



EQUALITY IN THE EUROPEAN UNION: HISTORY?

**Annual Meeting of the Finnish Social Policy
Association**

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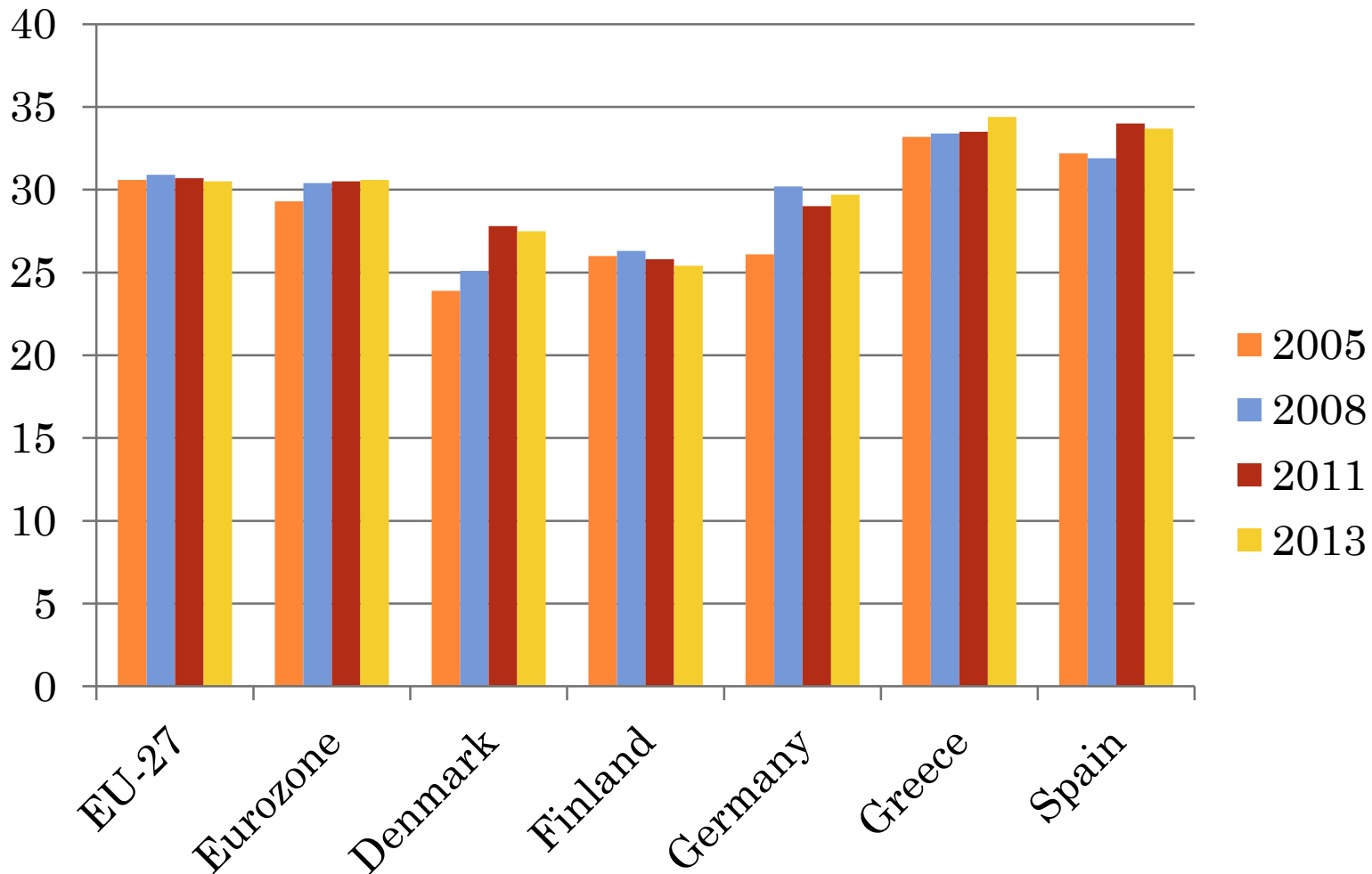
Roskilde University

OUTLINE

- On Inequality
- On Populist Parties
- Danish Politics and Recent Reform Plans
- EMU and welfare states before and after the crisis
- Focus on Denmark and Italy
- EU and welfare state reform: indirect linkages



