

FROM THE "SOCIAL DIMENSION" TO EUROPEAN SOCIAL/DEMOCRACY AND BEYOND


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CONFLICTS BETWEEN AIMS


Consequences of austerity vs. social concerns

- unemployment
- rising inequalities
- marginalisation, exclusion
- private property & free markets → wealth and power tends to concentrate

Aspects of competitiveness vs. social concerns

- "competitiveness" tends to include lower wages for many
 - labour market flexibility → weakening of labour rights
 - but: lower taxes for firms and for mobile wealth & capital
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CONTRADICTIONS OF AUSTERITY AND COMPETITIVENESS

- Lack of effective overall demand & fallacy of composition → counterproductive policies.
 - The multiplier effect of austerity (of cut-downs, lower wages etc.) → "paradox of thrift"
 - Imbalances & contradictions within the EU.
 - The EU is only a small part of the world economy → the same contradictions re-occur on a much larger scale.
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Political economic institutions

European taxes and noteworthy fiscal policy: EU budget larger than that of any member state (at least 7-8 times 2011 EU budget)

Main economic policy focus on fiscal means aimed at full employment as well as economically and ecologically sustainable growth

Monetary policy aims at supporting fiscal policy (promoting investments and growth); if over-capacity and lack of sufficient demand develops, demand increased with central bank funding

Regional policy aimed at reversing self-reinforcing processes of uneven developments and guaranteeing most even possible regional development level throughout EU

Common income, wage, and industrial policies, including partial socialization of investments

Basis of legitimation

Democratic representation. Parliamentary democratic principles at EU level: commission or government directly responsible to the parliament, parliament (possibly bicameral) decides on budgets and on laws

Full employment and social justice

Democratic control extends to European Central Bank also, e.g. ECB answerable to democratically elected council

The subsidiary principle, i.e. decisions made as close as possible to where they will apply: e.g. member states and municipalities levy their own taxes and establish their own norms, rules, and procedures

Social rights and a sufficient level of guaranteed basic income for all EU citizens

A WHOLISTIC PERSPECTIVE

- ❑ The formation of effective aggregate demand in a single country – including the EU – is dependent on what happens elsewhere.
- ❑ Mere coordination of economic policies between states (including the EU) or the implementation of a financial tax, for example, are not enough to make interdependence sustainable
 - moreover, how can coordination of autonomous national economy policies succeed without common institutional arrangements that are binding on all?
- ❑ Because the EU is intertwined with worldwide political economic processes, global reforms would also contribute to the metamorphosis of the EU.

CONCLUSIONS

- Mere monitoring, development of new indicators and coordination, or "exploitation fully the scope of the current EU budget", is unlikely to make any significant difference.
- The full realisation of the "social dimension" requires changes of the basic treaty of the union → Pandora's box is opened...
- The basic thrust of the current EU policies is contradicting the declared social aims; US-style unemployment benefit system and the pooling of macroeconomic sovereignty are rather modest proposals compared to the requirements of the social/democratic model.
- But the problem does not concern only the EU; we are talking about contradictions of the world economy as a whole.