

Social models? A critical view on a concept from a historical and European perspective

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The article argues that the question of this Focus about national models versus local aspirations must be supplemented with the question of a European dimension. The question is whether a European social model is conceivable in parallel to or beyond the local, the regional and the national models. The article argues that the question of prosperity in Europe must have a reasonable dimension of political redistribution of the fruits of economic growth. The concept of prosperity does not only have a bearing on the economic but also on the social. The article critically discusses the concepts of model and path dependency. Model is seen as a stereotype emerging in the dynamics between reflection on Self and imagination of the Other. Path dependencies are seen as trajectories laid out towards the past for a better understanding of the present, as *ex post* mental constructions, but they have no or little prognostic value. The argument is for a soft version of path dependency as a heuristic tool as opposed to hard versions with an ambition of prediction. The problem with the concept as such is that it is inscribed in a long tradition of ideals of predictability in social sciences based on a structural instead of a constructivist view of history and society.

The arguments

The overall title of this Focus indicates a focus on problem formulation regarding economic growth rather than social distribution and on local, regional and national economies of growth rather than the European perspective. The distinction between ‘in Europe’ and ‘European’ is nevertheless important. The question is whether a European social model is conceivable in parallel to or beyond the local, the regional and the national models. This question should not be ruled out from the beginning. This is a crucial argument in this article.

It is argued here that the term ‘prosperity’ should have a dimension of political redistribution of the fruits of economic growth; thus, the social dimension must be brought in again when we talk about prosperity in Europe. Recent decades have seen a theoretical development in the academic debate where prosperity is seen as basically market-driven and where the question of social justice and social equality is subordinated. The role of political management in order to provide welfare has declined in the prevailing models. Originally, the concept of welfare connoted some kind of political responsibility with an active role for the state. The key concept was the welfare state, the German *Sozialstaat*.

The conceptual shift from welfare to prosperity underpins this theoretical development. Another expression of this trend, apparent in recent times, is the conceptual shift from government to governance, a shift that has occurred quietly without much debate; this silence is astonishing, to say the least, against the backdrop of the fundamental change of perspective that it signalled.

The framework of this shift was provided by the transformation in the 1980s against the backdrop of the collapse of the Bretton Woods order in the 1970s. A shift occurred from political economy to economic economy, from state-orientation towards market-orientation and with Adam Smith replacing John Maynard Keynes as the icon. Prosperity and wealth were no longer seen as the result of political practices but as the automatic outcome of economic processes; Smith’s invisible hand, which resulted in economic wealth. (The new admirers of Adam Smith thereby ignored the fact that in the *Wealth of Nations* he did indeed pay attention to the role of the government for the functioning of the economy, in particular for correcting social problems in the wake of the envisaged entrepreneurial free trade order.)

The model concept

The image of social models emerges in comparative approaches where economic and social performance is measured and analysed. Europe and the world are seen as containers of specific and separate national and regional cases of economic and social performance, cases that are defined through comparison and demarcation from each other in terms of similarities and differences. The comparative methodology is inclined to ignore the degree of entanglement across the European (and global) space and across various hierarchical levels of socio-political organisation. The decreasing interest in the state and other politically constructed collective fictions on the one side, and the growing interest in comparing national performances on the other side, lead to a problematic and contradictory tension between methodological individualism and methodological nationalism in academic theoretical approaches to the question of political economy.

Social models are, as a rule, given a historical generic dimension of origin and historical direction. The discipline where, in particular, the image of social models emerged was historical sociology, which reached its apogee from the 1960s to the 1980s. Historical processes do not conform to a law, but the developments followed patterns bound by certain constructs and structural dictates. There was a cultural-political inertia where the development followed specific paths or trajectories.¹ Somewhat later, the term ‘path dependence’ was adopted in the academic debate to describe the generic dimension of such trajectories.

There is a connection between the idea of path dependency and the concept of social model. Societies develop according to certain patterns, specific for each society. These patterns constitute a model with which other societies can compare themselves. Historical sociology had a pronounced comparative approach and the approach spread to political science with a focus on institutional performance. The question was why certain institutional settings performed better than others in some crucial respect. Economic performance or social achievements in the model society differed from that in one’s own society, as in the examples that follow. The question became how to emulate the model.

