

SHORT BIOGRAPHY FOR ROLLINAT Robert

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GLOBALIZATION AND SOCIAL EUROPE TO-DAY :

Welfare State, Capital and Politics

ROLLINAT Robert

In April and May 2005, the French and Dutch rejection of a new constitution for the European Union has created a very unstable and complicated situation in most of European countries. The difficulty to obtain a satisfactory compromise about the adoption of the budget of the Community in December 2005 is a confirmation of the obstacles remaining to a better integration (political, economical, cultural) of the different countries.

Till now, the main success in the way to a better economic and political integration has been the elaboration and the diffusion between the founder members of the Community, of the European Currency Unit, the Euro. But, many economic experts have demonstrated that the “birth” of this money, even though a technical performance, is not enough to permit sustained economic growth. On the contrary, the “monetarist vision” of the promoters of the Euro has led to deregulation of financial markets, privatization of public assets and the cutting of social provision, commodifying social protection that had been established at the national level in each country. It is generally considered that the Euro money has favoured many financial and speculative aspects of European capitalism to the detriment of industrial and productive growth.

It's the reason why the denominated “European social model” is now questioned. What have been the real effects of globalization on the “welfare state” model inherited from the post-war years ? What is its future in the context of mundialization where the markets tend to erode the political and economical power of the State and its redistributive capacities ?

Because there is another aspect of globalization, perhaps more perverse: the enlargement of Europe itself. The fall of the Berlin Wall and the opening up of Central

and Eastern Europe has led to a new era of investment. Association agreements of these “new” countries with the European Community and forthcoming accession have also boosted capital movements into the region and most foreign investors in candidate countries are from the European Community. Considering the enormous gap between countries, especially in terms of salaries and social protection, the mobility of capital has yet led to massive relocations from “west to east” with all the previsible consequences in terms of employment and remunerations of the work force.

What have marxists to say about these processes ? Are they irreversible? It has been said that Karl Marx had been a early promotor of the idea of Europe. But the Europe he was dreaming was the Europe of freedom for the working class. In the same way of thinking, the adepts of the “no” for the European constitution in France and other countries were not opposed to Europe but to a “liberalized” Europe of “market capitalism” where the interests of wage-earning class would be sacrificed. What could be to-day the best strategy to unify at European level the interests of wage-earning people of different countries ?

SOME METHODOLOGICAL PROBLEMS ABOUT GLOBALIZATION

The term of “globalization” itself has been largely discussed among economists and political scientists. It’s not possible here to resume all the debates around this concept but, from our marxist point of view, it can be useful to examine the arguments of a recent controversy around the academic and “orthodox” interpretation of globalization. Recently, Justin Rosenberg has accused “globalization theorists” of a form of historical myopia in failing to recognize that globalization was inherent of the capitalist mode of production and depending, on the one hand, on a transnational economic space as the terrain in which the process of capitalist accumulation unfolds and, on the other hand, on an interstate system inherently fragmented among politically sovereign actors [*ROSENBERG, 2005*].

For Rosenberg, “the age of globalization is now over” because the major error of globalization theory was at once to treat the burst of cross-border economic integration, in the later years of the 20th century, as historically unprecedented rather

as the latest case of a much longer-term process and to proclaim it to be undermining the state system that had in fact been the constant accompaniment of the tendency inherent in the capitalist mode towards the formation of a world market. To avoid the pitfalls of globalization “theorists” and offer better explanations of the phenomena to which globalization is a response, Rosenberg considers that approaches to international relations must be rooted in historical sociology and particularly in marxist historical sociology. For him a great deal of the literature on globalization is anti-theoretical and unreflexive, without any substantive theory of capitalism. The discourse about globalization in the business schools and in the media sought to make globalization a central organizing category expressing a fundamental shift in the spatio-temporal conditions of human societies such that we had entered a new epoch of human existence²⁹. But the chief failings of this conception are that it is descriptive and does not itself constitute an explanatory category³⁰. It is why it is incapable of analyzing the historical conjuncture of the 1990’s with precision and insight.

These conceptions of Rosenberg have been largely discussed. J. A. Scholte considers that Rosenberg’s post mortem of globalization theory is premature and that the weakest pillar of Rosenberg’s argument is his claim that globalization as a concrete development and an object of policy concern has receded after 2000. The “worldwide spatial expansion and integration” is confirmed when analysing major economic indicators . The era of globalization, if not a “new” approach is certainly a new conjuncture that must be carefully studied [*SCHOLTE, 2005*].

