

Program for the Study of Germany and Europe
Working Paper Series #1.4

The Prospects for Social Europe

by Stephan Leibfried
Center for European Studies, Harvard University
Center for Social Policy Research &
Sfb 186 of the German National Science Foundation, University of Bremen
and
Paul Pierson
Center for European Studies, Harvard University

The authors are grateful to David Cameron, John Myles, and Kent Weaver for comments on an earlier draft of this paper.

Although European integration has recently accelerated, the European Community's role in the formation of social policy remains quite limited. After reviewing the current scope of EC social policy, this paper considers the prospects for future reform. There are strong reasons to discount a scenario of rapid expansion in the short or medium-term. However, increased interdependencies resulting primarily from the on-going process of economic integration suggest growing pressures for an extension of the Community's activity. This will be especially true if heightened economic competition and the rules governing the single market begin to erode national welfare state regimes.

Table of Contents

Studying Europe's Social Dimension	1
Crucial Dimensions of EC Social Policy	5
Negative and Positive Integration	6
Individualized Entitlements: Social Policy and Social Citizenship	8
The Current Status of Social Europe	10
Migrant Workers: EC Social Policy Coordination	10
Gender Equality: On Harmonizing EC Social Policy	12
The Structural Funds: The Politics of Largesse	13
Agriculture: Towards a Sectoral Welfare State?	17
Towards an Expanded Social Dimension? Constraints and Pressures	21
The Obstacles to a Social Europe	21
The Fragmentation of Political Institutions	21
The Absence of Social Democratic "Power Resources"	24
The Heterogeneity of the EC	26
The Preemptive Role of National Welfare States	28
"Spillovers" and Pressures for a Social Dimension in the Single Market	32
The Prospect of "Social Dumping"	33
Restrictions on National Policy Interventions	35
Pressures to Define a "European Social Citizenship"	38
Mechanisms for Expanding the Social Dimension	40
List of Acronyms	48

Figures

Figure I: Types of Integration	8
--------------------------------------	---

Studying Europe's Social Dimension

The Single European Act (SEA) of 1986 has greatly accelerated the process of European integration. The EC is no longer simply a multilateral instrument, limited in scope and firmly controlled by individual member states. Instead, the Community is increasingly taking on characteristics of a supranational entity, possessing extensive transnational bureaucratic competencies, unified judicial control and significant autonomy to develop, modify or sustain policies.

Yet the European Community is not a state -- an organization whose universal territorial sovereignty may be presumed -- nor is it likely to become one in the foreseeable future. If European integration has clearly produced more than a free trade zone, what the "pooling of national sovereignties" is leading towards remains highly uncertain.¹ This is especially true in the area of social policy. Historically a key component of continental state-building processes, the "social dimension" of the EC remains extremely rudimentary. Indeed, the recent acceleration of European integration was predicated on a tacit agreement that EC policy initiatives would have a strong market-reinforcing orientation.²

¹The phrase is from Robert O. Keohane and Stanley Hoffmann, "Institutional Change in Europe in the 1980s," in Robert O. Keohane and Stanley Hoffmann, eds., The New European Community: Decisionmaking and Institutional Change (Boulder, Co.: Westview Press), 1991, pp. 1-39. For a contrasting analysis, see Philippe C. Schmitter, "A Sketch of an Eventual Article on the European Community as an Extreme Example of a Newly Emergent Form of Political Domination," unpublished manuscript, 1989.

²"In the 1992 compromise, the project of European integration became finally and formally bound up with a deregulation project." Wolfgang Streeck and Philippe C. Schmitter, "From National Corporatism to Transnational Pluralism: Organized Interests in the Single European Market," Politics and Society, Vol. 19, No. 2, 1991, p. 149. This agreement is clearly indicated both by the adoption of the strong deregulatory principle of "mutual recognition" and by the extension of qualified majority voting to single market issues only, with unanimity required for other matters, including most aspects of the social dimension.

This paper appraises the current status and medium-term prospects for Social Europe. The institutional, political, cultural and technical barriers to extending EC social policy competence are high. However, if the process of economic (and, increasingly, political) integration continues, these barriers will be accompanied by substantial and increasing pressures to develop something more than the present, quite limited EC presence in social policy.

Much of the discussion to date, we believe, has been distorted by the adoption of an inappropriate frame of reference -- what might be called the "Stockholm fallacy." If the question is whether the EC will replicate at a supranational level the "social democratic" or "corporatist" policy structures of Scandinavian or Northern European welfare states, the answer must clearly be no. For reasons to be discussed below, there will be no such "European welfare state" in the foreseeable future.

Yet to rule out this one extreme scenario is no more than a starting point for analysis. If the Stockholm Fallacy rests on wholly unrealistic expectations for EC social policy activity, a second error is to leap from the implausibility of this vision to a denial of any prospective EC social role. Although the social dimension has lagged behind other aspects of integration, there have already been policy developments of consequence. Emerging demands and the enactment of important institutional reforms at the Maastricht summit hold out the promise of more activity in the future.

Analytically, this paper defends the argument that a moderate version of the neo-functional view of European integration can be applied to social policy development. While the quite extensive barriers to EC action rule out medium-term prospects for any true federalization of European social policy, the dynamics of creating a single market make it increasingly difficult to exclude social issues from the EC agenda. Steps are likely to be slow and to occur in disparate spheres, but there will be movement.

Even though the Community's initial efforts will be halting, these initiatives will quite likely have lasting implications for the path of EC development. Options chosen -- or rejected -- now will influence the competencies of EC administrators, the resources and strategies of political actors and the development of norms governing EC activities. The implications of initial choices are likely to be particularly important in an institutional context like that of the EC, where fragmented policymaking structures mean that brief "windows" of major reform opportunity are likely to be followed by lengthy periods of incremental adaptation along established lines. The current moment is marked by unusual fluidity; a convergence of events is producing rapid institutional change. The results will have a profound influence on the long-term path of EC social policy development.³

Before beginning, it is worth expressing the tentative nature of our analysis. The obstacles to a careful study of the EC's social dimension are sufficiently daunting to suggest that the current enterprise's ambitions must be modest. The first problem is that the EC itself is a moving target. Change is proceeding at such a pace that analyses are sometimes obsolete within months rather than years -- a poor record even by the standards of social science. In the next few years, many highly unpredictable factors will influence the prospects for EC social reform. Within the Community for example, levels

³On the general point that crucial junctures lead to "path dependent" development see Stephen Krasner, "Approaches to the State: Alternative Conceptions and Historical Dynamics," Comparative Politics, January, 1984, vol. 16, pp. 223-46 and Douglass C. North, Institutions, Institutional Change and Economic Performance (Cambridge: Cambridge University Press), 1990, Chapter 11. The argument that fragmented institutions encourage a pattern of social policy development based on "big bangs" followed by periods of incrementalism is applied to the United States in Christopher Leman, "Patterns of Policy Development: Social Security in the United States and Canada," Public Policy, Vol. 25, No. 2, 1977, pp. 261-91.

of economic performance and the shifting political fortunes of member governments will have a major impact. Outside the EC, major developments such as the difficult process of economic and political reform in Eastern Europe, the dynamics of the Soviet empire's unravelling, and the evolution of post-Cold War relations with the United States and Japan are all likely to have profound effects on institutional and policy development within the Community.

The paucity of evidence concerning the social dimension compounds the problem of conducting systematic analysis. Precisely because this domain of EC competency has lagged, the empirical base for analysis is rather thin. Furthermore, as Peter Lange has emphasized, knowledge that -- at least until Thatcher's forced resignation -- Britain would veto any significant social policy initiatives has permitted other actors to engage in "cheap talk."⁴ Past positions of member states thus may provide a poor guide to their future action.

Finally, the unprecedented character of the EC integration process makes it difficult to establish a framework for studying unfolding events. Fundamental differences between EC development and previous processes of regional integration mean that historical and comparative evidence, for example, must be treated with caution. The EC is, as Schmitter put it, "a new form of political domination." The proliferation of terms to describe the Community's status (e.g., federal, confederal, "quasi"-federal, "pooled sovereignty") reflects the absence of clear reference points for evaluating what remains something more than an international organization but something less than a state.

Despite these difficulties, the importance of the subject matter justifies an effort to

⁴Peter Lange, "The Politics of the Social Dimension: Interests, Rules, States and Redistribution in the 1992 Process," in Alberta Sbragia, ed., *Europolitics* (Washington, D.C.: The Brookings Institution), forthcoming.

evaluate the prospect for changes in EC social policy. Our analysis is presented in three stages. First, we suggest a framework for measuring the expansion of social policy. Second, we review the extent of current activity against this benchmark. Finally, we consider the constraints and pressures that seem likely to influence efforts to extend the EC's social role.

Crucial Dimensions of EC Social Policy

Social policy has been called a "step child" of European integration.⁵ Yet Norbert Reich has rightly noted a "social statization" ("Versozialstaatlichung") of the Community in fields like consumer protection, ecology, equal opportunities, health protection and industrial safety.⁶ All of these policies are at the margin of traditional social policy domains, but are approached in a strongly juridical fashion at the community level. There is also an EC social policy in the more standard sense, albeit one that mostly oversees and coordinates activity left at the national level. Before turning to an account of current social activities of the Community, it is important to establish a basic framework for measuring progress towards social integration.

EC social policy development can be measured along two dimensions. The first is the

⁵Jürgen Bellers, "Europäische Sozialpolitik", in Europäische Gemeinschaft. Problemfelder-Institutionen-Politik, edited by Richard Woyke, vol. 3, Pipers Wörterbuch zur Politik, edited by Dieter Nohlen (Munich: Piper), 1984, pp. 246-253, p. 246. In the following, we generally leave to one side the discussions of industrial relations that have been at the heart of much debate over the "social dimension" of European integration. We do so for two reasons. First, as the footnotes to this paper indicate, these issues have been examined in detail elsewhere. Second, the focus on industrial relations has led to broad and often unjustified generalizations about social policy (e.g., that union weakness and business strength makes any action impossible). By investigating other aspects of social intervention we hope to indicate the limitations of a purely industrial relations-focused framework.

⁶Norbert Reich, Schutzpolitik in der Europäischen Gemeinschaft in Spannungsfeld von Rechtsschutznormen und institutioneller Integration, (Hannover: Hennies und Zinkeisen), 1988, p. 7.

extent to which policy moves beyond a focus on striking down national measures to the design and one on implementation of a social policy regime of its own. Such a move represents a shift from "negative" to "positive" integration -- an analytical vocabulary first introduced by Jan Tinbergen which is not meant to have any pejorative moral overtones. The second dimension is the extent to which policies provide individualized, entitlement-based benefits rather than "largesse" -- and ultimately, the extent to which policies incorporate notions of a basic European social citizenship.⁷ We begin by outlining the nature and importance of these two dimensions before considering the extent of social policy development along these lines within the EC.