We need examples to draw on. The term a ‘Swedish model’ was registered for the first time, in 1967, when Jean-Jacques Servan-Schreiber, in his book *Le défi américaine* – which was about how American capital invaded Europe and bought up European enterprises – referred with approval to a Swedish model as an alternative social model worth considering. *Le modèle suédois n’est ni américaine ni japonais.*² Obviously Servan-Schreiber had the social dimension of the industrial relations in Sweden in mind, as well as high economic performance through social partnership.

In the 1980s, the talk about a Swedish model became more general and was expanded to a Scandinavian or a Nordic model. This was at a time when the disorientation after the collapse of the Bretton Woods order in the 1970s began to be replaced by conviction based on the neo-liberal market language. Heuristic points of reference were looked for which also emphasised the social dimension and combined economic and social performance in the search for alternatives to the neo-liberal emphasis on the market.

When the term a ‘Swedish’ (or a ‘Scandinavian’) model has been used in political debate since the end of the 1960s, it has been both as a warning and as a good example. Models have a political bearing, they are used as arguments in a political debate and are therefore contested. Without using the term ‘model’, but meaning the same thing, the foreign interest in a progressive Swedish labour market model in the 1950s, with numerous study delegations visiting the social partners of the labour market, paralleled President Eisenhower’s warning about the high suicide rate in the wake of state socialism.

Paying attention to a foreign model is a projection of one's own interests, and conversely the foreign interest produces self-understanding. Foreign interest in Sweden was recorded in the 1930s when Marquis William Childs published his book *Sweden the Middle Way*.³ He did not use the term 'model' but this was what he meant. His aim was not so much to write about Sweden, however, but to contrast it with the USA. His book was a contribution to the New Deal debate in USA and thus Sweden was an argument for Roosevelt's politics. However, the foreign interest in an imagined specific Swedish middle way model also became an argument in Sweden for a specific policy with a social democratic signature, and in this way it became an ingredient of a Swedish self-understanding.

In the model and the mirror of the Other you see what you want to see, what you miss in your own situation, it becomes an argument for political change. The model is a stereotype of the Other and the foreign interest in one's own society is incorporated into one's own self-understanding in a way that is interactive and dynamic.

The external outline of a progressive Sweden in the 1930s went hand in hand with the internal social democratic *folkhemmet* design. Confronted by the developments that took place to the east and south of Sweden in the 1930s, the social democratic leaders felt forced to reconsider their hopes and political dreams of the 1920s in an international peace order built on the League of Nations and to transform them into a consolidated image of Sweden through the construction of a European Other. The self-image, constructed in the 1930s, of a Protestant, progressive, and labour-oriented Sweden was juxtaposed against that of a Catholic, conservative and capital-oriented Europe ('the Continent'). Marquis Childs' book drew on, confirmed and reinforced this development.

Japan is another case in point. The talk about a Japanese model to emulate disappeared in the wake of the bank bubble in the 1990s, but before then Japan served as a heuristic point of reference in a Europe in crisis in the 1970s when mass unemployment recurred for the first time since the 1930s. Japan became a point of reference in the European search for orientation. Life-long employment was the key concept to describe the Japanese model. Like the example with Eisenhower and Sweden, the Japanese case demonstrates that images of models to emulate are contested. Some see examples to follow while others see warning examples. Some saw with envy a Japanese Confucian society based on a specific Confucian ethic while others saw union-busting big companies that prevented a real interest representation by organised labour.

Gösta Esping-Andersen's path-breaking tripartite European model of a liberal British, a social democratic Scandinavian and a conservative/corporatist continental European welfare order is mainly a taxonomy of the historical emergence of the welfare arrangements in North-western Europe.⁴ For continental Europe the model has been criticised for lack of precision. I am not so much

interested in the substance of Esping Andersen's model, however. I am more interested in the situation in the early 1990s when he constructed these models in a time of dramatic economic, political and social change, a time of departure from many established truths about economies and social relations. There was a need to relate fast development to a historical origin. There was a need to understand why certain dimensions of social organisation were supported in some parts of Europe but met with resistance elsewhere. A kind of historical inertia was inscribed in the three models, which in the debate were soon understood in terms of path dependency.

The concept of path dependency is not very clear. Generally it assumes that policies and cultures follow certain paths of development and are for some reason bound to a specific developmental trajectory, which they cannot easily abandon. The reason for this constraint varies. The paths are argued to follow from some social and/or economic structure and/or some specific historical or cultural heritage. In the Japanese case it was Confucian ethics. In the Swedish case it was some form of peasant democracy. Both were seen as consensus-oriented and empirical examples of social conflict were repressed in a Freudian sense. Implicitly, a prognostic value is inscribed in the concept. The term 'path dependency' connotes linear teleology. There is in the concept a tension between a historical ideal emphasising the uniqueness of each historical moment and social scientific ideals emphasising theoretical generalisation. This is an old debate, since the Enlightenment, and is still with us.