Other autors remind that globalization is neither determined by technology (Castells) nor necessarily coupled with cosmopolitanism (Held). Rather globalization can be seen, as it is by many academics and activists, like a structural inequality (between north and south, the west and the rest, core and periphery, as Empire:American or otherwise) [*LAWSON, 2005, p. 385*]. It can be also considered

²⁹ The signs of this include the disappearance of military and ideological division, the erosion of national sovereignty, the transnational integration of the world so that it forms a single space and the rise of new patterns of deterritorialized social relations made possible by new means of communication such as the Internet.

³⁰ We must remember that interest in Globalization first emerged out of the sociological study of **modernity**. In the 1970s, Daniel BELL and others began to study the emergence of what has been labelled “post-industrial society”. This “new” society was the surpassing of fordism to “service-based” economies. Initially, Globalization theory was split into two broad camps: **homogenizers** focusing on the universalizing aspects of globalization (for instance Wallerstein following Fernand Braudel) and **heterogenizers** emphasizing the “hybridity” and diversity of the process.

as extension of capitalism all around the world without assuming any necessary affinity with multi-lateralism, global governance and interdependence, the cornerstones of liberal globalization theory (L.G.T.). For us, it seems that this approach is not inconsistent with our general marxist idea of globalization.

THE EUROPEAN UNION IN THE “GLOBAL” ECONOMY

The 1990's have been a decade of abrupt change around the world : the end of the former Warsaw Pact and the “Iron Curtain”, the desintegration of the Soviet Union, the access to global markets of emerging countries like China, South Korea or Brazil and the growing erosion of trade and investment barriers, not to mention the great impact of the new information technologies.

Multinational groups in Europe have not been immune to this growing globalization, new competitors and emerging countries. European corporate groups have faced specific competitive shocks and others that they share with other companies worldwide. The first shock was the internal Single Market of 1993 with the proclamation of elimination of trade and investment barriers within the European Union. It has been a signal for increased competition for a lot of products and services putting financial pressure on companies not able to match lower prices. Without the helping hand of governments, firms like Wolkswagen, Philips, Usinor, Thomson, Olivetti would not have survived.

The second shock, in parallel with the extension of the single market, and part of it, has been deregulation. For many European corporate groups operating in regulated industries it has meant the dismantling of rights, an increasing competition and the prospect of lower revenues and profitability unless they restructured their productive structures. The blow of deregulation has been evident in the case of telecommunications (mobile telephony), power and oil. It has reinforced the effect of the Single Market in creating new competitive spaces for specialists.

The third major shock in corporate Europe has been the creation and launch of the Euro that has triggered the process of creating a truly integrated market in the

Euro zone. The Euro has forced national stock markets to review their strategies having a big impact on the banking and insurance industries. With the Euro it was from now on possible to make comparison of financial performances of companies in the same industry in different countries. This has influenced a new form of corporate control with a profound impact in the way companies argue their decisions in front of shareholders, financial analysts and public opinion. Shareholders expect similar returns in the same industry across countries and the performance of US firms has become a common benchmark.

Many European groups went through costly restructuring programmes in the 1990's and early 2000's especially in industries like consumer electronics in which the cost advantage was no longer in Europe but in Asia. Jordi CANALS analyzes the example of Philips moving from having around 50 business units in 1996 to just 6 at the end of 1999: semi-conductors, lighting, consumer electronics, domestic appliances, personal care and medical systems. In this period, Philips acted very aggressively in buying and selling units, adjusting to a new global world and a more integrated Europe, boosting competitive advantages in each one of its business units [CANALS, 2002].

During this period, in Europe, globalization thus appears as the legitimization of the neo-liberal process. New conditions for capital accumulation are established, with new general competitive rules but it would be erroneous to consider that the "national" societies, as a whole, have adjusted to these rules. A strong political and social passive resistance remained in all sectors of European societies, especially those with a large tradition of public interventionism. "National" industries, some inherited from the post-war period, traditional public sectors, public services have been largely preserved from the deregulatory "fever". In many countries, there have been a strong rejection of "Bruxelles" directives in matter of competition and liberal norms. More specifically, the European wage-earning class was not ready to abandon its social conquests.