Negative and Positive Integration.

To date, Europe's "incomplete federalism" has been strongly oriented towards negative integration. Negative integration emphasizes merely a removal of obstacles to a free market. Citizens are identified as market participants; social policy remains primarily an adjunct to the four freedoms, aiming at "an area without internal frontiers in which the free movement of goods, persons, services, and capital is ensured."⁸ By contrast, positive integration is much more ambitious and complex. It aims at joined, constructive action, at the creation of a state with substantial capacities to modify market distributions of life chances.⁹ It presupposes some idea of what substantially is in need of unification in Europe, of a proper domain of European citizenship and political union.

⁷ On the Anglo-American tradition of welfare state largesse: Charles A. Reich, "The New Property", Yale Law Journal, Vol. 73, 1964, pp. 733-787.

⁸Article 8a of the EC Commission White Paper, as amended by the SEA. Quoted in Moravcsik, "Negotiating the Single European Act," p. 19.

⁹John Pinder, "Positive Integration and Negative Integration - Some Problems of Economic Union in the EEC," World Today, vol. 24, pp. 88 - 110.

A summary of the two modes of integration is given in Figure I¹⁰. The two are not mutually exclusive. The shift from negative to positive integration implies a synthesis: positive integration includes *and* transforms negative integration by relating the latter to concepts of "justice" and "welfare." Positive integration confronts the problem of creating the social infrastructure necessary to achieve and sustain negative integration. To date, the "positive" aspect of integration has largely trickled down from the common market -- for example, through a promise of reapproaching a full employment European economy if barriers fall; it has not become an element of EC construction itself.

¹⁰ This figure is taken from Stephan Leibfried, "Towards a European Welfare State? On Integrating Poverty Regimes into the European Community," in Szusza Ferge, Jon Eivind Kolberg, eds., Social Policy in a Changing Europe (Frankfurt a.M./Boulder, Co. > Campus/Westview), 1992, pp. 227-259, here p. 228. Renaud Dehousse, "Completing the Internal Market: Institutional Constraints and Challenges", in Roland Bieber, Renaud Dehousse, John Pinder, Joseph H. H. Weiler, eds., 1992: One European Market? A Critical Analysis of the Commission's International Market Strategy (Baden-Baden: Nomos), 1988, pp. 313 ff., presents most of the material for the first three columns of this figure.

Figure I: Types of Integration

MODUS OF INTEGRATION	NATURE OF TASK	POLITICAL SYSTEM	EXAMPLES IN PRESENT EC LEGISLATION	CLASSICAL AND TYPICAL MODELS
NEGATIVE	remove obstacles	weaker; strong reliance on juridical procedures and decisions	free movement of persons, goods, capital and services ("the four freedoms")	"Tariff Union" ("Zollverein") (Germany before 1871 or USA; Italy?)
POSITIVE	create common social space	stronger; reliance on developed executive and parliament	set minimum of essential health and safety requirements	"German Reich" (after 1871), Canada

Individualized Entitlements: Social Policy and Social Citizenship

Moving from "freedom" to "social rights", taking the long view, implies a shift in the nature of the political regime in a unifying Europe. First, it means to create a Europe wide sphere of entitlements to a decent livelihood. The tradition of social entitlements which is at the base of most continental welfare states would need to be synthesized, displacing a tradition of largesse still prominent in countries like England, Ireland and Denmark. Although this would be a reform of *process* only -- not necessarily affecting much of actual social policy delivery -- it deeply affects national political cultures in those European states which are not part of the roman law codification tradition and its stronger juridificatory biases. Second, this sphere of entitlements would have to be extended to all basic social risks of European citizens -- and, maybe, of all legal

European residents.

Already the purely symbolic discussion of "Social Europe" is testing the limits of the European Community's integration project. This demonstrates how long the road is which European unification still would need to travel. Currently, the EC mandate is focused mostly on European employees, rather than on European citizens per se. But as it is national citizenship which constitutes the basic national cultural link to the welfare state so it may also be European citizenship which provides the most promising avenue for a stronger European political union. Even the non-binding EC Social Charter generally refers to *employees*, although comparable basic statements of rights at the national and European¹¹ level address all citizens.¹² If Europe is to stay true to its national welfare state heritages it will have to introduce a version of "social citizenship", which according to Dahrendorf, is "the final stone in the arch which holds up the roof of citizenship"¹³.

¹¹ The European Social Charter of the Council of Europe, which binds more European nations than just the EC 12, pertains to citizen's social rights and dates to the 1950s. On this instrument cf. Franz-Xaver Kaufmann, "Nationale Traditionen der Sozialpolitik und europäische Integration," in Lothar Albertin, ed., Probleme und Perspektiven europäischer Einigung (Cologne: Verlag Wissenschaft und Politik), 1986, p. 69-82.

¹²Revealingly, the final, watered-down version of the Social Charter of Basic Social Rights had the phrase "for workers" appended to it. This reflects the general restriction of EC social policy to the structurally narrow domain of employment policy -- i.e., programs for those employed or employable. When Jacques Delors speaks about a "social floor" for Europe he does not mean a floor for all citizens but one for the employed only. The "worker" and the "citizen" are treated as distinct social categories. For a detailed comparison of the draft and final version of the Social Charter see John T. Addison and W. Stanley Siebert, "The Social Charter of the European Community: Evolution and Controversies," Industrial and Labour Relations Review, Vol. 44, No. 4, July, 1991, pp. 597 - 625.

¹³Ralf Dahrendorf, Law and Order (Boulder, Co. etc.: Westview Press) 1985, p. 94.

The Current Status of Social Europe¹⁴

A number of articles of the Rome Treaty at least touch upon social policy, and have provided a basis for intervention by the Council, the Commission or the European Court of Justice (ECJ), with the ECJ playing a prominent role as a "forcing mechanism" in social policy.¹⁵ In this section we consider four areas of EC activity. The effects of national social policies on migrant workers and gender equality have been important EC issues, suggesting some capacity to formulate individualized EC social rights. The structural funds and the Common Agricultural policy indicate the current scope of positive integration policies, though they are not organized on a rights-based approach.

Migrant Workers: EC Social Policy Coordination.

For migrant workers from EC member states (roughly 1.4% of the EC labor force) national systems are "coordinated" rather than harmonized.¹⁶ The treatment of migrant workers reveals that EC activity in social policy has mainly centered on the free

¹⁴ For an extensive review of potential European welfare state developments cf. Stephan Leibfried, "Social Europe. Welfare State Trajectories of the European Community," in Hans-Uwe Otto, Gabi Floesser (eds.), How to Organize Prevention (Berlin: de Gruyter), 1992, pp. 1 - 45. See also Bernd Schulte, "Die Folgen der EG-Integration für die wohlfahrtsstaatlichen Regimes", Zeitschrift für Sozialreform, Vol. 37. No. 9, 1991, pp. 548 - 580.

¹⁵ Art. 51 empowers the Council to implement the free movement of the employed within the EC in social policy. Art. 117 is about improving the living standards and the conditions of work and about making them progressively uniform ("levelling-up"). Art. 119 grants a strong legal mandate for gender equality in the labor market. Art. 121 allows the Council to delegate responsibility to the Commission pertaining to migrant workers. Art. 130a I (added via the SEA) is about the harmonious development of the EC as a whole, and about diminishing the welfare disparities between regions and the uplifting of least favored regions.

¹⁶ Migrant workers from EC member states are only a minority among all migrants in the EC 12. Today about 2 million of 140 million employed in the EC are European migrants. In addition there are 5 million citizens of "third states" - mostly from Northern Africa, Turkey or Yugoslavia - on EC territory and 3 million dependents. While many of these migrants from third states are among the poorest inhabitants of Western Europe, coordination applies only to EC citizens. Schulte, "Die Folgen der EG-Integration," p. 33.

movement of persons. EC-citizens and their families moving within the Community receive certain protections. Coordination *vis à vis* migrant workers has four basic principles: non-discrimination against citizens of other member states in "social security"; which state is to decide legally contested cases; cumulation of insurance spells and of times of employment ("proratization"); the right to *export* social entitlements to any member state.¹⁷

The scope of these initiatives is not trivial. The Court requires that almost all national social rights be extended to Europeans residing in that country, and that once obtained such benefits may not be restricted to national consumption.¹⁸ The Court has allowed "welfare rights" to be an exception (which means welfare entitlements may be reserved for nationals only), but it defines "welfare" so narrowly that many means-tested social rights will not qualify. For example, a minimum benefit added to the German pension scheme would have to be paid to any EC-citizen who ever legally contributed to and has some entitlement *vis à vis* the German pension program, wherever she might reside in EC-Europe.

These "coordination" policies have reflected a focus, appropriate in the 1950s and 1960s, on untrained southern workers migrating north. This orientation of EC policy fits well with national social security patterns, which are historically more dense for the normal working class but rather loose for white collar workers and especially for the self-

¹⁷Danny Pieters, "Europäisches und nationales Recht der Sozialen Sicherheit - Zukunftsperspektiven," Zeitschrift für ausländisches und internationales Arbeits- und Sozialrecht, No. 1, 1991, pp. 72-94. Action has been taken under Art. 51 ECC, which empowers the Council to protect the free movement of the employed in social policy. Regulations 1408/71 and 574/72 have established rules of coordination.

¹⁸ Child allowances, for example, may be shipped back by the male employed to the rest of his family staying in the country of origin. The favorite German example here is Portugal, where German child allowances for 3 children are said to equal average worker's wages and to thus by themselves attract migrants. Peter Clever, "Binnenmarkt '92. Die 'soziale Dimension'", in Zeitschrift für Sozialhilfe und Sozialgesetzbuch, vol. 28, no. 5, 1989, pp. 225-236.

employed. However, mobility is increasingly common among white collar and well-trained blue collar employees, professionals and the self-employed, who migrate from any member state to any other member state. While this changing pattern is not yet reflected in EC regulation, the Commission is now drafting legislation to coordinate private (company) pension schemes in the face of strong national resistance, thus slowly shifting its attention from the "bottom" to the "top" of the European labor markets.¹⁹

Gender Equality: On Harmonizing EC Social Policy.