The case in point is the German *Sonderweg* thesis developed by social historians in Bielefeld in the 1970s and 1980s.⁵ In an innovative way they began from new perspectives to critically question German development leading up to 1933. Instead of looking for the answer to how and why the German catastrophe could happen at the political level of the elites they were interested in broader social structures. What was wrong in German society before the 1930s? With that question the focus was directed towards the lack of liberalism, the role of the landowning aristocracy (the Prussian Junkers), and peasants lacking independence and therefore not capable of resisting political seduction, and the capitalist industry owners, banks and employers. An intensive academic debate emerged over the question of whether the German derailment began with the failed revolution in 1848, earlier (*Vormärz*) or only later after the establishment of the Kaiserreich in 1871. In contrast to the unique German trajectory, a Western standard development towards democracy was outlined, in a revolutionary version represented by France, and in a non-revolutionary way represented by Britain and the USA. The big question was why Germany at all came to deviate from that standard.

The heated debate on the *Sonderweg* thesis led to ever closer comparison of the cases of standard type and of the deviation from this. The closer the

comparisons went and the richer the details became the more difficult it was to maintain the simple contrast design in black and white. The conclusion from Jürgen Kocka's big Bürgertum project at the end of the 1980s was rather that there is no standard development and that all developments represent unique trajectories.⁶

Another rather recent insight is that the paths mapped out by historians and others are nothing but *ex post* mental constructions in a retrospect view of the past. The concept of path dependency is very much inscribed in a long tradition of ideals of predictability in social sciences based on a structural view of history where socioeconomic factors ('reality') inherently determine the development. The problem is the implicit or explicit prognostic ambition invested in the term. This is what could be called the 'hard path-dependency' view.

The term 'path-dependency' would function better in a retrospective exercise where the aim is to understand better the developments that led up to the situation of the present. Path dependency should be seen as past dependency. Such a view would emphasise the narrative and constructed dimension and that the outlined path is a preliminary mental projection to provide temporary orientation in a constantly changing present. We unavoidably need historical orientation in order to reflect on why and how we came to where we are. A path is laid down towards the past. This is what could be called a 'soft path dependency'.

However, there is a problem with the concept in this soft version: it has a tendency to obscure the fact that today's openness towards the future was also the precondition under which past futures were experienced and there is always the risk of nostalgia. However, seen as a matter of translation of past experiences into interpretations of present situations the paths and the models fulfil a function, but we should be aware of the limitations. One important way to cope with the limitations would be a growing emphasis on openness towards the future through a conceptual shift of focus from cause to contingency (in the sense of not impossible not necessary) in our analytical operations.

The social and the economic

The title of this Focus deals with the combination of economic performance and social welfare and to what extent the national framework is its proper arena, although the more precise connection between the two categories is not problematised. There seems in that respect to be an implicit argument in the concept of prosperity, that the social follows automatically if the economic performance is achieved. What lights does history shed on this problem of the connection between the economic and the social, and on the problem of the national and the local, if we think of development paths in the soft sense?

The social issue has been on the agenda everywhere in Europe since the 1830s when the insight grew that the emerging capitalist order produced damages that were beyond the responsibility of the individual which was the belief in the old view on poverty. Some kind of a systemic dysfunction was diagnosed, but the emerging issue was who was responsible. The debate accelerated in the framework of the long economic depression beginning in the early 1870s. The social question became the worker or the unemployment question. ‘Unemployment’ was a concept invented in the 1880s to cope with a new mass phenomenon, the concept was a social construct.⁷ The social question was also mixed up with the national question. However, we should be aware of the fact that the mix between the social and the fiction of the nation could result in very different answers: fascism, national socialism, communism, red–green worker–farmer coalitions, *front populaire*, and so on, each case for better or worse representing a kind of model. What was common was the overall insight of state responsibility. The social issue was at the core of the nation and state building, the question is what this historical heritage is worth today.