Of course, since this period, a lot of mergers and acquisitions have been made between European firms or in relation with foreign multinational groups in different sectors. New conglomerates have been constituted in automotive industry, chemistry, pharmaceutical companies, metallurgy, etc but the process is rather slow and

conflicting. Recently there have been a resurgence of “economic patriotism” in the European Union, especially in countries like France³¹, Germany or Netherlands.

“EUROPEAN SOCIAL MODEL” AND WELFARE STATE

To understand to-day’s social situation in Europe, it’s historically necessary to remember the negotiations preceding the EEC Treaty (the original Rome Treaty) where different schools of thought were present. While some members states pleaded for the neo-liberal concept of market-making only and wanted to set the market forces free even in the realm of labour and social security costs (in the first place Germany), others opted for a limited degree of harmonisation with a view to social and labour costs. For instance, France argued that its comparatively high social charges and the constitutional principle of equal pay for men and women might constitute a competitive disadvantage. In the end, a compromise was found which did not provide for active social policy harmonisation at the European level and the dominant “philosophy” of the Treaty was that welfare would be provided by the economic growth stemming from the economics of a liberalized market and not from the regulatory and distributive capacity of a public policy.

Nevertheless, the Treaty contained some formal concessions to the “interventionist” thought: the provisions on equal pay for both sexes (article 119 EEC Treaty), the maintenance of existing equivalence between paid holiday schemes (art.120) and the establishment of a “European Social Fund” (art. 123-28). The other provisions of the EEC Treaty’s Title III “Social Policy” bear witness of the will to include some solemn social policy provisions, yet without empowering the EEC to act. Where necessary or functional for market integration, intervention in the social policy field was implicitly allowed via the subsidiary competence provisions (art. 100 and art.235 Treaty).

³¹ “Economic patriotism” is at present a very controversial theme in Europe. At the end of 2005, an Italian energy firm, ENEL, had proclaimed the objective to make a takeover bid on a french-belgian group, SUEZ. With the implicate support of French government and “to guarantee energetic independence” of the country, this threat has led SUEZ to project to merge with another French group: GAZ DE FRANCE. This decision has been firmly criticized by Brussels authorities and governments of Italy and Spain. In December 2005, France has adopted a decree to protect the country from “hostile takeover bids”. This decision was considered in Brussels as “discriminatory and protectionist”.

The sole explicit Community competence for social policy regulation under the original EEC Treaty was in Part II (outside the title on Social Policy) which contains the free movements of goods, labour, services and capital (especially the freedom of movement for workers as part of the Treaty's market-making activities). This entails the abolition of any discrimination based on nationality between workers of the member states as regards employment, remuneration and other conditions of work and employment (art.48 Treaty).

In 1986, the Single European Act has been considered as the first major EEC Treaty revision. The "Internal Market Programme" is solemnly put on track and social policy again constitutes a controversial issue: how much social state building should go along with even more far reaching market integration ? EEC competence is formally extended in some areas (notably environmental and research policy) but not for social policy (one exception on minimum harmonisation related to health and safety for workers (art.118 c EEC Treaty). But the "social dimension" of the Internal Market, as advocated by the Commission and the European Parliament remains subordinated on a qualified majority of the Council members.

After the Maastricht Treaty came into force (November 1993), there is no fundamental change in the area of social policy despite the adoption of the "Social Agreement" (art. 2.1) allowing a formal extension of the Community competence in working conditions and the information and consultation of workers. Some issues were, however, explicitly excluded from the scope of minimum harmonisation under the Maastricht social provisions: pay, the right of association, the right to strike and the right to impose lock-outs (art. 2.6). The fight against unemployment is not included in the "convergence criteria" and neither were social policy measures imposed. In fact, the probability of an active use of the new "social" competences under the "social agreement" was crucially enhanced by the extension of majority voting to many more issues than before.

The only crucial innovation of the Amsterdam Treaty, in terms of social policy issues, is the "new employment" chapter but this treaty offers no answer to the question: how to adapt (or extend) the labor legislation, the social protection, the European "welfare states" as a whole to the ever increasing competitive pressures because of the globalilization of the world economy ?