Gender issues provide the clearest instance to date of broad Community social policy intervention enforcing individualized entitlements.²⁰ Initially, the center of activity was the ECJ, operating on the basis of Article 119 of the Treaty of Rome, a clause added to the Treaty at France's insistence, which requires that "men and women should receive equal pay for equal work." This provision has been liberally interpreted and vigorously enforced, with the Court holding that the requirement is directly binding, i.e. that individuals are entitled to bring suit to challenge alleged violations.²¹

The Community has also adopted a number of important directives on sex discrimination in employment, covering equal pay, equal treatment at work and equal treatment in social security. Indeed, a majority of the Community directives related to

¹⁹ A similar movement may be discerned when "Euro"-Companies are exempted from all member states' national social security schemes. Such companies may then shop for a uniform private insurance policy for all their plants or all their mobile personnel. To our knowledge only Airbus has obtained such an exemption. There seems to be no research on how it has used this exemption.

²⁰See Catherine Hoskyns, "Women, European Law and Transnational Politics," International journal of the Sociology of Law, Vol. 14, 1986, pp. 299-315; S. Mazey, "Women in Europe: The Implementation of the Community's Equality Laws," Journal of Common Market Studies, Vol. 25, no. 2, 1988, pp. 352-74; and Sibylle Raasch, "Perspektiven für die Gleichberechtigung der Frau im EG-Binnenmarkt '92," Kritische Justiz, Vol. 23, No. 1, 1990, pp. 62-78.

²¹Defrenne v. Sabena 43/75.

work and employment in the 1970s and 1980s were concerned with the equal treatment of women. The Commission appears to have seized on this realm as an entering wedge for expanded activity, in part because of the political difficulties sex discrimination issues created for many national governments and labor movements.²²

Gender equality issues represent the one area where EC action has actually forced national social policy harmonization. Community initiatives have led member states to adopt significant revisions in their policies covering paid employment for women. Britain, for example, is being forced to modify its age limits for eligibility for the basic pension, currently 60 years for women and 65 for men. The EC will not mandate a specific age, but requires that the age be the same for both sexes. The requirement poses a dilemma for the British government: raising the age limit for women will be highly unpopular, while lowering it for men will be extremely expensive.

Despite the extent of this activity, its limitations confirm the basic hesitancy of Community social legislation to date. In line with its orientation towards pursuing social policies only as a contribution to ensuring the mobility of a key factor of production (labor), Community initiatives have pertained only to some aspects of paid work, and not to unpaid labor. "Employment citizenship" remains the restricted focus of EC policy. But societal welfare relies on a private base of unpaid, mostly female (family) work. Thus key elements of family policy, like most questions of social citizenship, remain relegated to national policymakers.

The Structural Funds: The Politics of Largesse

In a broad sense, the Structural Funds can be seen as part of an EC social role. The funds are designed to compensate for possible losses associated with economic

²²Wolfgang Streeck, "More Uncertainties : West German Unions Facing 1992," *Industrial Relations*, 1991, forthcoming.

integration, and to enhance the social integration of the Community. The use within the EC of the term "social cohesion" to describe the main goal of the funds is indicative of this status.

The two European Structural Funds, the European Social Fund (ESF) and the European Fund for Regional Development (EFRD), have been described by one scholar of federalism as being "ridiculously under-financed in relation to the problems they are supposed to attack."²³ Germany alone is devoting about as much to *child allowances* -- 15 billion DM in 1990 -- as the Community devotes to each of these funds. Nevertheless, since the mid-eighties both funds have developed as a "second leg" of the 1992 integration process, the internal market being the "first leg." The 1988 reform of the Structural Funds called for a doubling of expenditures by 1992. This goal is already close to being met: the Commission's requested budget for 1992 calls for Structural Fund expenditures of 37 billion DM, or 29% of the EC budget compared with 13.7% in 1988.²⁴ This expansion occurred basically at the expense of the Common Agricultural Program which held on to a radically diminishing share of the budget. The countries of the EC periphery, especially Spain, are pushing for further enlargements of the funds, perhaps in connection with the entry of former EFTA countries (e.g., Sweden, Austria) into the Community or in tandem with any further deepening of European integration.

²³Scharpf, "Joint-Decision Trap," p. 241.

²⁴Bernd Schulte, "... und für den Arbeitnehmer wenig oder nichts"? Sozialpolitik und Sozialrecht in den Europäischen Gemeinschaften," Kritische Justiz, Vol. 23, no. 1, 1990, pp. 79-97. Frankfurter Allgemeine Zeitung, July 25, 1991, p. 13; July 24, 1991, p. 13. "Der EG-Haushalt platzt aus allen Nähten. Von einem heißen Herbst in Brüssel/Umzugskosten der Beamten nicht gedeckt." But as a percentage of GNP in the peripheral countries, Structural Fund expenditures are quite significant: 3.8% for Portugal, 2.6% for Ireland and 1.6% in Greece. Structural Fund expenditures account for 15% of Portugal's and 10% of Greece's gross investments; cf. Peter Ermer, Thomas Schulze, Frank Schulz-Nieswandt and Werner Sesselmeier, Soziale Politik im EG-Binnenmarkt: Bisherige Entwicklung und zukünftige Entwicklungschancen (Regensburg: Transfer Verlag), 1990, p. 99.

In this realm, economic integration has generated a manifest institutional, organizational and ideological expansion of the EC's social competence.²⁵

The rebuilding of the two Structural Funds into a second leg of the 1992 process symbolizes that horizontal fiscal equity (revenue sharing) and social redistribution between member states have become important bargaining chips between center and periphery in the process of market integration. These funds partly compensate the peripheral regions of Europe and are routinely added onto national programs.²⁶ The larger of the two funds, the European Fund for Regional Development (EFRD), finances infrastructure policies in the EC periphery. The European Social Fund (ESF), established in Arts. 123 ff. of the Treaty of Rome, pursues measures to retrain and relocate the European unemployed. Designed in the context of the far more homogeneous EC 6, the ESF was meant to address the atypical needs of the Mezzogiorno. Though it is a separate institution at the European level and has become an independent instrument of European policy, the ESF works through national governments and their national programs.

Although these programs involve significant EC expenditures to compensate potential losers from the integration process and to reduce social inequality, they are not rights-oriented welfare state initiatives. The funds provide no individualized protection against

²⁵On recent developments see Jeffrey J. Anderson, "Skeptical Reflections on a Europe of Regions: Britain, Germany, and the ERDF," Journal of Public Policy, Vol. 10, No. 4, 1991, pp. 417-47 and Gary Marks, "Structural Policy and 1992," in Sbragia, ed., Europolitics.

²⁶There has been some loosening here as the Commission has on occasion circumvented nation states to establish linkages with regions and other subnational authorities, but this tendency should not be exaggerated. See Anderson, "Skeptical Reflections on a Europe of Regions." In any event, circumventing nation states to establish linkages with citizens remains a long way off for most EC programs. Education, as programs like ERASMUS show, is an important exception. On the educational dimension see Klaus Sieveking, "Bildung im Europäischen Gemeinschaftsrecht", Kritische Vierteljahresschrift für Gesetzgebung und Rechtswissenschaft, Vol. 73, No. 3/4, 1990, pp. 344-373; Bruno de Witte, ed., European Community Law of Education (Baden-Baden: Nomos), 1989.

risks associated with market processes. In the short run, the Structural Funds appear to be *competitors* to any emerging focus on social citizenship, while possibly turning into a formal mechanism for general revenue sharing and for horizontal fiscal redistribution. Championed by member states of the periphery, the funds highlight the territorially-based conflicts of interest over social issues within the Community. If many in the north worry about "social dumping" -- the potential for a downward spiral of social regulations to keep capital from migrating to the low-social wage south -- the southern fear must be that generous EC-level social wage guarantees will undermine its main source of economic comparative advantage. The periphery's emphasis on "social cohesion" reflects a desire to reduce economic differentials within the Community through a focus on increasing productivity in the poorest member states. It is primarily northern social democrats and some of the union wings of the Christian parties who have promoted more expansive conceptions of European social citizenship. The governments of the periphery, foremost among them Spain, have come to advocate *non-individualized* transfers of public funds, designed to promote productivity through improvements in physical and human capital *without raising the effective floor on wages*.

However, if in the short-run these policies appear to compete with individualized, entitlement-based initiatives for scarce administrative and fiscal resources, in the long-run such efforts provide an essential base for efforts to develop extensive EC social policy competence. If massive gaps in economic development remain, or even widen as a result of the integration process, efforts to set Community-wide standards of social provision are bound to meet stiff resistance from the periphery. The move towards increasingly formalized general revenue sharing at the EC level also increases the EC's tax and administrative capability. Furthermore, the growth of the social funds is supportive of the broader effort to transcend the "negative integration" project of the

single market. The 1992 consultations about a "Cohesion Fund," agreed on in Maastricht at Spain's insistence, will give further indications of where this journey will lead.

Agriculture: Towards a Sectoral Welfare State?

The threshold to a "social state" has not clearly been crossed even in the area where the Community has assumed its most extensive and longstanding competence, the Common Agricultural Policy (CAP). However, there are signs that such a development may be in the offing. If that threshold were crossed, it would have significant reverberations far beyond the agricultural sector, especially for those member states in which social rights are not already strongly constitutionalized.

Although benefits were not individualized, the EC's negative integration orientation was transcended in agricultural policy from the outset. In the European Community, agriculture was the first domestic policy domain to be europeanized, and the development of CAP has brought it close to a truly federal competency, politically comparable to U.S. or German federal standing.²⁷ Here the EC has further developed a highly organized and closed sectoral system, regulating 90% of the agricultural produce and practically all the income of EC farmers and food producers, i.e. of 7% of the gainfully (civil) employed. The CAP already draws on an autonomous Community tax base, partially emancipated from national "dues." The EAGGF (European Agricultural Guidance and Guarantee Fund) builds on parallel national legislation and

²⁷Scharpf, "Joint-Decision Trap." The following draws heavily on Elmer Rieger's exploration of the Community's agricultural landscape, including its social dimensions. Elmar Rieger, "Die Vergemeinschaftung der Landwirtschaft: Bemerkungen zur Institutionalisierung einer transnationalen politischen Ordnung," *Tijdschrift voor Sociologie* (focus: Sociologische benadering van Europe 1992) (in print), June, 1991; Elmar Rieger, "Der Wandel der Landwirtschaft in der Europäischen Gemeinschaft," in M. Rainer Lepsius, ed., *Transnationale Integrationsprozesse* (Special Issue 31 of the *Kölner Zeitschrift für Soziologie und Sozialpsychologie*), in print.

administration, which protects national agricultures and assures adequate farm incomes.²⁸

However, a transformation of sectoral incomes policy into a social state regime did not take place even though a juridical approach in general is quite attractive to the Community. In spite of this very public "welfare state for farmers" the EC has not constitutionalized or juridified the client-state linkage.²⁹ Farmers have no entitlements directly vis à vis the Community. Though it is the CAP through which most of the relevant economic and legal parameters for national agricultural programs are now set, and though the CAP has been a major preoccupation of the ECJ since the 1950s, the legal formation of any entitlements is still tied to the nation-state.³⁰ This EC welfare policy for one part of the middle class in Northern Europe has not given rise to a formal status, a structure of rights which ensures autonomy from market forces as has typically been the case in European national welfare states.