Quite obviously, the possibilities of the state have changed dramatically during the last decades. During the 1980s, the insight grew that the impact of unemployment on social security systems’ finances would be dramatic if up to 15–20% of the working age population were dependent on state resources instead of generating them by contributing taxable earnings, and that insight has fast become orthodoxy.

Another aspect related to the changing role of the state is the problem of control over the economy and the state’s relationship to capital. Investment in manufacturing factories was paid off over decades, creating physical constraints on the mobility of the factory and the capital it represented. Wage labour in factories was also easily controlled socially and politically, and the political taxation of capital and labour was the basis of the state’s social responsibility. When added value is generated from transnational financial operations rather than from the production of commodities and services, and when the content of work and the nature of work places change dramatically, the historically established connection between political control and the taxation of labour and capital is eroded. ‘Privatisation’ and ‘the market’ emerged as conceptual responses to decreasing political control and increasing budget deficits. The question of political legitimacy, however, remains. This changing role of the state and the accompanying fundamental shift in the whole complex of social integration provokes questions of where identifications and feelings of community are located and where solidarity is to be fostered.

The shift in the perception of how to organise societies and economies in the wake of the breakdown of the old order of the 1950s and the 1960s was dramatic. A new concept was invented to cope with the transformation: ‘flexibility’.⁸ This

concept was primarily coined as a term that applied to the labour market, although here was a correlation with the organisation of society in general: i.e. flexibility versus bureaucratic sclerosis, political inertia, etc. A simultaneous doctrinal shift in the economic and social sciences in the 1980s underpinned this transformation of worldviews. A new interpretative order emerged based on older models of liberal thinking long superseded by Keynesianism and embedded in concepts like monetarism, budget equilibrium, and the reduction of government expenditures. This emerging neo-liberal rhetoric became attractive through a frequent use of social Darwinian language according to which ‘healing’ meant down-sizing (‘slimming down’), and state welfare arrangements were described as ‘unsanitary’, ‘unhealthy’, and, yes, even ‘suffocating’. ‘The market’ and ‘flexibility’ were the main figures in this reshaping of the conceptual and symbolic topography.

The term ‘flexibility’ emerged as an economic prescription against the unexpected blow of mass unemployment during the early 1970s. Until then, economic theory had guaranteed that it possessed the necessary instruments to prevent a recurrence of the plague of the 1930s. However, taken by surprise, economists began to advocate wage flexibility, i.e. that wages should adjust to the demand of the market. On the other side of this emerging economic language of flexibility was the argument that overly strong trade unions and rigid wage politics had pushed wages too high. This changing view on the connection between wages and unemployment was an important dimension of the general transition in the theoretical rhetoric from a ‘state’ to a ‘market’ orientation.

In a curious way ‘flexibility’ went hand in hand with ‘rigidity’, its opposite, according to the new rhetoric. The individual was prescribed flexibility and adjustment to the requirements of ‘the market’, while the state simultaneously was prescribed rigidity and budget discipline. There was a personification of ‘the State’ and ‘the Market’ as actors who must follow prescribed opposite regimes in order to be cured of their Beveridgian sickness.

The local focus

This transformation in economic rhetoric was also visible in the social sciences, where interest in small-scale production, entrepreneurship, and the success stories of local and regional economic and social organisation increased during the 1970s. A chorus of ‘co-operation’ replaced conflict and class struggle. ‘Network’ became a buzzword, replacing concerns about power structures. Another key word was ‘consensus’, which blurred the dimension of social conflict in these developments. The proclamation that ‘small is beautiful’ was underpinned by a search for historical prototypes. Earlier interest in the industrial revolution and the emergence of large-scale economic structures and working class formation shifted to an interest in successful regions and branches based on small-scale production

and management–employee cooperation. Proto-industrialisation was the concept introduced to describe this development.⁹ Gnosjö in Sweden, Emilia-Romagna in Italy, Baden-Württemberg in Germany, and so on, emerged as successful network regions of flexibility worthy of emulation. They were model regions; somewhat later, successful regions were proclaimed everywhere. Sometimes the region was just a city, sometimes it was a large geographical network space, in this vein the Swedish city Göteborg became a region.