The European Community social policy is today very eclectic and restricted to the stating of minimum labour law standards. Since the beginning of the European construction, social protection has remained politically considered as a competence of each state (subsidiary principle). Of course, harmonisation of social politics have been discussed but without many results.

CHANGE AND REFORMS OF EUROPEAN WELFARE STATE (to be completed)

- *Basic characteristics and models of European welfare states (bismarckian model vs. beveridgian model).*
- *A typology of four european social models (continental, nordic, mediterranean, anglo-saxon).*
- *The “Three Pillars” approach of the World Bank and pensions reforms in Europe.*
- *Comparative study of France, Denmark, United Kingdom (what degree of “liberalization” of social protection ?). From welfare to workfare?*
- *The vision of Brussels experts: welfare account system vs universal welfare state*

some experts of the European Union have their own view about the social protection in Europe. They consider than the crisis of the European “welfare state” is due to structural reasons (budgetary deficits and low demography). In this situation, it’s not possible to maintain the “old” system, too expensive. The welfare state must be replaced by a “welfare account system”. With reference to a study of the World Bank [*World Bank, 1994*], these experts consider two options for the reform of the welfare state. In a flexible economy, it would be possible to maintain a “benefactor state” but with taxes and transfers reduced; in a rigide economy, it would be necessary to elevate the rate of taxation [*ORSZAG, SNOWER, 1997*].

The “welfare account system” supposes that, in each country, every citizen have the possibility to open four accounts: one for pension, one for unemployment, one for “human capital” (for education and formation costs), one for health care and disabilities. The difference with the “old” system is that the financiation would not come from the budget of the State but from individual compulsory contributions to

each account. The advantage of this system, according to their promoters, would be the permanent incitement to a sufficient contribution to preserve equilibrium of accounts.

E.U. ENLARGEMENT, CAPITAL AND LABOUR MOBILITY, RELOCATIONS

We have noted that the completion of the single European market in 1993 had offered new perspectives to the E.U. enlargement process and consequently to national and multinational firms' location strategies. Since wage costs and standards of social protection are lower in future members states³², the expansion of trade and economic activity may lead to further strengthening of specialisation based on comparative advantage.

In fact, E.U. enterprises have not been waiting for the accession of the first candidate countries to relocate part of their production and this process has recently accelerated³³. Throughout the 1990s, there has been a lot of E.U. enterprises transferring a part of their activities from "west" to "east", even closing down their activities (for instance in France: Hoover and Renault, in Netherlands: Philips)³⁴. In many countries of East Europe (Poland, Hungary, Czech Republic), the flows of investment have been largely stimulated by the privatization processes in the 1990's. A lot of "nationalized" industries and mines have been acquired by West European groups or banks generally at very good prices.

Sub-contracting appeared as a major form of relocation. Traditional activities in sectors such as textiles clearly have a subcontracting character because it does not

³² The European Council of Copenhagen (December 2002) has confirmed the accession the European Union of ten new candidate countries: eight from Central and Eastern Europe: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia and two Mediterranean countries: Cyprus and Malta.

³³ A quantitative idea of these investments: by the end of 2001, total foreign investment in Central and Eastern Europe has been estimated more than USD 110 billion with a concentration in three countries: Poland (USD 39 billion), Czech Republic (USD, 25 b.) and Hungary (USD, 23 b.)

³⁴ In 2000, a serious case of social dumping emerged when was revealed the Europe-wide practices of the German transport company Willy BETZ which had created a network of lorry drivers from Central and Eastern Europe (with enterprise located in Bulgaria). These drivers were employed at much lower rates and under terrible working conditions. The company was thus able to gain a tremendous competitive advantage vis-à-vis its competitors in the European Union.

involve a physical move of the E.U. company but represents in practice a relocation of production activities in Central or Eastern Europe. A lot a “productive” relocations have been observed in countries like Slovenia, Poland but also Bulgaria and Romania in textiles, clothing and leather products. But in many candidate countries, foreign investment has also been high in more “high-tech” sectors. In Hungary, significant investment has been carried out recently in the communication industry, automotive parts and electronics [VAUGHAN-WHITEHEAD, 2005] .