²⁸The EAGGF is an EC institution based on Art. 40 ECC (and regulation 17/64) and created to finance agricultural programs. It relies on two basic regulatory mechanisms, price and incomes policy. Its first section, called EAGGF-Guarantee, oversees price support programs and price policies in general. EAGGF-Guidance, its second section, monitors the consequences of the price programs and finances long-term structural programs. EC agricultural funds go mainly to EAGGF-Guarantee, which benefits the more efficient and well-to-do (center-northern) farmers. The guidance section, which provides straight income transfers to the less well-to-do farmers (in the periphery-south) concentrates on macroeconomic and social policy and has been systematically underfunded. For a detailed analysis cf. Michele de Benedictis, Fabrizio de Fillipis and Luca Salvatici, "Social and Economic Consequences of the EC Agricultural Policy," in Alessandro Bonano, ed., Agrarian Policies and Agricultural Systems (Boulder, Co.: Westview), 1990, pp. 151-79; Rieger, "Der Wandel der Landwirtschaft,"; and Julian Rosenblatt et al., eds., The Common Agricultural Policy of the European Community: Principles and Consequences (Washington, D.C.: International Monetary Fund), 1988.

²⁹ A client-state linkage in social policy in the EC framework exists only for EC civil servants themselves.

³⁰At the national level only farmers social security institutions proper are firmly and systematically built on entitlements in the EC 12. Cf. Rieger, "Der Vergemeinschaftung der Landwirtschaft," p. 22, fn. 22. On social protection for farmers cf. Herbert Pruns, "Soziale Sicherung im Bereich der Landwirtschaft. Versuch eines internationalen Vergleichs", Vierteljahreshefte für Sozial- und Wirtschaftsgeschichte, Beiheft No. 95, 1991, pp. 295 - 357.

Developments since the early 1980s are forcing a reconsideration of CAP, however. In a restrictive turn in price policy at the beginning of the 1980s the EC tried to contain uncontrollable growth of CAP expenses and proposed "decoupling" in the mid-1980s: a "long-term reform of CAP" was to move "toward a return to the market."³¹ The Green Book -- the EC's official reform program -- "called for a reduction in price supports and a realignment with world prices, together with direct support to farmers' income partially and selectively *decoupled* from the quantity of products generated."³²

These proposals have been pushed forward by a number of factors. The entry of new groups into agricultural bargaining -- consumers, environmentalists, and economic groups concerned by the cost of CAP -- has fueled a slow erosion of the Community's producer-based "iron triangle" in agriculture. The resurgence of neo-liberal economic thinking has led to growing criticism of a set of policies that are seen as both highly interventionist and highly inefficient. Finally, the issue of CAP reform has been given immediacy by the mounting pressure stemming from on-going GATT negotiations³³. A guaranteed basic income for European farmers is at the moment thought to be a general remedy even in the quarters of continental liberal market orthodoxy.

The barriers to such a transformation remain substantial. But if transfers are "decoupled" and transformed from price supports and surplus absorption to a direct income grant, agricultural policy would become straight social policy, though limited to

³¹Here again the North-South divide after the EC's second enlargement become significant, since the number of member states increased that did not benefit from CAP's major guarantee element. In essence this implied "a diversification of the instruments of intervention, which were increasingly divorced from the achievement of common objectives and increasingly related to a more equitable distribution of financial resources among member states." de Benedictis et al., "EC Agricultural Policy," p. 173.

³²Ibid, p. 175, emphasis ours.

³³ Cf. H. Wayne Moyer, Timothy E. Josling, Agricultural Policy Reform. Politics and Process in the EC and USA (New York etc.: Harvester Wheatsheaf), 1990, pp. 181ff.

one sector and one status group. The implications will be especially significant because of the southern extension of the EC. While in the original "EC 6" the agriculturally employed have diminished greatly, the EC 12 now includes states with large farming populations. A basic minimum income for farmers in these states comes much closer to a General Basic Income for each citizen. Once the transformation of agricultural "produce" policy into a straight incomes policy occurred, it would be much more difficult to insulate this policy domain from other European claimant groups. This could lead to EC wide controversies and bargaining over turning the new agricultural policy into an ever more comprehensive EC social policy. The first "decoupling" -- from prices -- would be followed by a second "decoupling" -- from agriculture.

But such a turn of events would also unsettle the balance between Structural Funds and CAP achieved since the SEA. The rise of the Structural Funds since 1988 was justified partly by the fact that CAP redistribution basically benefitted large northern agricultural producers and products but not the newer EC members. A reorientation of CAP towards straight social policy would turn this relationship on its head, weakening the rationale for the Structural Funds.

As a review of these policy arenas suggests, positive integration is already a significant component of EC activity. In important spheres, the Community has demonstrated a willingness to intervene and protect regions and sectors against risks associated with market integration. The development of individualized entitlements has proceeded more slowly, though here as well the Community has moved towards the introduction of rights for some groups (e.g. women, migrant workers). These rights are enforced by member states but EC court-policed. Compared with the extensive undertakings of the EC in other domains, however, these initiatives look rather half-hearted. On the whole, the

process of European integration has remained strongly market-oriented.

Towards an Expanded Social Dimension? Constraints and Pressures

While progress towards economic integration has proceeded rapidly, social policy development at the EC level has lagged far behind. To what extent is this gap likely to continue? In this section we review the factors that seem most likely to influence the development of the Community's social role, beginning with the barriers to reform and then turning to the pressures encouraging new initiatives. Finally, we consider the prospects for new political coalitions or institutional changes that might facilitate reform efforts.

The Obstacles to a Social Europe.

Many observers remain skeptical about the prospects for change. They stress the continued existence of significant constraints on EC-level social policy development. Skeptics have pointed to four factors that will inhibit new initiatives: the fragmentation of EC decision-making structures, the weakness of social democratic forces, the socio-economic and cultural heterogeneity of the EC, and the pre-emptive role of existing national welfare states.

The Fragmentation of Political Institutions. Students of European welfare state development have not generally paid much attention to political institutions, because the predominant centralized, parliamentary systems have generally produced few impediments to decision-making. Majority parties or coalitions in Europe rarely faced significant institutional barriers to the pursuit of their policy goals.³⁴ At the EC level,

³⁴Germany's federal system is an important exception. On the parallels between German and EC (and US) institutions, see Fritz J. Scharpf, "The Joint-Decision Trap: Lessons from German Federalism and European Integration," Public Administration, Vol. 66, No. 3, Autumn, 1988, pp. 239-78. North American scholars have understandably paid more attention to the ways in which institutional barriers may influence social policy development. Keith G. Banting, The Welfare State and Canadian Federalism (Montreal:

however, voting rules in the Council constitute a much more fundamental constraint, encouraging either minimalist strategies or complex policy "linkage" arrangements.

The institutions of the European Community are poorly designed for bold initiatives. The European Community continues to possess what Schmitter and Streeck have termed a "centripetal center."³⁵ Opponents of reform occupy the institutional high ground; it is far easier to sustain "non-decisions" than to initiate policies. While the SEA streamlined decision-making by authorizing qualified majority voting on issues related to the single market, social policy issues on the whole remained subject to unanimous consent. The fact that policies unacceptable to even one member could be blocked appeared to restrict the EC to "lowest common denominator" strategies.³⁶

Since the Single Act and the growing introduction of qualified majority voting, however, the institutional framework governing social policy has been the focus of sharp conflict. There are continuing struggles to determine the range of issues that can be treated on a majority vote basis, either under Article 100a covering distortions of competition or under the SEA's exception for proposals governing the health and safety of workers. Members of the Commission, the European Parliament and the ETUC have

McGill-Queen's University Press), Second Ed., 1987; Margaret Weir, Ann Shola Orloff and Theda Skocpol, eds., The Politics of Social Policy in the United States (Princeton: Princeton University Press), 1988. For analyses of European social policy development that emphasize institutional structures, see E. Peter Hennock, British Social Reform and German Precedents: The Case of Social Insurance 1880-1914 (Oxford: Oxford University Press), 1987, and Ellen Immergut, "Institutions, Veto Points, and Policy Results: A Comparative Analysis of Health Care," Journal of Public Policy, Vol. 10, No. 4, 1991, pp. 391-416.

³⁵Schmitter and Streeck, "From National Corporatism to Transnational Pluralism," p. 142.

³⁶Veto power is a two-edged sword as Spain's championing of increased funding -- Structural Funds, Cohesion Fund -- has shown. Spain was able to mobilize a "league" of countries, like Portugal, Greece and Ireland, countries which have solid voting power even under qualified majority voting. Conceivably a member state that felt sufficiently committed to the social dimension could hold package deals "hostage" to force action.

pushed with some success for expansive readings of these clauses, while UNICE, the main employers' organization, has strongly opposed such a move.³⁷

The Maastricht Summit of December, 1991 has created even more uncertainty by generating a separate institutional track for social policy. Faced with an impasse between British unwillingness to expand majority voting to social policy and France's refusal to sign a treaty that did not do so, the Netherlands and Germany engineered a complex compromise.³⁸ All member states except Britain signed a separate protocol, allowing the 11 to proceed on social policy issues under new rules expanding the scope of majority voting. Britain will not participate in such decision-making, nor will it be governed by any policies taken in this framework.

How this unprecedented solution will affect social policy-making remains unclear. The ECJ will need to rule on the legality of an arrangement that employs the Community's governing apparatus to a subset of the Community membership, thus openly "two-tracking" European policy machinery³⁹. Britain will likely face pressures to rejoin the 11, either as a result of a change in government in London or because (as has been the case with monetary union in the past) of growing perceptions that the costs associated with being the "odd man out" are too high. In the meantime, Britain's absence means the end of the era of "cheap talk," which will at least force member states to be more candid about their social policy preferences. The reform is unlikely to produce a flood of social legislation in the new sub-Community, but it does reduce the height of

³⁷Lange, "Politics of the Social Dimension."