The issue of power and political management disappeared from the theoretical reflection. In successful regions the take-off just happened and then the success story continued more or less automatically. Philippe Schmitter in his provocative question in 1974 – ‘Still the Century of Corporatism?’ – saw a clear power structure with a clear hierarchical dimension in the democratic post-World War II version of corporatism, like in the authoritarian fascist prototype. This democratic version of corporatism, which often was referred to as neo-corporatism, as distinguished from the fascist prototype, today seems to have been transformed into a kind of ‘neo-neo-corporatism’ of blurred interest (rather than merger), without any clearly defined political responsibility.¹⁰ This is a major problem for the theoretical conceptualisation of state, society, and economy today without being identified or recognised as a problem. Instead of being seen as a problem, the lack of explicit political capacity and power is rather seen as the solution to the problem.

From the early 1990s, the interpretation of the transition from state to market and from national to local and global occurred within the discursive framework of the rhetoric of globalisation. Globalisation became a new *Zauberwort* that underpinned the abdication of politics to what was seen as a natural force. In a contradictory, but nevertheless consistent way, global went hand in hand with local with a general de-politicisation as both an aim and an effect. In the emerging master narrative on Globalisation, Economy replaced Hegel’s Reason as the blind force of History. An important step in getting politics back into play again would be critically to question the globalisation narrative. The empirical and critical analysis of past welfare schemes in their variety and entanglements could be the point of departure for the retrieval of a *political* scope for the contentious definition of a social dimension in the past around concepts such as dignity and solidarity, a retrieval that would question the idea of History or Economy as the teleological evolution of natural forces.

There are many things to be learned from successful regions. However, as a general prescription for mass unemployment and economic dysfunction it is obviously insufficient. There is a lack of theoretical realism in the market language, an idealism or naivety. The questions of power, political management and social responsibility must be brought back in academic reflection. And the same goes for questions of poverty, social marginalisation and social integration

in growing immigrant ghettos. One of the expressions of the abdication of politics was the smooth conceptual shift from government to governance in political theories. This shift just happened, and nobody has really asked why and how it came about. There are obvious signs everywhere today that the social question is coming back as a social protest. Germany and France are obvious cases as the outcome of the parliamentary elections and the referendum on the European Constitution respectively in 2005 clearly demonstrated. There are also signs that populism and nationalism grow in importance in response to the protest and there is a risk that this process might run out of political control. Therefore, the political and social dimensions that disappeared in the market and flexibility language must be restored in our theories. An important point of departure in such a restoration is a critical view on the concepts of model and path dependency leading to more historically informed theories. Also the explicit address of the question of the political framing of the local and the regional – and the global – would bring more historical reaction.

The new Europe: threat or opportunity?

The question is also what role Europe plays in the issue of the political framing. In Europe today there is more and more talk about the crisis of the multicultural society. Facing new waves of refugees and emigrants related to Europe's colonial past requires a new confrontation with that past which for so long has been repressed from the public debate since the decolonisation began in the 1950s. In close contact with Islam and other cultures, the rebirth of old national and religious-based animosities, Europe is witnessing a rebirth of attitudes of hostility to what is different, and which is hostile to sharing common values and living together in a culturally diversified society. The frustration that this situation both reflects and breeds is channelled through populism and protectionism. There is an obvious risk in the politics that has come back in this way. Protectionism is eating into not only Europe's power as a unified presence internationally and as an alternative model to the USA but it also makes inroads on the internal solidarity in Europe.

The enlargement from EU 15 to EU 25 in 2004 was seen as a major step towards a final European unification. The question of social inequality between the old and the new members was not addressed in the feast speeches on 1 May that year when the new members were welcomed into the club. The new members were well aware of the differences in terms of social standards in comparison to the EU 15 but had invested expectations in market access for its poorly paid labour. The old members had not developed any precise ideas of how to cope with the new situation, which brought a choice between migration of industrial production from the West to the East, or the migration of labour in the opposite direction, or a

combination of both. Indeed, this was the development that conventional economic theory prescribed for the long-term equalisation of inequalities. However, instead of openly facing this situation, the political leaders began to warn of social tourism where cheap labour from the East would cadge on the welfare systems in the rich West. For instance, the dangerous Polish plumber emerged as a key figure in the French referendum campaign in 2005. Populist politics spread into the core of the EU. The service directive is another case in point, for workers in the East access to the EU held a promise about market access and jobs with the long-term prospect of wage increases towards Western standards. In the trade unions in the West the directive was seen as a threat of social dumping and a competitive social race towards the bottom. They put pressures on their governments and at the end the European Parliament and Council adopted a much diluted version of the proposal from the Commission meaning that little changed in comparison to the situation before the EU enlargement. EU and its political leaders in the member states had no solution to the upcoming threat of either social dumping or social protectionism, but for the moment social protectionism seems to be the preferred choice.