Behind foreign investment, it’s possible to distinguish two strategic motivations : market-seeking when considering the size of market as a determinant factor of implantation (Poland) or lower-cost seeking to profit from lower production costs in the host country. In this later case, big companies and firms taking advantage of lower labour costs could develop “social dumping” when investing in future member states. The immediate risk is downsizing social policy in all E.U. enterprises.

The BOLKESTEIN Directive about services (january 2004) is perhaps the most important juridical scheme elaborated by the Brussels Commission concerning labour mobility. To eradicate protectionist obstacles to services prestations between countries, it sought to impose for temporary workers the labour rules of their origin country. It meant that it was not necessary for these workers to respect the labour laws of the host country where they were working. Considering the enormous gap in terms of salaries and social protection between west and east Europe, this directive appeared as a typical example of social dumping. Last may 2005, the symbolic example of the “Polish plumber” coming in France for a low-paid work, competing with french workers has undoubtedly influenced the electoral reject of the project of European Constitution. Recently, the Directive has come for a new debate in front of the European Parliament. A compromise has been elaborated: the principle of the “origin country” has been abolished but Brussels has not decided global community measures for controlling the respect of this principle.

The crisis of the European social policy is due not only to the bad situation of the candidate countries in the social field but also to the more liberal orientation in current E.U. member states. There is a dialectic interdependance between these two statements.

The European “Third Way” and the politics of International Monetary Institutions.

For some political European leaders, the problem is not only between neo-liberal politics and more interventionist politics but in the general acceptance of reducing social budgets. In the manifesto: “The Third Way”, co-signed by Tony Blair and Gerhard Schröder, adepts of a “reformist” programme, the necessity of reforming the existing social and public systems is proclaimed because they also consider that “public expenditure as a proportion of national income” has more and less reached the limits of acceptability”. On the rare occasions social policy is mentioned, it is in the narrower perspective of protection of the most vulnerable sections of the population “to combat social exclusion and poverty”. This “targeting approach” must be applied in all social areas especially in social protection and employment with the general idea to develop a “workfare” system as a substitute of the existing “welfare system”. This could mark the end not only of the redistribution system but also of the solidarity principle. This “third way” looks very similar to that promoted by the World Bank and the IMF (International Monetary Fund) in many countries and especially in Central and Eastern Europe.

[to be developed].

THE FETISHISM OF THE “SINGLE MARKET”

The rejection of the Constitution and failure to agree changes to the Budget have led to a new and open debate on the future of the European Union with a new set of “liberal” solutions. “The Single Market not only constitutes the keystone of European integration, but also remains the most potent European instrument to address the challenge of globalization” [*SAPIR, 2005, p.3*]. This appreciation of an important “think tank” in Bruxelles (Bruegel) has inspired another official document: “*European values in the globalized world*”, root of the discussions of the recent special summit of European leaders in Hampton Court (England).

These experts consider that the “global” economy of the 21st century is characterised by rapid changes³⁵ which creates “both threats and opportunities”. To take advantage of the opportunities, it’s necessary to “reform” labour market and social policies “that are stuck in the past”. Failure to reform will not preserve the status quo, “but could even threaten both the Single Market and the monetary union” [*SAPIR, 2005, p.3*]. The notion of a single “European Social Model” is misleading because there are different European social models with different performances in terms of “efficiency” and “equity”. Using the well known methodology of the four “European social models” proposed by Esping-Andersen [1990]: nordic, anglo-saxon, continental or social-democrat and mediterranean, the “new liberals” try to demonstrate that the only “efficient” social model is the anglo-saxon model because less generous and equitable. The model is considered efficient if it provides sufficient incentive to work not if it is able to redistribute wealth to build a more harmonious society.

One of the biggest differences between the new “incoming countries” concerns the influence of international actors. International organizations such as the World Bank seem to have had more influence on the content of social policy reforms in these countries than the Europe of Brussels. It’s easy to establish this influence coming from the neo-liberal model promoted by the Bretton Woods organizations. It’s more difficult to detect the positive side of the European social model³⁶. European Union has been in many cases influential on procedures more than on content since it did not condition financial help to specific reforms (as for example the World Bank did for pensions reforms).

Moreover, the comparison of enlargements shows that the substance of social policy reforms is less due to a lack of influence of the European Union than to a change in the E.U. social model proposed to the acceding countries. E.U. social

³⁵ For instance, as recently as 1970, the share of developing countries in developed countries imports of manufactured products was barely 10 per cent. To-day, their part is over 45 per cent. China, for example, has gone from a share of 2 per cent in 1985 to 15 per cent to-day.