INEQUALITY (GINI COEFFICIENTS, EUROSTAT)



EUROPEAN SOCIETIES ARE BECOMING MORE UNEQUAL



CONSEQUENCES OF INEQUALITY

- Economy
- Opportunity
- Poverty
- Skills
- Health
- Life expectancy
- Happiness
- Trust
- Emancipation

- Violence
- Distrust to political institutions (at all levels)
- Rise of Populist Parties



COMMONALITIES AMONG POPULIST PARTIES

- Against Political Establishment
 - From Egalitarianism to Welfare Chauvinism
 - No Solidarity for periphery countries in EU
 - Slow-down of EU/EMU integration
 - Keep out the refugees
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- Effective at national level (agenda-setting or in government)
 - Not effective at EU level as they are dispersed among the European political party groups



POPULIST PARTIES IN EUROPE

- “...the financial and debt crises
- The reduction in macroeconomic imbalances through fiscal consolidation and structural reforms
- ...low economic growth and high unemployment
- ...Precursors for the increase in popularity of populist parties

- Heine and Krutzmann, April 2015



EUROBAROMETER RESULTS: 3 MOST IMPORTANT PROBLEMS FACING EU (2013)

- Economy (48%)
- Unemployment (38%)
- Public Finances of Member States (30%)

NB. Before 'refugee crisis'



EMU: A ONE-SIZE FITS ALL REGIME (?)

- Monetarist regime focuses on price stability and ensures a steady money supply to ensure non-inflationary economic growth
- European Central Bank: independent institution
- Public opinion: 10% concerned with inflation (2013)



ASYMMETRY PRE-CRISIS

- Scharpf (2002, 2011): centralised monetary integration has never succeeded without pooling of fiscal policy/taxation
- ECB i. rates: too high for economies with below average rates of economic growth; too low for countries with above average rates of economic growth
- **In EMU - Fiscal policies nationally driven**