³⁸For a summary see Financial Times, December 12, 1991, p. 2.

³⁹ Such two-tracking might also lead the way for other policy areas since it is likely to come about also with the monetary union and in immigration policy (Schengen -- as an intergovernmental treaty version of it -- points that way) . Especially if Eastern European countries were to join the EC soon a "two floor" Europe would seem quite possible.

institutional obstacles to expanded activity. Also, it symbolizes the priority of a "social dimension" -- and the attendant political union -- in the eyes of the EC's core continental members.

The Absence of Social Democratic "Power Resources". Policy development requires the construction of coalitions with sufficient power resources to overcome political opposition. Studies of national welfare state development have often stressed the contribution of social democratic forces -- left parties and strong union confederations.⁴⁰ In the current environment of the European Community, however, the representatives of social democracy are comparatively weak. The political influence of organized labor has declined sharply in the past 15 years. Increasingly unable to exert power in national politics, unions have so far had little success in organizing transnationally. Barriers to collective action on a European scale are more significant for labor than for capital. In addition, the sizable gap in economic development between south and north in the EC creates a divergence of political interests that may heighten internal conflicts.⁴¹

If unions are in a weak position to press for an expanded social dimension, so are their electoral allies. In the major EC countries, social democrats have either been out of office during the past decade or (in France and Spain) they have moved to the right,

⁴⁰For a review of this literature see: Michael Shalev, "The Social Democratic Model and Beyond," Comparative Social Research, Vol. 6, 1983, pp. 315-351.

⁴¹Steven J. Silvia, "The Social Charter of the European Community: A Defeat for European Labor," Industrial and Labor Relations Review, Vol. 44, No. 4, July, 1991, pp. 626-43. See also Lowell Turner, "The Single Market and the Social Europe Debate. Unions and the Prospects for Worker Participation in Management" (Ithaca, NY: Cornell University, School of Industrial and Labor Relations), 1991, unpubl. man. On the particular collective action problems of labor see Claus Offe and Helmut Wieselth, "Two Logics of Collective Action," in Claus Offe, Disorganized Capitalism (Cambridge: MIT Press), 1984, pp. 170-220. The political implications of regional disparities within the Community are examined in Lange, "The Politics of the Social Dimension."

embracing economic liberalism. Indeed, the reinvigoration of the European Community was dependent precisely on the emergence within major member states of an anti-Social Democratic consensus in economic policy.⁴² While a swing to the left among member states cannot be ruled out (the left currently is the largest block in the European Parliament), it seems very unlikely that social democratic power resources in the European Community will be in a controlling position in the foreseeable future.

If progress on the social dimension requires social democratic hegemony, the barriers to development are enormous. However, this is a crucial qualification. The importance of social democratic tendencies in social policy development is easily exaggerated. As recent research has acknowledged, left "power resources" have more impact on *what kind* of policies are developed than on whether or not social policies are developed at all.⁴³ Arguments about power resources seem to work best in accounting for developments in certain periods (e.g., 1945-1975) and certain areas of social policy, like those that impinge most directly on wage bargaining and the labor market. Neither unions nor social democrats seem to have played a key role in the early development of welfare states. Extensive welfare states developed in many places where the left was weak. Furthermore, welfare states have proven to be relatively durable even where left power resources have diminished substantially.⁴⁴

⁴²Andrew Moravcsik, "Negotiating the Single European Act: National Interests and Conventional Statecraft in the European Community," International Organization, Vol. 45, No. 1, Winter, 1991, pp. 19-56.

⁴³Gøsta Esping-Andersen, The Three Worlds of Welfare Capitalism (Princeton: Princeton University Press), 1990.

⁴⁴On welfare state development see Peter Baldwin, The Politics of Social Solidarity: Class Bases of the European Welfare State (Cambridge: Cambridge University Press), 1990. On retrenchment, see Jens Alber, "Is There a Crisis of the Welfare State? Cross-National Evidence from Europe, North America and Japan," European Sociological Review, Vol. 4, No. 3, December, 1988, pp. 181-207 and Paul Pierson, Dismantling the Welfare State? Reagan, Thatcher and the Politics of Retrenchment (Cambridge: Cambridge University

The Heterogeneity of the EC. Many observers suggest that the widely divergent levels of economic development within the Community make any attempt to harmonize or integrate social policies impractical.⁴⁵ The level of economic diversity within the Community is indeed very great - far larger, for example, than regional variations within the United States. In 1986/7, hourly labor costs in manufacturing averaged \$16.30 in West Germany and \$13.80 in the Netherlands, but only \$8.60 in Spain and \$3.00 in Portugal.⁴⁶ Defining poverty as 50% of average EC personal income, rates in the Community in 1980 varied from 2.7% in Belgium, 3.7% in the Netherlands and 3.9% in Denmark at the low end to 28.9% in Greece, 30.8% in Spain and a staggering 68.6% in Portugal.⁴⁷

This level of intra-Community inequality indeed poses a serious problem for social policy development. Programs geared to income needs in the South are likely to seem hopelessly inadequate in the North; transfers based on the expectations of the North will be an unsustainable burden in the South. This is not simply a matter of inadequate governmental resources in the Latin Rim countries, to be solved by EC-level horizontal transfers -- even assuming that transfers of such a massive scale could be induced. Because the South's major source of comparative advantage within the EC is cheap labor, generous social programs that raise workers' "reservation wages" will be seen as a threat to economic development. The greater the distance from regional or national

Press), forthcoming.

⁴⁵Ironically, this is the exact opposite of the argument advanced at the time of the Rome treaties, when a social dimension was rejected on the basis of the EC's homogeneity.

⁴⁶Andrea Boltho, "European and United States Regional Differentials: A Note," Oxford Review of Economic Policy, Vol. 5, No. 2, 1989, p. 113. Looked at in terms of productivity, however, these differences shrink enormously and labor cost advantages whither away.

⁴⁷Eurostat, Poverty in Figures: Europe in the Early 1980s (Luxemburg: EC), 1990, Table 3.2.

labor markets, the more room there is for social policy development via EC transfers in peripheral countries. Thus, initiatives for schooling, child nutrition, research, old age, and health services may be obtainable, while programs like Unemployment Insurance, welfare for the able-bodied poor, early retirement, and some disability programs would seem more likely to collide with economic imperatives. Any attempt to provide even moderately generous, uniform monetary benefits for the working-age population in the EC is likely to run into stiff opposition from the poorer member states.⁴⁸

One possible solution is to design EC-wide programs that provide benefits linked to local standards of living -- a well-established practice in AFDC and UI programs in the United States -- but the technical and political problems connected with such a solution are quite substantial. As noted above, the preferred response of the poorer EC member states has been to eschew individualized social programs and concentrate on expanded EC transfers through the Structural Funds. These programs have the advantage of transferring resources to the periphery in a way that improves infrastructure and enhances productivity without dramatically affecting wages. Poorer states' demands for attention to the "social cohesion" of the Community have highlighted problems of poverty and inequality between regions, but without establishing any individual rights to benefits. The creation, maintenance, or erosion of social citizenship rights still remains a matter at the discretion of national governments.

⁴⁸Here there is a clear parallel with developments in the United States, where the desire of Southern states to sustain their low-wage economies, combined with a set of institutional rules that gave Southern politicians an effective veto over social policy developments, greatly constrained the establishment of social citizenship rights. Of course, in the United States the close connection between preservation of a low-wage agricultural economy and the perpetuation of a racial caste system intensified this Southern opposition. Jill Quadagno, "From Old-Age Assistance to Supplemental Security Income: The Political Economy of Relief in the South, 1935-1972," in Weir, Orloff and Skocpol, Politics of Social Policy in the United States, pp. 235-63.

If economic heterogeneity renders social integration problematic, social and cultural heterogeneity compounds the difficulties. With increased mobility in the EC and with further immigration pressures from the south (Arabia, Africa) and the East (former communist countries) this heterogeneity seems bound to increase. The implications for social reform are hard to establish. However, the development of national welfare states in Europe was promoted by a relatively strong perception of common (mostly male-informed) citizenship, molded by identity-shaping experiences such as wars and grounded in an underlying social homogeneity. These conditions are largely lacking in today's EC framework.⁴⁹ The sense of *European* citizenship is very poorly developed, though defending a "Fortress Europe" against the poor of the East and the South might give new substance to the notion.

The Preemptive Role of National Welfare States. An absolutely fundamental distinction between the current process of EC integration and national experiences of state-building is that EC activity occurs in the context of an extensive and diverse array of existing national policies. Each EC member has its own welfare state, with (except in the periphery) highly developed patterns of intervention into the life courses of individual citizens. Although the integration process will pose many challenges for national welfare states, they will undoubtedly be an enduring part of the EC landscape. These pre-existing structures present major barriers to an expanded social policy competence at the EC level.

First, the sheer diversity of national regimes makes any simple process of harmonization unthinkable. Expenditures on social protection in 1984 ranged from 15.2% of GNP in Portugal to 29.6% in Belgium. The absolute differences in expenditure

⁴⁹On the legitimacy functions of national and European citizenship see William Wallace, The Transformation of Western Europe (London: Frances Pinter) 1990, pp. 103ff.

were far greater, since average incomes in the north are roughly two-and-a-half-times the Portuguese level. Patterns of expenditure are also very different: Greece devotes 19.6% of its social spending to health care, while Portugal spends 48.4%; the Netherlands spends 31.2% of its social budget on aging policy, while Greece spends 70.5%; on family policy Greece spends 2.9% whereas Ireland spends 12.1%.⁵⁰

These aggregate statistics, while striking, provide only a hint of the true diversity of national social policy regimes. Even similar expenditures on particular programs may mask major differences on *how* money is spent, e.g., transfers vs. public provision, means-testing vs. social insurance vs. universal "citizenship" benefits. This diversity is indicated in the recent proliferation of efforts to develop typologies of European welfare states.⁵¹ Even these attempts to describe three or four types of welfare states are quickly met with the challenge that distinctive national characteristics or some basic variations are being ignored (e.g., in the tendency to group together the quite diverse French, German and Dutch regimes as "Christian Democratic" welfare states).

This diversity, coming on top of the social heterogeneity of member states discussed above, clearly makes any attempt at social policy integration exceptionally difficult.⁵²

⁵⁰Bernd Schulte, "Die Folgen der EG-Integration für die wohlfahrtsstaatlichen Regimes," Zeitschrift für Sozialreform, Vol. 37, No. 9, 1991, pp. 553f..

