Report Executive Summary

Our research has focused upon the relationship between globalisation and European integration and the impact of such processes on the character, viability and perceived viability of ‘social models’ in a number of European countries. The project has generated a series of important research findings, amongst which the following are perhaps the most significant:

1. Gravity models have been used to differentiate, quantitatively, between evidence of regional economic integration (EU-isation) and evidence of genuine globalisation for trade and foreign direct investment. A detailed analysis of the assembled empirical evidence reveals a process not of globalisation, but if anything one of de-globalisation of the trading relations of EU-European economies over the last 40 years. More surprisingly still, a similar analysis reveals not a globalisation but if anything a de-globalisation of patterns of foreign direct investment since the early 1980s. Both findings are in marked contrast to the assumptions which continue to inform public policy making in contemporary Europe.

2. Though gravity models cannot be used to assess the extent of the global integration of financial markets in the same way, the empirical evidence we have gathered reveals a series of largely insurmountable impediments to the European integration of financial markets. Such impediments have two sources: i) the competition between national
regulators to retain domestic savings ‘at home’, and ii) the continued existence of transactions costs, located in particular in settlement systems, of trading between national markets. These impediments remain is in spite of the agenda established at the Lisbon Special European Council.

3. IMF direction of trade statistics have been used to construct tests of specialisation within the OECD. The ‘Varieties of Capitalism’ literature suggests that there are institutional foundations of comparative advantage within advanced economies - in other words, specialisation is built upon particular modes of accumulation which have their origins in different institutional arrangements. Using Esping-Andersen’s decommodification index as an indicator of institutional difference, we show that there is no evidence of comparative advantage being forged in this way. The direction of trade statistics reveal that OECD economies trade disproportionately - and, moreover, increasingly so - with economies that are institutionally similar. The effects on trade of geographical proximity outweigh those of comparative institutional advantage. This is particularly the case for EU countries.

4. Consequently, the term globalisation does not well describe either the condition or the trajectory of economic integration (of trade, foreign direct investment or finance) in contemporary Europe.

5. In so far as economic integration might be thought a significant factor in the social and labour-market reform in contemporary Europe it is regional economic integration rather than the globalisation of EU-European economies that is the relevant causal factor. Our most recent work suggests that interaction effects between, on the one hand, deepening European economic integration and interdependence and, on the other the specific institutional architecture of EMU may well quite adequately account for the effects invariably attributed to globalisation in the exiting literature. This, in turn suggests that current processes of labour-market and social reform are rather more complex and than is conventionally assumed.

6. This complexity is compounded by the absence of a single ‘European’ social model as a common starting point. Indeed while useful for some purposes, conceptualising social provision in terms of a small number of internally coherent and distinct ‘regimes’ can also
be misleading. Instead, individual states’ policy configurations can be located at points along a variety of relevant dimensions (such as the decommodification index discussed above). Our research shows that European social models have not, as is often assumed, simply converged or been exposed to a process of dual convergence. Though common tendencies can be identified these have tended to be implemented at different paces, leading to divergent not convergent outcomes. These cut across conventional ‘regime’ classifications.

7. EU political processes also influence national social models, providing common pressures with divergent consequences. Thus the open method of coordination builds on and tends to spread emergent national tendencies towards welfare ‘activation’, but takes sharply distinct forms in various states. The development of juridified EU social rights and social regulation (compounding national and EU tendencies to the judicialisation of politics) also create pressures on traditionally programmatic forms of social provision in the member states. The consequences may become clear only in the longer term, if initial programmatic responses of states to such instruments (eg the Framework Equal Treatment Directive) are challenged. Analysis of the Commission’s responses (such as the Governance White Paper) show them to be heavily marked by defence of institutional prerogatives.

8. Despite the paucity of evidence for the globalisation of EU-European trade, foreign direct investment and finance, ideas about globalisation and the global competition between (social) models continue to inform public policy making both at member-state and Commission level. Detailed analysis of the contours of that discourse at national and European level, however, reveals the distinctiveness of the strategic contexts within which rhetorics of globalisation and European integration are deployed.

9. The invocation of globalisation as a justification for economic reform (labour market reform, especially) seems to be related to the cleavage structure of the polity concerned. Thus, in countries where the religious cleavage is dominant, social democratic parties are less likely to invoke globalisation as a means to mobilise cross-class coalitions; in countries where the class-cleavage is dominant such appeals are more prevalent. Moreover, the degree of popular support for the process of European integration appears to have a significant bearing on the appeal to globalisation and European integration processes as the proximate cause of the need for welfare retrenchment/labour market reform.