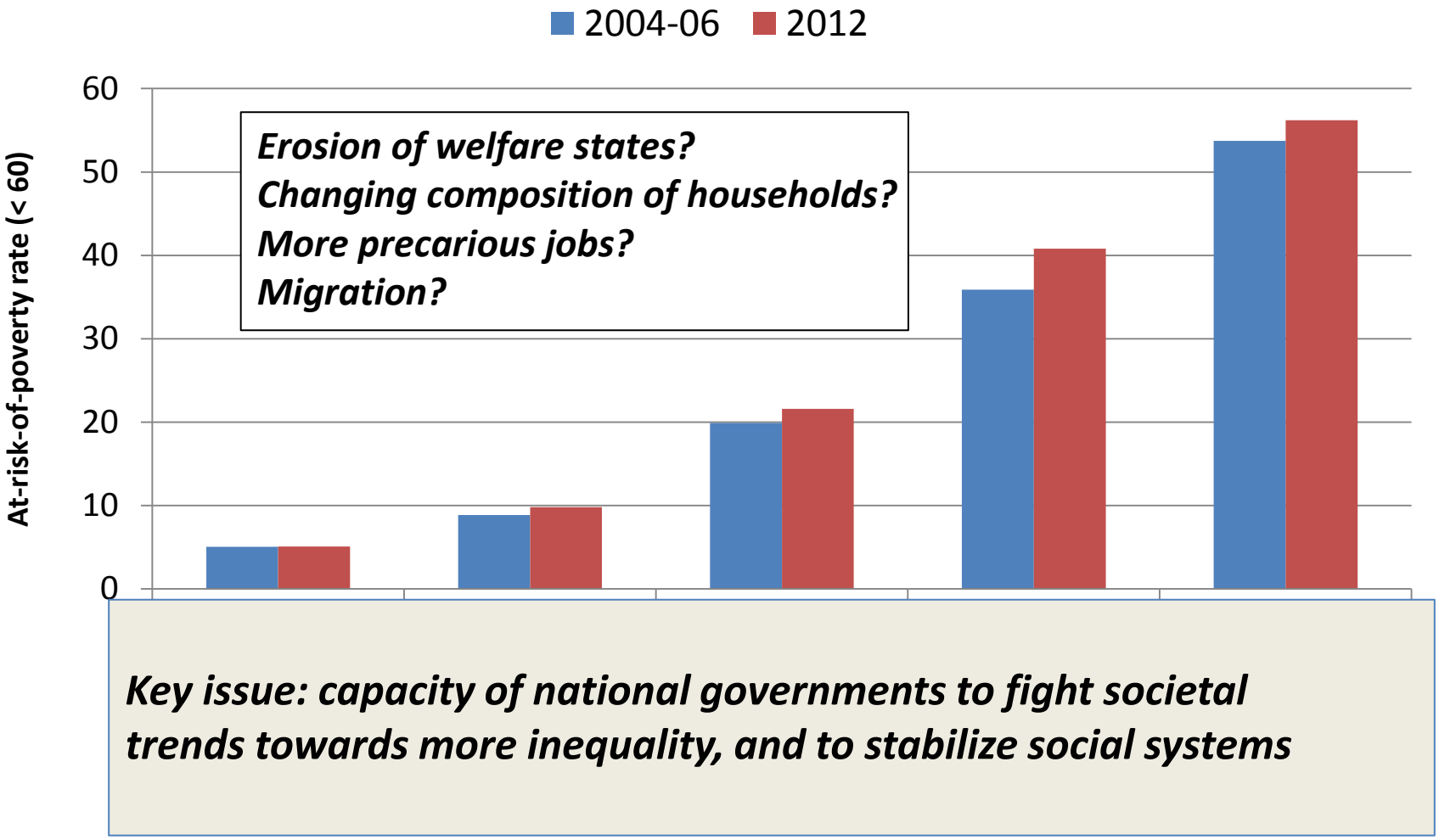
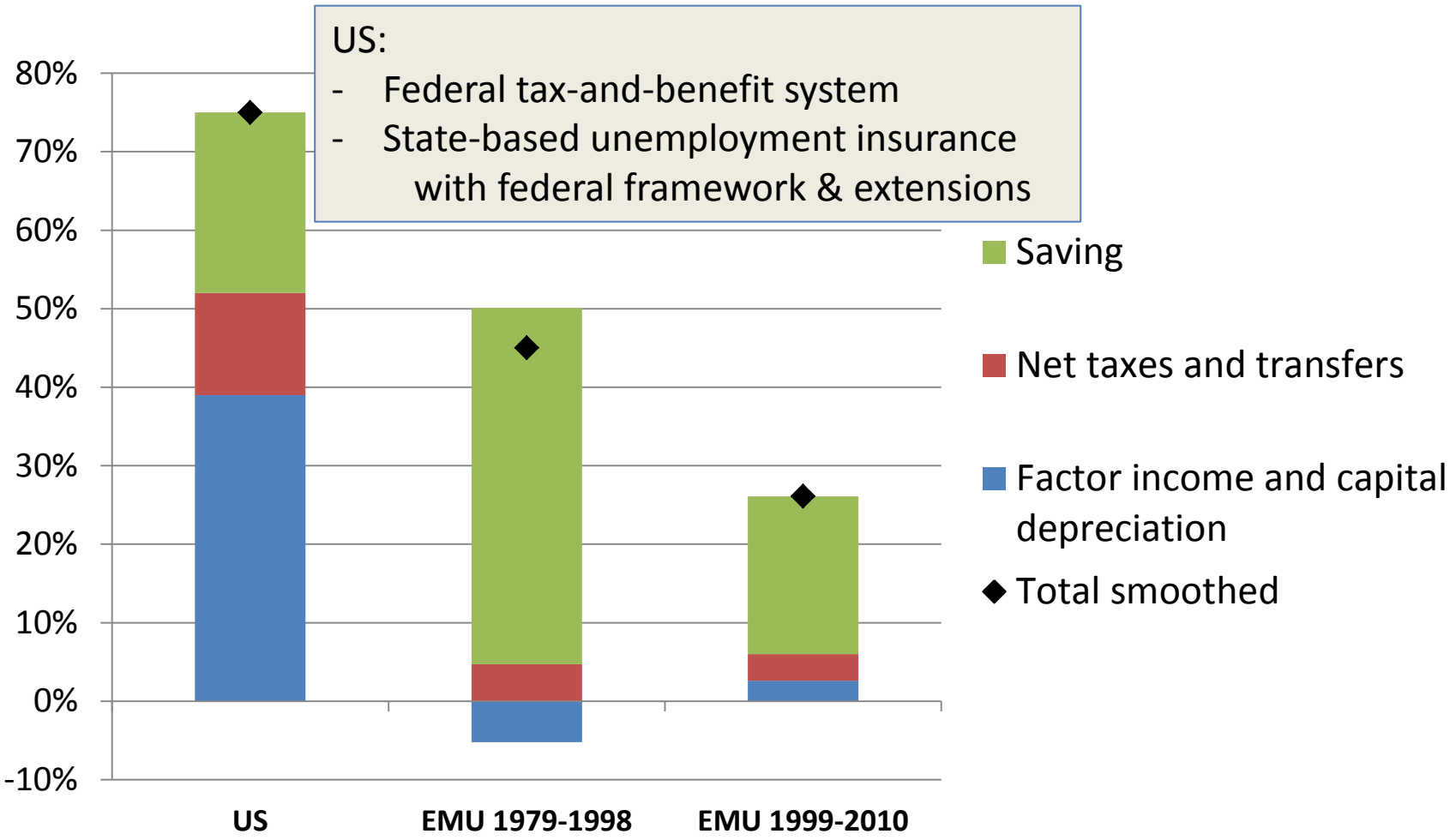