Against the scenario outlined above, the question of how success and prosperity at a regional level in Europe is measured must be asked. What do we mean when we talk about prosperous regions? What are our gauges? Is it basically a success story about profitable enterprises where the correlation between profits and employment in the fight for market survival is negative? To what extent are factors such as unemployment, housing slums, immigration ghettos and criminality present and to what extent are they integrated in the model outlines? Is there a risk of embellishment in the model concept?

These questions have focus on the local level since it is there that the problems are particularly noticeable. However, the local level is insufficient as an arena for the solution of the problems, which require a wider social and political responsibility, and the recent developments within the EU just referred to reveal that the national arena is also too small for a sustainable solution.

If local and regional initiatives are going to play a role there must be an overall framework of social responsibility, an overall framework of a political economy. If not, successful regions will be played off against poor regions under growing social conflict. Due to the developments since the 1970s in terms of global capitalism, the nation states are obviously in a financial squeeze. The only possibility for re-establishing a political capacity is to pool their resources; what role can the European Union play in this?

The European unification movement has often been seen in terms of parallelism to nation building, i.e. the integration of smaller units into larger. But there is a historical bias in this which ignores the extent that the social question was an integrated part of the constitution of nations during the century from the 1870s

to the 1970s. European integration is seen as market integration, which will somehow automatically unify Europe socially. But the question of a social Europe is also a political question that must be addressed at the European level and as long as this is not realised the whole project is at risk.

The concept of prosperity is biased in its emphasis on the economic performance per se without explicit connection to the social question and the market discourse since the 1980s has ignored this connection. The design of the EMU with the ECB and the GSP is a clear illustration of this. There are signs that social protest is growing in Europe, exerting pressure on national governments and either bypassing the EU or with the EU seen as the target of the protests and the root of the lack of a social solidarity. The national level is where the social question has always been solved and this is why the pressure is directed towards national governments. However, the existing international order makes it much more difficult for national governments to cope with the social question, which leads to decreasing political legitimacy in general and increasing risks of populism. The new structure of the world economy since the 1970s has dramatically changed the preconditions of national models for the provision of welfare. This structural change was not least brought about by the response of nation-state governments to the experience of economic crisis. The liberalisation of capital movements and the proclamation of unbounded capital was one of the responses to arguments about political suffocation of initiatives in the economic sphere in a time when governments and political opinions experienced a loosening of the straightjacket of the Cold War.

It is difficult to overestimate how important the Cold War was in moulding the national Western welfare economies together in the 1950s and 1960s. The Cold War promoted the emergence of what was perceived as national communities of destiny based on welfare guarantees. It is also difficult to overestimate the importance of the end of the Cold War in this respect where a general response was a political unfettering of economic forces inherent in the tied Prometheus. The attempts in the other direction, where economic forces were fettered politically at a European level through the Growth and Stability Pact proved problematic, however, and have provided little scope for politics. The problem is that this scope is located at the level of the member states with erosion of the EU's political capacity and the legitimacy of the Commission when the rules of the GSP are not taken seriously. The migration of power from the Commission to the Council, from harmonisation and *acquis communautaire* to soft law and an open method of coordination, and the decreasing role of the European Court of Justice as an authoritative interpreter of European law underpin this development. The European Central Bank is a case of entrenched 'de-politicised'

political power imagined as being beyond political temptations in its monitoring of the economies (in plural) in Europe.

A key question in response to these developments is whether national models can be translated into some kind of a European social model, with an overall solidarity and social responsibility, in order to prevent social disintegration. The question is what the European Union means in terms of prosperity, as EMU has hardly become a success story so far. Economic growth is uneven within the EMU and countries remaining outside do not necessarily perform worse; a connected but even more serious problem is the political capacity to bridge the tension between the economic and the social.

This problem should be seen against the backdrop of the dramatically growing social inequalities within the European Union after the enlargement from EU 15 to EU 25. The question is whether the process of Europeanisation is a Europeanisation of social inequalities. The subsequent question of the serious risk of overstretch of EU must be openly addressed. There are many historical examples of the risk of overstretch of expanding polities. However, the question of where the external borders of Europe are located in terms of overstretch should be raised in social and political-institutional rather than cultural-ethnic-religious terms – as is the case in the debate of whether Turkey should be part of EU or not – in order to minimise the risks of a repetition of the bloody history of the European nation-state building. One point of departure is the fact that the spatial expansion of EU triggered social protest in the EU. The most urgent task for Europe seems to be to reconcile spatial expansion and social division, this requires a European political capacity, which exactly defines the problem.