BEGG ET NECTOUX 1996, JESP

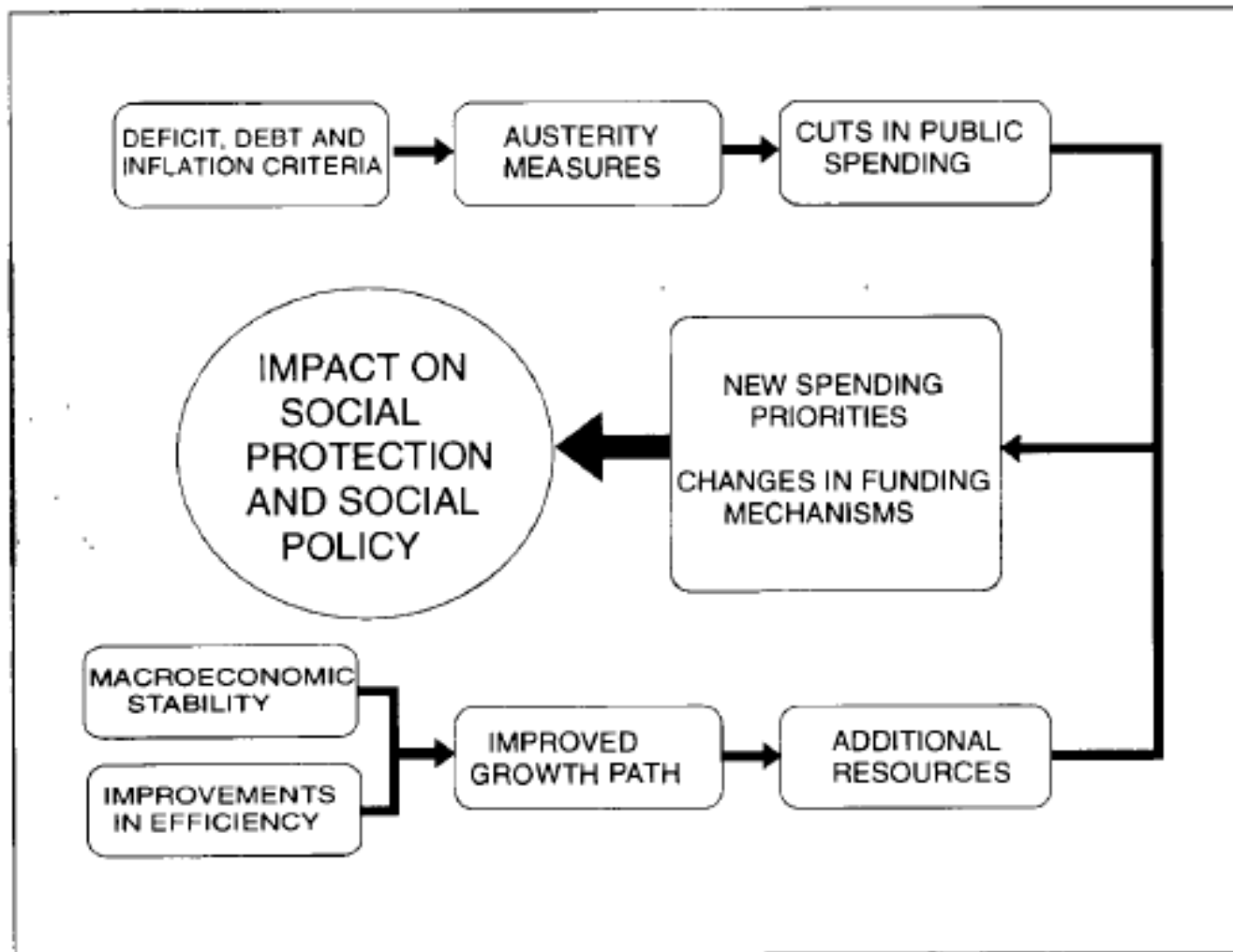


Figure 3 Framework for assessing the social impact of EMU

EMU GOVERNANCE PRE-CRISIS

- Meeting criteria pre-EMU: few major reforms (Bolukbasi)

Stability and Growth Pact (1997)

- Budget deficit (max 3%)
- Public debt (60% max)
- Room for investments, unusual circumstances
- Politicized discussions/Bargaining (France, Germany)
- Consequence: de-legitimization, little 'bite', no 'teeth'









EU AND EMU: DEVELOPMENTS

FOLLOWING FINANCIAL CRISIS OF 2007

- Financial crisis of 2007 rolled into to a sovereign debt crisis (perseverance of recession that has made it impossible to re-finance debt without assistance (of IMF& EU))
- Measures were taken for countries severely hit by the crisis (MoUs: 'programme' countries: Ireland, Greece, Portugal, Spain, Cyprus)
- Rules and procedures governing EMU were altered in rapid succession for all EU countries
- 'layering' onto existing institutional framework



	Instruments of fiscal policy coordination	Mutual influence of instruments	Instruments of social and labour market policy coordination
Instruments and core objectives	Two-Pack 2013	 	Youth Guarantee 2013
	Fiscal Compact 2012		Social Investment Package 2013
	Six-Pack 2011		Euro-plus Pact 2011
	Stability and Growth Pact 1997		Europe 2020 (previously Lisbon Strategy, EES and social OMCs) 2010
Application of EU cycle Immediate objectives	MIP, MTOs, IDRs structural deficit rule, debt-deficit rule Convergence/Stability Programmes, DBPs	 	National Reform Programmes, National Youth Employment Plans
	Annual Growth Survey		
EU enforcement and surveillance	AMR, EDP, opinions on DBPs	 	CSR, EPP commitments, Youth Employment Initiative, co-funding via

SIX-PACK / FISCAL COMPACT

- Objectives

MTOs

Structural budget deficit max 1%

‘golden rule’ (0,5% GDP structural deficit)

Implications

- National governments may have less leverage to define (or to differentiate) their national agendas
- Limited scope for expansive fiscal spending



SIX-PACK / FISCAL COMPACT

- Surveillance

Macroeconomic Imbalance Procedure (health of economies)

Warning from Commission in case of deviation from MTOs

Reporting on national debt issuance

Existence of EDP quasi-automatic (through RQMV)



SIX-PACK / FISCAL COMPACT

- Enforcement:

AMRs (for imbalances identified through MIP) and
IDRs

EDP for debt or deficit

Quasi automaticity of EDP (RQMV against
decision)