⁵¹Esping-Andersen, Three Worlds of Welfare Capitalism; Stephan Leibfried, "Towards a European Welfare State? On Integrating Poverty Regimes in the European Community," Bremen, Centre for Social Policy Research; CeS Working Paper 2/1991; Ilona Ostner and Mary Langan, "Gender and Welfare: Towards a Comparative Framework," in Graham Room, ed., Towards a European Welfare State? (Bristol: SAUS), 1991, pp. 127-150; Francis G. Castles and Deborah Mitchell, "Three Worlds of Welfare Capitalism or Four?" Canberra, Australian National University, Graduate Programme in Public Policy, Discussion paper no. 21, October, 1990.

⁵²For a range of views, see Richard Hauser, Möglichkeiten und Probleme der Sicherung eines Mindesteinkommens in den Mitgliedsländern der Europäischen Gemeinschaft, Frankfurt a.M. (sfb 3, Working Paper 246), 1987; Stephan Leibfried, "Welfare State Europe?" in Walter Heinz, ed., Status Passages, Institutions and Gatekeeping (Weinheim: Deutscher Studienverlag), 1991; Winfried Schmähl, "Harmonization of Pension Schemes in

Harmonization of the Common Market for goods and services was greatly simplified with the SEA by the principle of "mutual recognition." However, this success was predicated on precisely the lowest-common-denominator, deregulatory agenda feared by those concerned about the social dimension. No similar simplifying rule can provide a politically acceptable basis for social policy integration.

If national diversity creates major technical barriers to European social policy integration, the sheer magnitude of national initiatives has important political implications. In contrast to those pushing for national welfare state development in the 19th and early 20th centuries, EC actors find that a great deal of the "space" for social policy is already occupied. Welfare state development was often a central component of national state-building processes on the continent, promoting the development of both political legitimacy and centralized control over economic resources.⁵³ Because of national preemptions in core EC member states, Community developments have not mirrored this process. The central components of national welfare states -- provision of education, health care and retirement security -- are likely to remain national. EC initiatives are most likely around the edges of these national cores, in policy domains that remain unoccupied or that the integration process renders particularly fragile. Thus, they are unlikely to have the tremendous legitimating potential which national welfare state-building processes historically had.

Europe? - A Controversial Issue in the Light of Economics," in Martin Rein and Anthony Atkinson. eds., Age, Work and Social Security (London: Macmillan), forthcoming; Manfred Zuleeg, "Die Europäische Gemeinschaft auf dem Weg zur Sozialgemeinschaft," Nachrichtendienst des Deutschen Vereins für öffentliche und private Fürsorge, Vol. 71, No. 1, 1991, pp. 20-29.

⁵³Peter Flora, "Introduction," in Peter Flora, ed., Growth to Limits: The Western European Welfare States Since World War II, Vol. I [Sweden, Norway, Finland, Denmark] (Berlin: Walter de Gruyter), 1986, pp. VII-XXXVI; Banting, The Welfare State and Canadian Federalism.

Possible initiatives will be further circumscribed by the EC's limited resources. National programs preempt not only "policy space" but "administrative" and "fiscal space" as well. Administratively, the EC simply lacks the capacity to implement extensive policies without turning to national bureaucracies.⁵⁴ Any system of extensive service provision or individualized transfers would have to rely on existing structures of national administration. Fiscally, the EC is similarly constrained. EC expenditures represent only 1.2% of Community GNP and less than 4% of the central government spending of member states. Furthermore, roughly 80% of EC expenditures are preempted by the Common Agriculture Policy and the Structural Funds.

The pre-existing structures of national welfare states leave EC policymakers with a weak administrative and fiscal base and with limited access to core welfare state functions. Member states are likely to resist a significant transfer of fiscal capacity to the Community. More generally, national governments will be quite protective of their authority in the social policy field. Economic and geopolitical changes since World War II have gradually diminished the scope of national sovereignty in a variety of domains. In crucial areas, such as macroeconomic policy, national autonomy has essentially disappeared. At the moment, the welfare state remains the one key area of policy competence that still rests firmly in the hands of national governments, neither gravitating upwards to the EC nor devolving to local or regional governments. Given the popularity of most social programs, national administrators will not be eager to accept a major transfer of social policy authority.

⁵⁴However, the EC has proven rather flexible in speedily adapting to new vast challenges as the Eastern European occasion arose. Here the EC provided guidance and financing for Eastern European reconstruction from the start and was requested to do so by all major Western powers: see Jacques Peklmans, Anna Murphy, "Catapulted into Leadership: The Community's Trade and Aid Policies vis-à-vis Eastern Europe," Journal of European Integration, Vol. XIV, Nos. 2-3, 1991, pp. 125 - 151.

"Spillovers" and Pressures for a Social Dimension in the Single Market.

While we have suggested that some of the constraints discussed above have been exaggerated, the barriers to an expanded EC role are nevertheless quite substantial. A balanced picture, however, requires attention to the significant sources of pressure for EC policy development. These pressures are primarily the result of spillovers from the single market initiative. By "spillovers" we mean the process through which problems connected to the completion of the internal market encourage the EC to invade the domain of social policy.⁵⁵ Recall that the single market initiative was based on a deregulatory agenda and assumed that initiatives to assure "free movement of goods, services, capital and labor" could be insulated from social policy issues, which would remain the provenance of member states. This is a dubious assumption. It is worth noting that it runs directly contrary to the central tenets of the emerging intellectual discipline of political economy, which stresses precisely the embeddedness of economic action within dense networks of social and political institutions. Already, there is significant evidence that the tidy separation between "market issues" and "social issues" is unsustainable.⁵⁶ Instead, the expansion of the role of the Community in other policy areas is increasingly raising questions about the laggard status of Community-based social policy. Maintaining nationally insulated social policy networks will exact a price, to be paid at the national

⁵⁵The broad claim that integration processes are likely to generate spillovers stems of course from the work of Ernst Haas. Haas, The Uniting of Europe: Political, Social, and Economic Forces, 1950-1957 (Stanford: Stanford University Press), 1968.

⁵⁶Spillover can also be used to account for expanding EC competence in other policy domains. For example, movements towards monetary integration and expanded EC environmental policies are logical byproducts of the integration process. On the likelihood of "reregulation" in environmental policy and more generally see Giandomenico Majone, "Regulatory Federalism in the European Community," Paper delivered at the 1991 American Political Science Association meeting. See also David Mutimer, "1992 and the Political Integration of Europe: Neofunctionalism Reconsidered," Journal of European Integration, Vol. 13, No. 1, 1989, pp. 75-101.

level.

The Prospect of "Social Dumping". Perhaps the most frequently cited source of pressure on the EC to develop expanded social policy competence is the prospect for "social dumping" in a context of heightened integration. The term refers to the possibility that firms operating where "social wages" are low may be able to undercut the prices of competitors, forcing higher cost firms to either go out of business, relocate to low social wage areas, or pressure their governments to reduce social wage costs. In extreme scenarios, these actions could fuel a downward spiral in social provision, eventually producing a "lowest common denominator" welfare state at a very rudimentary level.

The problem identified here results from the fact that national social policies are part of a larger environment marked by increasing mobility of labor and (especially) capital.⁵⁷ The free movement of both workers and investment constrains redistributive policies, which threaten to produce an exodus of businesses and the affluent, undermining public finances and the local economy. Generous policies might attract potential program beneficiaries, generating prohibitive costs. National jurisdictions in an open economy may also be constrained in their ability to fashion forward-looking, preventive social measures. Because of the mobility of citizens across local borders, investment in "human capital" represents a kind of public good, with the jurisdiction making the investment often unable to capture a commensurate "return."

There is some evidence that these kinds of pressures have indeed restricted social expenditures in the United States, where labor (and capital) mobility is far greater than

⁵⁷The "social dumping" issue represents a regional variant of the broader issue of whether welfare states can survive in the new global economy. See Alfred Pfaller, Ian Gough, Göran Therborn, eds., Can the Welfare State Compete? A Comparative Study of Five Advanced Capitalist Countries (London: Macmillan) 1991.

is currently the case in the EC.⁵⁸ Despite widespread attention to this issue, however, the evidence that European integration will fuel a process of social dumping remains limited. As a number of observers have noted, the "social wage" is only one factor in investment decisions, and firms will not invest in low social wage countries unless other factors (e.g., infrastructure, especially worker productivity) justify such investments. Neo-classical trade theory suggests that high social wage countries should be able to continue their policies as long as overall conditions allow profitable investment. The ambiguous consequences of integration are revealed by the fact that northern Europe's concerns about "sunbelt effects" are mirrored by southern Europe's concerns about "agglomeration effects" in which investment would flow towards the superior infrastructures and workforces of Europe's most developed regions.⁵⁹

Some analysts have criticized the neo-classical perspective for ignoring the fragility of the institutional networks that sustain the high-wage, high-productivity economies.⁶⁰ Rather than leading to a flood of investment in the periphery countries and a "race to the bottom" in social regulation, economic integration may lead to a more gradual and indirect process of eroding social standards. Even if maintenance of existing standards is collectively rational for business, it may not be rational for individual firms. Increased mobility may encourage free-riding. Emboldened firms may use the threat of "regime

⁵⁸Paul E. Peterson and Mark Rom, Welfare Magnets: The Case for a National Welfare Standard (Washington, D.C.: The Brookings Institution), 1990.

⁵⁹Streeck, "Social Dimension of the European Firm." Lange, "Politics of the Social Dimension." In the third Yearly Report of the Commission on the Community's Employment situation, Social Policy Commissioner Vasso Papandreou stressed in July 1991 that regional disparities in the Single Market between center ("north") and periphery have slightly increased. This is attributed to two factors in the periphery: stronger demographic growth and job loss in the agricultural sector. "Buying power" per capita in Ireland, Portugal, Spain and Greece are less than 70% of the northern average, a return to the distributional situation of 1975. Frankfurter Allgemeine Zeitung, July 19, 1991, p. 12.

⁶⁰This position is sketched out in several not-yet-published papers by Wolfgang Streeck.

shopping" to force the renegotiation of national bargains with unions and governments. In turn, such efforts could introduce a dynamic that gradually undermines the basis for currently successful systems like the German one. This is a more restricted scenario for social dumping, but it nonetheless implies growing pressure on national welfare state regimes.