The Schuman Declaration of 9 May 1950 argued that a European ‘de facto solidarity’ would be created through concrete achievements. The pooling of coal and steel production should immediately provide for the setting up of ‘common foundations for economic development as a first step in the federation of Europe’. The first step was the integrated market but the long-term goal was the federation. With this proud declaration, teleology was built into the European unification project, a project marching towards a predetermined goal. A necessary second step, urgent after the collapse of the Bretton Woods order in 1971/1973, when first the financial markets and somewhat later the labour markets broke down, would have been to establish a common foundation for social development and social security. The analogy in this argument was to the nation state formation, but this step was never taken. The short-circuit solution was the decision taken by the Council in 1973 to create a European identity, but this did not help, because there was no social underpinning, as was the case when national patterns of solidarity emerged. When Jürgen Habermas against the backdrop of the (West) German experiences after 1945 refers to a European constitutional patriotism as the first step towards, and the precondition of, a European identity he certainly mentions

the importance of the social dimension, the *soziale Marktwirtschaft* in the German model, but this emphasis has got lost in the debate, which ended in the question of whether identity had not to precede constitution, a position prominently maintained by Dieter Grimm.¹¹ The argument here is that, in analogy with the nation state formation, only politics for social integration can provide the cement for community construction.

Joseph Weiler has emphasised that constitutions are expressions of the moral and political identity of the people they pretend to define. State constitutions with their own national specificities are more than shared ideals of liberal principles. The historical remembrance in constitutions also refers to ideals of the common good of the political community and how the common good has been and is implemented.¹² The German social market economy that underpinned the *Verfassungspatriotismus* was based not only on the experiences in the Federal Republic, but also on a long and violent history of attempts to connect the national and the social. This link was missing in the European debate on identity and constitution.

The service directive of the Commission was one of the symbols in the referendum debate about the proposed European constitution in France in the spring of 2005. As the controller of the market and competition rules, the Commission presented the directive as a necessary step towards the implementation of the free movement of labour after the enlargement to EU 25. The directive did not discuss whether competition with low wages could involve risks of decreasing social standards or of the exchange of job opportunities for job losses. The implications of the fact that on 1 May 2004 the social inequalities within EU increased dramatically were never thematised as a problem and the consequences of this neglect were demonstrated a year later. The retreat from the service directive through a decision in the European Parliament in February 2006 means a step towards social protectionism in the Western part of EU as a defence towards threats of social dumping from the Eastern part. Two conclusions seem clear: the cohesion of EU 25 is very fragile and to increase cohesion the social question must be tackled much more systematically than has been the case so far, when it is regarded as a residual item.

The service directive hints at the risk of social protests in the name of anti-Europeanism, where the target becomes the Commission as the watchdog of the competition rules. Such a development would mean a dangerous reinforcement of the division between the masses and a perceived elite in Brussels, a division that is already very visible. The step to prevent such a development would reasonably, again in analogy with the nation state formation, be to politicise the European Parliament through a classical left–right struggle about social and economic politics. Such a struggle would integrate the protests and delete the image of the Parliament as a part of a diffuse Brussels machinery.

The difficulties in coping with the social question in Europe have a paralysing impact in the member states, either in polarised terms as in Italy or in terms of blockage as in Germany, the Czech Republic and Austria where the formation of majorities with clear political profiles are difficult and solutions are looked for in big coalitions with a limited parliamentary solution capacity or that result in parliamentary deadlocks. The Euro and the Maastricht GSP criteria make the problems ever deeper. The obligation to accept fiscal discipline and abstention from relieving changes of currency exchange rates makes reforms impossible, a situation, which, in turn, squeezes parliamentary parties because they are punished by electorates. The escape towards solutions in populist directions is an obvious risk. In this scenario Hungary, Poland, the Czech Republic and Slovakia are not post-communist special cases, they struggle with problems of political stagnation and lack of political creativity and imagination that are shared all over Europe.

I am keen to emphasise that this discussion of risks and dangers that the European Union is facing should not be read as a prediction. The aim of this outline of the scenario is rather to make clear the political dangers if counter-measures are not taken. My key term in the discussion of EU's future is 'contingency': in the sense of not necessary not impossible.