In case of inaction from country under EDP, quasi-
automaticity of sanctions (RQMV against decision)



TWO-PACK

Objectives

Common budgetary timeline for all euro members

Surveillance

Budgets (DBPs) to be sent for approval to Commission and Eurogroup

Enforcement

In case of 'particularly serious non-compliance' the Commission may request revision of budget



Europeanization potential of instruments of fiscal and social governance

	Objectives	Surveillance/ Preventive aspect	Enforcement/ Corrective aspect
Fiscal policy coordination (to optimize the functioning of the Eurozone)			
SGP (pre-crisis)	High	Medium	Medium
Six-Pack	High	High	Medium
Fiscal Compact	High	High	High
Two-Pack	High	High	High
Social and labour market policy coordination (to address issues of economic growth as well as social sustainability)			
Lisbon Strategy (pre-crisis)	Medium	Low	Low
Europe 2020	Medium	Medium	Low
Euro-Plus-Pact	High	Medium	Low
Social Investment Package and Youth Guarantee	Medium	Low/Medium if co-funding	Low/Medium if co-funding

IMPLICATIONS FOR CRISIS HIT COUNTRIES

- EU more involved in MS affairs, but not (yet) through new procedures
- Instead through loans, informal conditionality, back-room diplomacy
- Financial markets
- Austerity striking



IMPLICATIONS FOR OTHER EU COUNTRIES

- EU more involved in MS affairs
 - Finance ministries gate-keepers
 - Budgetary constraint on member states in early stages of developing annual budgets
 - Usages of Europe: Blame-shifting for unpopular reforms
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- Austerity across Europe!



EU AND NATIONAL LEVELS: MORE STRONGLY EMBEDDED IN 'TWO-LEVEL' GAMES

Before the crisis:

- National level game
- International/European level game

Following the crisis (with the new instruments)

- National level game
- International/European level game



THE CRISIS, THE EMU AND WELFARE REFORM: KEY VARIABLES

Public finances linked to

EMU vulnerability

Domestic vulnerability

Domestic/EU politics

Aside from cases of force majeure (for example programme countries or Italy) **no direct causal influence of the EU on welfare reform.**



ITALY (2011: CRISIS BEFORE CHANGES SGP)

- Incremental but patchy reforms over the last two decades (previously most costly system in Europe) towards a multi-pillar system
- EDP? Weak pressure
- But after 2011, **EMU vulnerability** and Monti goes to Rome (backroom diplomacy and conditionality)
- Reform 2011: standardisation (single retirement age, but also indexation, defined contribution)



DENMARK (2011: CRISIS BEFORE CHANGES SGP)

