Internationale Politikanalyse
Europäische Politik, August 2006

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Political Positions on the European Economic and Social Model – a Map of Interests

Introduction

Over the past decades, closer European integration has led to a multitude of supranational structures and organisations. With the enlargement rounds what has also increased is the extent of heterogeneity of members of the Union. The national economies of the twenty-five member states are divergent not solely in terms of performance and size, but also differ significantly in terms of economic constitution or distribution of income. This is how political parties are faced with increasing demands for producing a Europe-wide consensus on policy measures. The following study concentrates on the positions taken by political parties, trade unions and employers' organisations on the European economic and social model (EESM). The basis of this article is a Europe-wide survey on the main policy fields of the EESM. In the survey, a total of fifty questions were put to more than one hundred leading personalities from political parties, trade unions, ministries, parliaments and employers' organisations.[1] The questions were grouped according to three thematic contexts: a) economic policy, b) social policy and c) competition (amongst the member states). The survey was conducted in a total of seventeen European countries: Austria, the Czech Republic, Denmark, Finland, France, Germany, Great Britain, Greece, Hungary, Ireland, Italy, the Netherlands, Poland, Portugal, the Slovak Republic, Spain and Sweden. Two key questions formed the primary focus of the research project and of this article:

1) In which areas is consensus/divergence to be found in the positions of the parties and organisations?
2) How can these common standpoints and differences be explained?

Based on a brief narrowing down of the broad concept of a European economic and social model, what follows is the explanation of analytical assumptions of the study. Subsequently a description and analysis are provided of the positions taken by the respondent parties and organisations concerning the evaluation of the current economic and social model and concrete proposals for reform. The conclusions are presented in a brief summary.

The European economic and social model

There is controversy as to whether it is possible to speak of just *one* European economic and social model. As a rule, this debate is based on two different benchmarks: advocates of the existence of one model emphasize a socio-political consensus that extends across the whole of society. This is said to prevail in all European countries, and sets the EU apart from the USA. What sceptics see in the numerous nation-state variants of the social models is counter evidence for the existence of a common model. Experience shows that there is particular opposition to the delegating of welfare-state responsibilities. This is reflected in the comparatively underdeveloped socio-political responsibilities of the Union. Nevertheless, these have been broadened incrementally since the inclusion of the

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1 This study is based on a research project conducted by the Friedrich-Ebert-Stiftung. The questionnaire, findings relating to countries and the data records are available on this webpage of the Friedrich-Ebert-Stiftung: http://www.fes.de/internationalepolitik. Concerning the development of questions and economic discussion of the European economic and social model, see Petring/Kellermann 2005.

Social Chapter in the Amsterdam Treaty. In addition, socio-political coordination has been stepped up within the framework of the Open Method of Coordination since 2000, even if harmonisation has not (O'Connor 2005).[2] In this way, the European economic and social model has remained the subject of ongoing political controversy (Witte 2004). This controversy runs amongst countries or groups of countries and also amongst political camps.

Party-political interests and ideologies

In most studies conducted hitherto on positions taken by political parties on European issues, the findings have supported the hypothesis of the "inverse U-curve". This hypothesis implies that parties on the left and right fringes of the party spectrum tend to represent Eurosceptic positions, while those at the centre of the political spectrum represent pro-integration stances (e.g. Hix 1999; Hooghe/Marks/Wilson 2002; Hooghe/Marks 2004). Within the parties relatively close to the political centre, further differentiations are possible. European integration was firstly supported by conservative players as "the creation and opening up of markets" (Marks 2004: 236). Hooghe and Marks assume that progress in integration over the past twenty years towards European minimum standards, infrastructure and effects of redistribution tend to be accepted more by centre-left players (ibid.: 9f.). This is how a change of preferences by parties has progressed at the centre of the left-right party spectrum: at the beginning of the 21st century, centre-left parties were supposed to be more fervent in their preferences for progressive European integration than centre-right parties. If a uniform position of social democrats were to be observed regardless of the various institutional and political preconditions prevailing in the EU member states, then this could be seen as evidence of party-political ideologies dominating institutional differences and national interests. This assumption is derived from the hypothesis on party differences ("Partisan Theory"). The core of this argument concerns the comparison of positions between the Left and conservative parties. This is explained in that differences in (objective) interests and (subjective) preferences of the voters for a party are reflected in the (government) policy of these parties (Hibbs 1977; see also Schmidt 1983; Cameron 1985; Budge/Keman 1990; Boix 1998). If the partisan theory and the hypothesis contained therein of the link between party-political agendas and the socio-economic interests of their electorate is applicable, then a high degree of uniformity would have to be identified when for example comparing the positions of social democrats of various countries. With this hypothesis, the assumption must also nevertheless be made that the electorate of the social-democratic parties in Europe are essentially those of the same socio-economic strata with similar interests.

When responding to the question of uniformity and divergence, what is not insignificant is the degree of abstraction of the subject of the question concerned. On an abstract and general level, there is a tendency to expect greater uniformity of positions. On the one hand, this is because there is rhetoric about agendas rather than real political action. Yet on the other hand, what can also be expected is that the more concrete is the subject of the question or the policy proposal under discussion the more prominent are the differences in the makeup of the current national electorate groups as well as divergence in interests reflected in the respective institutional environment.