³⁶ M. Jepsen and A. Serrano have discussed the highly ambiguous and polysemic nature of the concept. They have identified three main ways in which the concept is used in the European debate: as an entity, as an ideal type, as a European project and instrument for cohesion and perhaps the most important as a means of **legitimizing the European institutions** [*JEPSEN M., SERRANO A. 2005*].

policy is not today what it was when previous accessions took place as shows a comparison made between two “old” incoming countries (Spain and Greece) and two recent ones (Hungary and Czech Republic) [*GUIILLEN, PALIER, 2004*]. The logics and discourse of Brussels regarding social policy are also very different. In the 1980s, Brussels was more oriented toward the development of public social policy, now the discourse of the actors (economists and most of politicians) has become more similar to the conceptions of the international financial organizations.

There is not today a clear European model promoted at the E.U. level but rather a conflict between “economically oriented actors” promoting market-type solutions and “socially-oriented actors” trying to find new perspectives for a productive-keynesian approach able to generate demand and employment policies. It could be considered that this new “europeanization” is to-day structurally linked with liberalization [*HASSENTEUFEL, HENNION-MOREAU, 2004, p.209*].

MARXISM AND THE FUTURE OF SOCIAL EUROPE

We can imagine that enlargement of Europe and current processes of globalization can lead to different models of societal, social and economic integration in this region. It is thus possible to propose four future scenarios for Europe :

1/ First scenario: the liberal model continues to be promoted generating economic and social liberalization throughout Europe. However to be implemented this liberal model of social policy needs strong state capabilities, at least to regulate its markets and also to provide residual benefits to the needy.

2/ Second scenario: the liberal models extends but within a weak state environment. Then chaos is to be expected in the future (example of Russia and other Eastern states ?). Markets without regulation leads to disorder with corruption and violence not to a liberal regime.

3/ Third scenario: a strong European social model is promoted with social policies put in practice. In this case, there is necessity for strong national states capable

of raising taxes, collecting contributions and distributing benefits. Through generous European structural funds, accession countries will have a chance to catch up.

4/ Fourth: the “race to bottom” scenario results from the ambivalence of the old members states pretending to welcome new members but closing their frontiers and changing their social legislation. The “social model” is proclaimed but not sustained (no concrete means are forwarded to support it). In this case, “the race to bottom is plausible” [GUILLEN, PALIER, 2004]. There will not be a new “liberal” model but retrenchments and cutbacks made in the old members states in order to remain competitive against the newcomers. There will be lower social protection, enlargement being used as an argument for retrenchment. This would lead throughout Europe to a generalized social dumping with possible large social conflicts.

In this context, it would be possible to assist to a revival of nationalism in many countries with tendencies to “independence” vis-à-vis Brussels and also the monetary unit. Some pessimistic experts consider the Euro could disappear in some countries with the revival of “national” moneys, especially in case of hard social conflicts in some countries.

In this very difficult way to a more integrated Europe, under the pressure of the hard economic laws of the “globalized world”, what could marxists do ? First, they must try to define and defend the interests of working class, considered as a whole, at the European level. To-day, the risk is high to permit that the laws of competition could introduce factors of division between European workers, especially between those coming from East Europe and those living in the West. Differences between salaries and social protection remain very large and constitute, without any doubt, a big impulse for relocations of productive factors and working force. This process is today far from being controlled.

The way to a social Europe also needs the reinforcement of an European social law, a real european environmental politicly and the development of an European public space. This is only possible with active public policies and “strong” public interventionism from European institutions. For instance, it would be necessary to reconstruct a genuine European Investment Bank (E.I.B.), initially established in Europe in 1958. Its strategy focalized on productive investments must counterbalance

the power of an European Central Bank (E.C.B.) only oriented by monetarist principles of prices stability and control of inflation.

But the process to a more integrated Europe is fundamentally political, needing democratic procedures of representation of peoples of Europe. It's why democratic experts recommend for Europe a Constituent Assembly with direct elections in each country [SALESSE, 2004, p.104]. It would be the fastest way to the assertion of an European citizenship.

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