- 3 pillar pension systems
- Structural reform

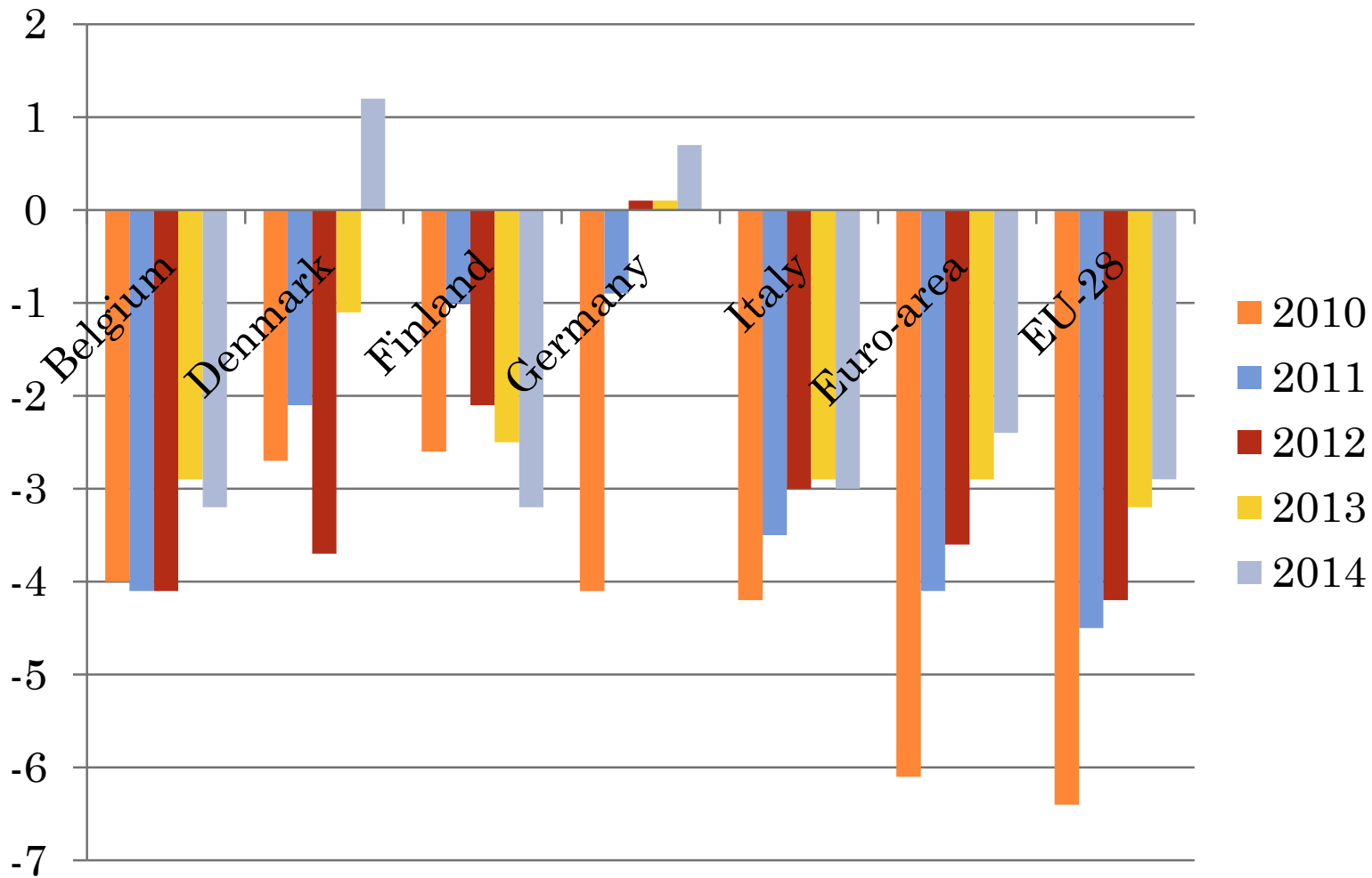
- Under Excessive Deficit Procedure

- 2011 retirement reform (including Voluntary Early Retirement and extension of working years to life expectancy)