If there remains a great deal of uncertainty about the prospects for a "competitive deregulation" of national welfare states, it is worth stressing that were such a development to occur it would have major repercussions for the Community. The welfare state remains perhaps the most popular component of the post-war social contract. Despite mounting pressures on national economies in the 1970s and 1980s, efforts to scale back systems of social provision met stiff resistance. In short, the erosion of national standards envisioned in the "social dumping" scenario would undoubtedly result in strong popular demands for a governmental response. Indeed, even if social dumping arguments are unpersuasive to many economists, they may prove to be politically persuasive and generate demands for counter-measures. Pressure on national welfare states caused by other factors (e.g., low growth, demographic change) may be blamed on competition from low-social wage states. Economic hardship has often made arguments about unfair competition potent, even where evidence to support such claims was less than credible. If national governments prove unable to respond to public demands, attention is likely to turn to the European Community.

Restrictions on National Policy Interventions. "Social dumping" has perhaps generated greater fears than current evidence warrants; the opposite may be the case for another consequence of the 1992 process, the emerging restrictions on national social policies. The "market", we have argued, is not an insulated sphere of activity. A "level playing field" of competition cannot be created without reference to the social policies of

member states. Seen from the perspective of the 1992 initiative's deregulatory agenda, many aspects of national regulation take on the appearance of non-tariff barriers to trade. The SEA acknowledged as much by carving out an exemption for provisions affecting the "health and safety of workers" from the general continuation of unanimity requirements for social policy initiatives. The argument for this exception was that health and safety provisions could easily be used to restrict competition, and must therefore be subjected to rigorous EC oversight.

The same logic, however, applies to other aspects of social policy as well, especially as they affect the principle of "free movement of labor." Many national social policies are likely to be restricted because of conflicts with this requirement. In particular, member states will not be permitted to offer minimum unemployment or pension benefits based on past employment to their own citizens, without extending those same benefits to other EC-citizens who have worked in the country as well. Payments must be "exportable" -- they cannot be made conditional upon residence or seeking work in a specific member state. In contrast, in-kind transfers (e.g., housing allowances) may be more easily targeted on "locals".

This restriction will remove a significant range of policies for combating low-incomes from the repertoire of member states. The expansion of *non*-contribution based national income transfer programs (child allowances, EITC-like "grants", welfare programs) is likely to be blocked; at best these programs will be frozen and they may in fact wither away. To escape the dilemma created by EC requirements, national welfare states are likely to turn to more *tightly* (not loosely) contribution-based programs and to some in-kind redesigning of existing programs. In West Germany the exportability requirement was a major reason for the failure of a pension reform initiative taken within the CDU in the late 1980s by Ulf Fink, then Secretary for Human Resources of the State of

Berlin.⁶¹

EC rules may entail only incremental adjustments in those European welfare states relying mainly on contributory systems which are relatively unaffected by exportability requirements. Still, child allowances, youth welfare, welfare, and parts of unemployment insurance in many member states are and will be affected. Some smaller member states, like the Netherlands and Denmark (and would-be members Sweden and Norway), which have a longstanding universalist tradition, will be under EC-induced pressure for more dramatic reforms.

In addition to direct restrictions on national legislation, economic integration also produces a number of indirect constraints on national social policy systems. The Single Market is forcing a gradual movement towards a narrowed band of indirect tax rates. In theory, governments finding that their revenues have been lowered will be free to increase other taxes, but this may be no simple task. There is some reason to believe that indirect tax rates are politically easier to sustain than direct levies; if so, the new rules will lead to growing constraints on member state budgets, with clear implications for national social policies.⁶² The move towards monetary union, with its tough requirements for budgetary discipline, may also encourage downward adjustments in welfare provision. For example, to participate in the final stage of monetary union, Italy will have to reduce its budget deficit from 10% of GDP to 3% of GDP by the end of the

⁶¹The writings of West German officials on social policy abound with free-rider prognoses vis à vis other EC-citizens, especially those from peripheral EC countries; cf. Peter Clever, "Binnenmarkt '92: Die 'soziale Dimension.'" Peter Clever, "Sozialleistungen in EG-Binnenmarkt ausserhalb der Sozialversicherung," in Winfried Schmähl, ed., Soziale Sicherung im EG-Binnenmarkt: Aufgaben und Probleme aus deutscher Sicht (Baden-Baden: Nomos), 1990, pp. 225-36.

⁶²This would seem especially relevant for Denmark. On the contribution of tax visibility to "welfare state backlash" see Harold Wilensky, The New Corporatism, Centralization, and the Welfare State (Beverly Hills: Sage), 1976.

decade.

Finally and more generally, if the move to a single market generates technical demands for national reform, it may also facilitate retrenchment by providing cutback advocates with a convenient scapegoat. Given the unpopularity of retrenchment, governments may find that the growing ability to blame the EC allows changes which they would otherwise be afraid to contemplate. The movement towards a multi-tiered political system opens up major new avenues for the politics of blame avoidance.⁶³

Pressures to Define a "European Social Citizenship". As a Judge of the European Court of Justice has recently noted, the Treaty of Rome "...does not safeguard the fundamental rights of the individuals affected by its application nor does it recognize, even in an embryonic form, a constitutional right to European citizenship."⁶⁴ Rights of individuals enshrined in the Treaty were derived only from their status as workers, that is, as factors of production which were not to be restricted in a common market. However, the increased level of European integration is highlighting the contrast between the greatly expanded role of Brussels and the still very weak links between individual Europeans and the Community. In the long run the stability of the EC will depend on reducing this "democratic deficit". The emphasis of the poorer member states on "social cohesion" is part of a broader, if still diffuse pressure on the EC to develop a clearer and more substantive conception of what it means to be a member of the Community. Indeed, the Court and Council have been moving towards broadening rights for all EC citizens,

⁶³R. Kent Weaver, "The Politics of Blame Avoidance," Journal of Public Policy, Vol. 6, October-December, 1986, pp. 371-98.

⁶⁴G. Federico Mancini, "The Making of a Constitution for Europe," in Keohane and Hoffmann, eds., The New European Community, p. 178.

whether workers or not, and the Maastricht summit continued this trend.⁶⁵

Developments outside the EC improve the prospects for reform. Instabilities on the Community's Arab, African and Eastern European rims, combined with the magnetic attractions of an increasingly dynamic single market, raise the possibilities of massive immigration flows. Part of the EC's response is likely to be an effort to maintain a sharp distinction between "ins" and "outs" and to design an immigration policy. Privileging the "ins" versus the "outs" may encourage the development of minimum standards of protection for EC citizens.

Cultural pressures may work in the same direction. The high level of inequality within the Community, combined with increased mobility, is contributing to the development of pockets of visible urban poverty, often with a preponderance of ethnic minorities.⁶⁶ There is reason to expect that tolerance for such levels of visible inequality in Europe may be lower than in the United States. Expectations of a reasonably strong social safety net are high, while a "moral economy" of individualization and privatization of welfare is still relatively underdeveloped. The greater social density and less class-stratified urban geographies of Europe also make intense poverty more visible and less escapable.

The illustrations of spillover presented here -- social dumping, restrictions on national policy initiatives, new demands for European social citizenship -- could be multiplied.

⁶⁵Ibid., pp. 185-89. Cf. also Joseph H.H. Weiler, "The Transformation of Europe", *The Yale Law Journal*, Vol. 100, No. 1, pp. 1 - 81, p. 15 ff.

⁶⁶Cf. for an overview Graham Room, Roger Lawson, Frank Laczko, eds., "New Poverty" in the European Community (London: McMillan), 1990. William Julius Wilson has repeatedly warned about a "ghettoization" in Europe's metropolises. Loic Wacquant has studied some of the differences between US and continental ghettos, taking Paris and Chicago as examples.

However, the essential point is that it seems doubtful that the degree of integration anticipated can be sustained without the EC developing policies which cover the social dimension. Spillovers encourage this development in two ways. First, they lead to an expanded EC competence as the Community is forced to determine the validity of national policies. This is a form of "negative integration", requiring only the restriction of national activities, but it involves the Community in closely overseeing issues that were traditionally outside its purview. Second, to the extent that "negative" interventions by the Community and the dynamics of economic integration constrict the possible activities of member states, pressures to fill the void with a more positive response are likely to grow. "Deregulation" spurs demands for "reregulation."⁶⁷

Mechanisms for Expanding the Social Dimension.

While the pressures on the Community are likely to mount, translating pressures into actual policy development requires that specific actors have the desire and capability to bring such changes about. It is important to consider, then, who these actors might be and what political resources may be available to them. Significant support for an expanded EC competence will come from within the governing organs of the Community. The Commission, the Parliament, and the Court, eager to extend their influence, are likely to see state-building opportunities in the struggle over a social dimension. Indeed, all three of these institutions have recently shown a desire to take expansive interpretations of the Community's responsibilities in this domain.⁶⁸

⁶⁷Majone, "Regulatory Federalism."

⁶⁸That the Court has taken up the challenge to fill the policy gap by legal means can be seen when the ECJ, for example, broke out of the "employment" nexus of social rights and coordination by cultivating a "freedom of services" doctrine. This freedom gives tourists and any other mobile citizen from an EC-member-state access to national social rights domains. Heinz-Dietrich Steinmeyer, "Freizügigkeit und soziale Rechte in einem Europa der Bürger," in Siegfried Magiera, ed., Das Europa der Bürger in einer Gemeinschaft ohne Binnengrenzen (Baden-Baden: Nomos), 1990, pp. 63-80. For a review of recent action by the Commission

Given the constraints of Community decision-making institutions, much will depend on the ability of EC actors to create broader political coalitions. As already noted, labor unions are unlikely to play the kind of role in this process that they sometimes have played in national politics. A "corporatist-style" model of industrial relations and social policy at the EC level indeed seems to be a dead letter. Yet there are other possible frameworks of social policy intervention. Again, a focus on "social democratic" models of welfare state development can easily lead to an exaggeration of the hostility of other actors to social policy initiatives. If expansion seems likely to require at least the acquiescence of "reluctant partners" -- member governments and business interests -- it is important to ask the circumstances under which such support might be forthcoming.

It is generally assumed that member governments will strongly resist interference in what they perceive to be an important sphere of national sovereignty. But it is a mistake to depict policy development in Europe as a simple "zero-sum" tug-of-war between national and supranational actors. National governments often see the EC as a mechanism for overcoming their own incapacities. Here the experience of the SEA is worth recalling. Governments relinquished aspects of sovereignty not because they considered these sacrifices insignificant, but because they saw them as essential to achieve important goals. Faced with the apparent bankruptcy of national strategies of economic adjustment, national autonomy was traded-off in the pursuit of superior policy performance.⁶⁹

Acquiescence of national governments to an expanded EC social policy competence

and Parliament, see Lange, "Politics of the Social Dimension," and Paul Teague, The European Community: The Social Dimension (London: Kogan Page), 1989.