***Key issue: capacity of national governments to fight societal trends towards more inequality, and to stabilize social systems***

# Macro-economic stabilisation: smoothing of economic shocks: US vs. EMU




Furceri & Zdzienicka, The Euro Area Crisis…, IMF Working Paper

## EMU: stability, sovereignty and solidarity

- Stabilization instruments are always centralized in monetary unions (risk sharing)

- Paradox: in the US, solidarity systems at the state level are weak, but they are supported by solidarity mechanisms at the federal level; the EU is not ready to support strong mechanisms of solidarity at the member state level by solidarity at the EU level.

- Puzzle of:

  - Binding agreements ⇔ sovereignty
  - Distrust ⇔ solidarity
  - Legitimate concern about *moral hazard*, which has become an obsession

# A European Social Union

A Social Union would

- support national welfare states on a *systemic* level in some of their key functions (e.g. stabilization, fair corporate taxation, minimum wages)

- guide the substantive development of national welfare states – via general social standards and objectives, leaving ways and means of social policy to Member States – on the basis of an operational definition of 'the European social model'.

$\Rightarrow$ European countries would cooperate in a union with an explicit social purpose, pursuing both national and pan-European social cohesion

$\Rightarrow$ based on reciprocity

# Thank you


1) Vandenbroucke, Social policy in a monetary union: puzzles, paradoxes and perspectives, Boone, Marc; Deneckere, Gita & Tollebeek, Jo (eds.), *The End of Postwar and the Future of Europe - Essays on the work of Ian Buruma,* Verhandelingen van de KVAB voor Wetenschappen en Kunsten. Nieuwe reeks, 31, Uitgeverij Peeters, Forthcoming.

2) Goedemé, Trindade, Vandenbroucke, *A pan-European perspective on low-income dynamics in the EU*, CSB Working Paper 17/03, Antwerp: Herman Deleeck Centre for Social Policy (University of Antwerp), 2017.

3) Vandenbroucke, A European Social Union: Unduly Idealistic or Inevitable?, European Debates, 7, European Investment Bank Institute, September 2015

4) Vandenbroucke and Rinaldi, Social inequalities in Europe – The challenge of convergence and cohesion. In: Vision Europe Summit Consortium (eds.): *Redesigning European welfare states – Ways forward*, Gütersloh


**www.frankvandenbroucke.uva.nl**

**www.researchgate.net**