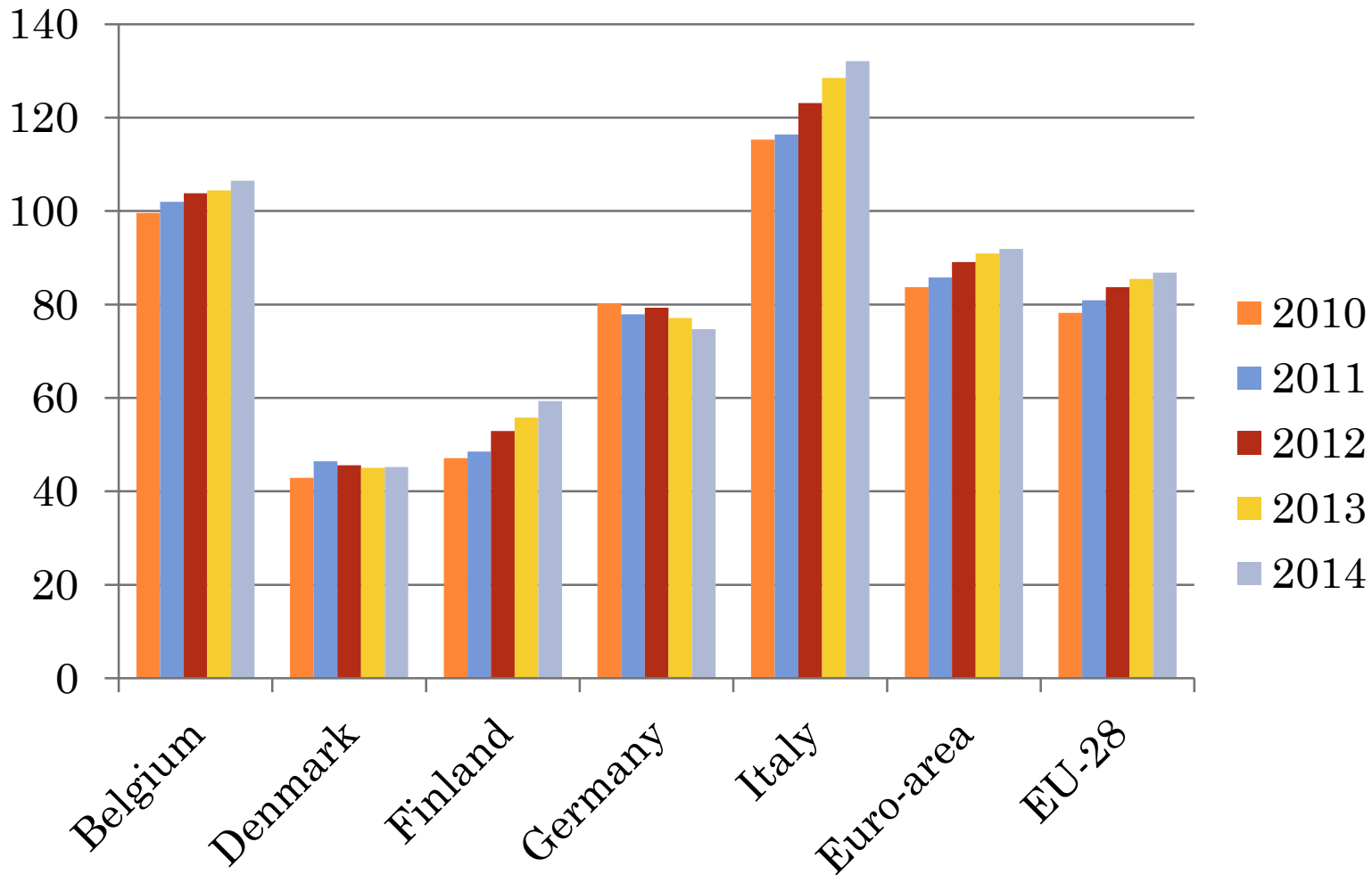
- **Domestic politicians** used the EU level board game to speed up the reform.
- Analytically: **domestic vulnerability** crucial intervening variable
- Fear of credit-rating agencies



BUDGET DEFICITS EU AND EURO-AREA (% GDP)



PUBLIC DEBT IN EU AND EURO-AREA (60% GDP)



VENSTRE-DANSK FOLKE PARTI

**REDUCE PUBLIC
SECTOR EXPENDITURE**

**INCREASE PUBLIC
SECTOR EXPENDITURE**



34 Mandates



37 Mandates



STATUS QUO PUBLIC SECTOR EXPENDITURE

VENSTRE

- Higher Education
 - Research
 - Foreign Policy
 - Development Aid
 - Green/Environmental Policy
 - Social Assistance
 - Child-care
- Decrease of 'social investment' policies

DANSK FOLKE PARTI

- + Health care
 - + 'Integration support' for Immigrants
 - + Moving public sector institutions to regions
- More sticks (esp. Non-danes)
- Welfare Chauvinism



RECENT BUDGET LAW (2015)

- Reference to the ‘structural budget deficit’ target for drastic cuts in 2015 annual budget law
- But...
- Denmark is not under Excessive Deficit Procedure
- Data on deficits and debt suggests Danish economy is healthy and ‘in balance’
- Analytically: ‘Blame-shifting’ in the view of the domestic political agenda



EMU

Integration and Interdependency



‘You can check out any
time you like, but you
can never leave’

- Eagles



STABILITY AND GROWTH PACT

Preventive

Corrective



CONCLUSION

- SGP supporting domestic decisions to pursue austerity through the back-door
- Usages of Europe 'blame shifting'
- EMU Vulnerability: force-majeure
- Domestic Vulnerability: key casual variable for major reforms
- EU and SGP only intervenes indirectly
- EU and equality: welfare states must be reformed smartly (social investment)



- Thank you for your attention
- All questions welcome, also by email
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