⁶⁹On how member state policy failures contributed to agreement on the SEA see Wayne Sandholtz and John Zysman, "1992: Recasting the European Bargain," World Politics, Vol. 42, No. 1, 1989, pp. 95-128 and David R. Cameron, "The 1992 Initiative: Causes and Consequences," in Sbragia, ed., Europolitics.

would be likely to result from the same kind of hard-headed calculations: only if national solutions fail will supranational options be considered. Governments will take these steps in order to respond to discontent that threatens their popularity. As we have suggested above, even if one takes a skeptical view of the likelihood of "social dumping" there is growing evidence that national social policy mechanisms face a number of very difficult challenges.

Business, too, may prove to be less relentlessly hostile to EC social regulation than is sometimes anticipated. Business interests are indeed likely to resist policies that threaten the balance of class forces, as indicated by the hostility of European business groups to anything that resembles corporatist-style tripartism at the EC level.⁷⁰

However, systems of social provision provide a number of significant benefits for business, including the correction of externalities, development of human capital, stabilization of aggregate demand and the maintenance of social peace. Furthermore, businesses -- especially multinational enterprises -- have a stake in uniform, predictable regulations, and may therefore sometimes prefer one European standard of social regulation to a hodge-podge of national standards.⁷¹

Action on a European social dimension will require not only cooperation from the reluctant partners but a capacity to overcome the institutional barriers of the Community itself. Once one acknowledges that a full-blown European welfare state is not in the

⁷⁰Streeck and Schmitter, "From National Corporatism to Transnational Pluralism."

⁷¹Majone has pointed out that American business has increasingly favored national rather than state environmental regulation, and that this trend seems to be emerging in the Community as well. Majone, "Regulatory Federalism in the European Community." American business has sometimes taken the same course in social policy; during the New Deal, businessmen involved in creating the Social Security Act advocated more centralized options for the new Unemployment Insurance scheme. G. John Ikenberry and Theda Skocpol, "Expanding Social Benefits: The Role of Social Security," Political Science Quarterly, Vol. 102, No. 3, Fall, 1987, pp. 389-416.

cards, institutional fragmentation constitutes less of an absolute barrier to policy development, but it has been a major obstacle nonetheless. The recent events at Maastricht, however, have somewhat diminished this constraint -- although not the other barriers mentioned earlier in this paper.

The option of court-led policy development constitutes an important possible path of social reform. If the United States in the 19th century had a "state of courts and parties" the EC looks at times like a "state of courts and technocrats."⁷² In the process of European integration the European Court has taken an active, even forcing stance. Legal instruments, rather than spending or taxing powers, are dominant at the EC level. European integration is at its core about "unification in law."⁷³ The Court has more extensive authority than most of its national counterparts, and fewer impediments to action than other EC decision-making bodies. At least on the continent, it may rely on a common Roman Law tradition of codification which often encompasses the welfare domain.⁷⁴ An expansion of the legal strategy into social rights, which could leave taxing, spending and administrative powers at the national level, would seem to offer

⁷²The description of the U.S. is from Stephen Skowronek, Building a New American State (Cambridge: Cambridge University Press), 1982, the description for Europe is from Stephan Leibfried, Towards a European Welfare State?

⁷³Mauro Cappelletti, Monica Seconbe and Joseph H.H. Weiler, eds., Integration Through Law: Europe and the American Federal Experience (Berlin etc.: de Gruyter), 1986, 4 vols. Cf. now also Joseph H.H. Weiler, "The Transformation of Europe".

⁷⁴ England with its common law tradition is the major outlier in that respect, much more beholden to a tradition of largesse and of restrained, not very specialized court involvement. Cf. on some background: Anthony Ogus, The Federal Republic of Germany as Sozialstaat: A British Perspective (Manchester: University of Manchester, Department of Law, Working Paper No. 3), 1990. On the general background for this argument cf. Kenneth H.F. Dyson, The State Tradition in Western Europe: A Study of an Idea and Institution (New York: Oxford University Press) 1980.

great promise.⁷⁵ Such a strategy would also be closest to the continental "social state" tradition, which relies on codified and strongly court-policed universes of entitlements as a welfare state base.⁷⁶

Fiscal realities reinforce the juridification bias inherent in EC institutions. As a result, rule-making rather than monetary transfers is likely to be the preponderant path of social policy development. This is not the course that national welfare states have generally followed, but it may have some significant advantages.⁷⁷ First, precisely because they do not require spending, regulatory policies have the political advantage of heightening the visibility of the benefits bestowed while obscuring the costs involved. Second, a regulatory approach in which basic principles are established while implementation is left to member states may help the EC to overcome the difficulties created by the EC's heterogeneity.

As the earlier discussion of coordination vis à vis the mobile employed and the take-up of gender issues makes clear, the Court has been willing to take an expansive view its own role and that of the EC in social policy. The implausibility of EC-wide alternatives, such as the fiscally-driven, social insurance-based approaches prevalent in national

⁷⁵ Since Germany as the major federal structure within the EC, already presents a model for having federal law but non-federal implementation and financing, this suits EC development perspectives quite well. US federalism, in which usually all elements of a policy area are "nationalized"--regulation, implementation und finance--, would not be the likely model for an EC federalism. Scharpf, "The Joint-Decision Trap", goes into these different "federalisms" in some detail.

⁷⁶ In Germany social policy by juridification has co-existed historically with a strong federal structure. Social rights were vested institutionally into the federal structure--or into "functional social federalism", the founding of separate national social policy institutions outside the federal budget, which partly reproduce Germany's regionalism, e.g. in Health Insurance and in Workers' Pension Insurance.

⁷⁷ Heightened fiscal constraints may be leading national welfare states down a similar path however. In the United States, large budget deficits have forced the federal government to act increasingly through "mandates", requiring state-level initiatives while leaving to local politicians the unpleasant task of coming up with the money.

welfare states, makes a rights-based conceptions of social citizenship a favorite candidate for court-led paths of policy development.

To summarize the discussion of pressures and constraints on the EC, we find prospects for significant new social policy initiatives to be limited but probably greater than has often been suggested. If by a European social policy one means only a full-fledged welfare state, based on the social democratic/corporatist models of northern Europe, then skepticism is indeed warranted. Yet the emerging pressure to expand EC social competence, combined with the existence of at least potentially supportive institutional structures and political actors, suggests the plausibility of significant activity in the future.

This analysis has tried to advance a realistic appraisal of the prospects for Social Europe. We have stressed the need to steer between two extreme views. Analysis should not be based on a fanciful scenario of the transference of Northern European welfare states to the EC level, but neither should it allow the dismissal of this extreme position to be more than a starting point for discussion. Instead, one should focus on the prospects for limited initiatives, and the implications of these more likely developments.

Broadly understood as an effort by EC policymakers to intervene in the market-generated distribution of life chances, Social Europe already exists. As one moves towards a narrower definition more consonant with classical conceptions of welfare especially "social states", in which redistribution takes the form of individualized rights to social benefits, the scope of EC action narrows dramatically. Here as well, however, there has been policy development (e.g., on gender issues and in coordination), and there are indications that more initiatives are in sight.

Any evaluation of the prospects for reform is necessarily tentative, if for no other

reason than because the tendency of major policy developments in the Community to be linked in grand bargains means that the fate of social reform may be determined by distantly related issues. Nonetheless, the preceding discussion suggests some important hypotheses about the opportunities for different kinds of EC initiatives:

*Rather than relying on the transfer/service package common to national welfare states, European social intervention is likely to turn to regulatory or Court-centered mechanisms. EC social policy will be likely to take the form of mandates for national action.

*The shifting balance between economic actors in the Community means that social initiatives are most likely to occur where they have the support -- or at least acquiescence -- of significant sectors of the business community. Serious research needs to be devoted to establishing what kinds of social policies might be favored by firms seeking predictability and regularity within the single market.

*Analysis of reform prospects should focus not on the core components of national welfare regimes (pensions, health care, education), where action is preempted, but on the welfare state's periphery, where space for initiative is likely to be available.

Perhaps the most important conclusion that follows from this discussion is that the development of national welfare state regimes will have a crucial impact on the scope for Community activity. At the heart of our analysis lies a paradox related to the resilience of national welfare states. Compared to most aspects of the post-war political economy (e.g., industrial relations systems, macroeconomic policy, industrial policy) the welfare state has proven to be remarkably durable. In large part because of a broad and deep base of political support, social policies have not been dramatically refashioned in the current neo-liberal climate. This strength at the national level helps to explain why social initiatives have lagged behind other actions in Brussels. But at the same time, the popularity of social protections means that if national welfare states should falter under the mounting pressures of regional and global economic integration, the European Community will be under intense popular pressure to extend its activities. This would by

no means signal the arrival of a European Welfare State, but it would mean that social affairs had joined the growing list of policy domains in which the Community had become a factor of central importance.

List of Acronyms

CAP	Common Agricultural Policy
CEC	Commission of the European Community
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Community (Communities)
EC 6	EC with its founding six member states
EC 12	EC after two enlargements with twelve member states
ECC	Rome Treaty (1957)
ECJ	European Court of Justice
ECSC	European Community of Steel and Coal (1952)
ERDF	European Fund for Regional Development
ESF	European Social Fund
ETUC	European Trade Union Confederation
ILO	International Labor Organisation
SEA	Single European Act
UNICE	Union of Industrial and Employers Confederations of Europe

The Minda de Gunzburg Center for European Studies

The Minda de Gunzburg Center for European Studies is an interdisciplinary program organized within the Harvard Faculty of Arts and Sciences and designed to promote the study of Europe. The Center's governing committees represent the major social science departments at Harvard and the Massachusetts Institute of Technology.

Since its establishment in 1969, the Center has tried to orient students towards questions that have been neglected both about past developments in eighteenth- and nineteenth-century European societies and about the present. The Center's approach is comparative and interdisciplinary, with a strong emphasis on the historical and cultural sources which shape a country's political and economic policies and social structures. Major interests of Center members include elements common to industrial societies: the role of the state in the political economy of each country, political behavior, social movements, parties and elections, trade unions, intellectuals, labor markets and the crisis of industrialization, science policy, and the interconnections between a country's culture and politics.

For a complete list of Center publications (Working Paper Series, Program for the Study of Germany and Europe Working Paper Series, Program on Central and Eastern Europe Working Paper Series, and *French Politics and Society*, a quarterly journal) please contact the Publications Department, 27 Kirkland St, Cambridge MA 02138. Additional copies can be purchased for \$4. A monthly calendar of events at the Center is also available at no cost.