The question of a European political order is not an institutional one (federation versus confederation), but a political one, needing a social and economic political project designed with competition between the left and right spectra of politics. The issue at stake deals with substance more than form. The European Parliament has so far mainly used its power to define its institutional position vis-à-vis the Commission and the Council instead of letting it be an arena for a contention about political substance. A debate of this kind in the European Parliament, with consequences at the level of decision-making, would in the long run probably result in the emergence of a European electorate not substituting but supplementing the existing national, regional and local electorates. The issue of legitimacy would be addressed from new points of departure and closely connected to the issue of social responsibility and solidarity. This scenario would have the potential to take the EU out of the prevailing deadlock situation. The chasm between the eloquent rhetoric of the European leaders on 1 May 2004 when they welcomed ten new members to the club and their cynical warnings of social tourism from the East somewhat later, or their surprise when their populations suddenly were afraid of competition with cheap labour, could probably be reduced through European politics that recognise the social dimension as much as the economic, but whether this is a realistic scenario is another question.

The concept of prosperity in the title of this Focus must be explicitly connected to the social question rather than only connoting economic performance per se. The growing social protest puts national governments under pressure, this is where

the social question always was solved and this is why the pressure is directed there. However, the existing international order makes it much more difficult for national governments to cope with the social question, which leads to decreasing political legitimacy in general and increasing risks of populism. This connection has been ignored in the market discourse since the 1980s, the design of the EMU with the GSP is a clear illustration of this.¹³

The question is what the European Union means in terms of prosperity. EMU has hardly become a success story so far; as already referred to, economic growth is uneven within the EMU and countries remaining outside do not necessarily perform worse. The economic political dimension is reduced to a monetary question where politics have abdicated.

The European, the national, and the local levels of a political economy

The new structure of the world economy since the 1970s has dramatically changed the preconditions of national models for the provision of welfare. The national models could be translated into some kind of a European social model against the backdrop of these changed provisions, with an overall solidarity and social responsibility, as a tool to prevent social disintegration. Such a European political economy would improve the functioning of the European Monetary Union, but it cannot be top-governed, like the old models of national politically managed economies, but must find alternatives to promote economic activities at the micro-level. Exactly how such a combination should be designed is, finally, a political question and is beyond the scope of this article.

The problem with the model concept as it has developed in the academic and political debate during the last decades is that applied to the local/regional level it focuses too much on economic performance and too little on social standards. This is a bias in the imagination of local and regional model cases since they emerged in the economic crisis therapy in the 1980s as small-scale flexible network configurations as opposed to rigid state-oriented large-scale economic operations. In this respect, there is a difference in comparison to national model concepts where, for instance, the image of a Swedish or Scandinavian model has a clear connotation to social redistributive politics. Gösta Esping Andersen's three models is a case in point. In addition, at a European level the image of a specific European model, demarked in particular to an imagined US model, has a clear social dimension that is argued to distinguish it from the US case.

The local or regional models must be given a clearer social dimension when they are seen as generators of prosperity. The concept of prosperity must be critically addressed for whom and on what conditions? Who are in and who are out? Who benefit and who do not? In this way it can be related to images of national and European models with a social dimension and overall politics of inclusion and

solidarity. The precondition of such a three-tier model of social responsibility and solidarity is that the political capacity to govern over economies is re-established. The existing semantic field around concepts like network, governance and prosperity focuses in a biased way on economies without politics. The question of political coordination must be emphasised more and the power dimension in the network metaphor must be openly addressed. The question about some kind of political capacity to decrease inequalities between regions must also be addressed. The network metaphor relies too much on Schumpeterian images of successful political entrepreneurs. The outcome of regional policies is less dependent on central coordination by member states or the EU and is referred more to varying degrees of skill and to good luck among local political entrepreneurs.

The task is not to choose between local, regional, national or European levels of economic management but to coordinate these levels in new ways. The Göteborg model must fit within the broader framework of a Swedish model and the Swedish models must fit within the broader framework of a European model and all three levels must have the reduction of the tension between economic integration and social disintegration as a crucial variable. If not, the obvious risk is that the politics of social dumping are played off against the politics of social protectionism. This coordination in vertical as well as horizontal terms at each level, and between competing interests, also at each level, is a huge task which requires political guidance. All this does not come automatically through the market performance. The political capacity of management and innovative creation must be brought back in again in our social perceptions. It is about time that academic reflection begins to approach this situation.

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