The following section sets out the positions of parties, trade unions and employers' organisations in Europe as regards the three domains of economic policy, social policy and interstate competition. After a short outline of the status quo and key reform proposals, the positions of the parties and associations – divided into the evaluation of the current model and preferences relating to the reform proposals – will be examined for left-right differences and possible differences of families of countries.[3]

2 The method is orientated towards the employment process already introduced by the Amsterdam Treaty, and is made up of the following elements: definition of common goals, plans of action at national level, a joint report by the Commission and by the Council about the plans of action, the search for best practice, the setting up of indicators.

3 In order to undertake a subdivision into groups of countries, we addressed the relevant research papers (fundamentally: Esping-Andersen 1996). Five groups were formed: one continental-European, one Scandinavian, one Anglo-Saxon, one Mediterranean and one Eastern- and Central European group. The key parameter for types of welfare states is the degree of de-commodification, that is, the extent to which areas of life are removed from market regulations and are "de-marketed" for the protection of the citizen.

Positions on the European Economic and Social Model

Economic policy

Overview of the debate

Before the findings of the survey are presented, a brief outline is given about the current debate. In all domains, the EU has at its disposal various means of promoting economic growth. In this way, all macroeconomic instruments to which nation states could no longer resort, or only to a limited degree, can theoretically be transferred to the European level. At present however, an EU-wide growth and stabilisation policy still meets with several obstacles, because proper coordination of partial domains (chiefly fiscal-, monetary and interest-rate policy) is not taking place, and the outcomes of growth incentives differ according to region.

The Stability and Growth Pact (SGP) is the target of criticism primarily because of its "*one-size-fits-all*-approach", which has often been censured as too restrictive (especially the 3%-deficit rule). On the one hand, proposals for solving this problem are directed at further economic integration that aim to curtail various economic cycles. Other proposals consider country-specific parameters, starting with the overall deficit of the EU (Buti/Nava 2003). Another point of criticism levelled against the SGP is that its criteria lead to procyclical effects. An important approach to reform in this context is the consideration of the type of deficit, i.e. debts for investments, which are in harmony with the Lisbon Strategy, the evaluation of which is differentiated from debts incurred for consumption purposes. What can also be considered is the national rates of savings (Weale 2004) or structural household deficits as a reference value (for criticism, see Buti et al. 2003). The criticism that the SGP is too restrictive is countered by a suggestion to abolish the 3% rule and to concentrate instead on the 60% rule (level of indebtedness) of convergence criteria (Hishow 2005). Discussion on the monetary policy of the European Central Bank fluctuates subject to discretionary powers as a result of the strict perception of its mandate for securing the stability of monetary value (inflation target below 2%) and of a more transparent orientation to economic- and employment policy goals of the EU. A key line of criticism is aimed at the focus of the ECB on price-level stability, from which a new formulation of its task is derived for targets of price stability and economic growth (Filc 2005). Also criticised is an unclear inflation target, from which the reform options of a symmetrical pin-point target are developed (i.e. of an equal evaluation of rates of inflation that are too low as well as those that are too high) (Allsopp/Artis 2003) or a medium-term pin-point target of 2% (Lommatzsch/Tober 2003).

In the debate on the future of European incomes policy, two different approaches to economic policy are diametrically opposed. The prevailing supply-side approach pleads for wage restraint and at the same time for decentralised procedures in setting wage levels. Proponents of a demand-oriented approach deem necessary the arrangement whereby wage-negotiation systems are coordinated at national level and throughout the EU (Hein/Niechoj 2004). The key strand of criticism in this policy field is a lack of coordination of wage settlements, producing the need for a strengthening of macro-economic dialogue between the ECB, fiscal authorities and management and labour, in addition to the need for the strengthening of organisational capability of the trade unions, or rather, decentralisation and differentiation of wage settlements.

Other growth policies are the European Employment Strategy (since 1997) and the Lisbon Strategy (since 2000). According to the Lisbon Strategy, Europe should develop into the "most competitive and dynamic knowledge-based economy in the world". There is widespread consensus on the aims associated with the European employment guidelines and the Lisbon Strategy: reducing unemployment, increasing the employment rate, raising the numbers of women in employment, reducing youth- and long-term unemployment, creating better quality jobs, improving training, extending childcare, etc. In the "interim review" undertaken by the European Commission in spring 2005, the aims were deemed good and correct, yet they were said to have fallen well short of achievement (European Commission 2005). These findings spark off yet more criticism: because of the non-fulfilment of the aims, tougher forms of governance have been contemplated instead of the Open Method of Coordination (OMC). Yet also under consideration is more open discussion through closer inclusion of management and labour and national parliaments, modifying the SGP, in so far as the latter should be an obstacle to the aims, or the linking of quantitative aims with qualitative indicators (e.g. quotas of women employees, wage differentials and the share of under-employed workers/part-timers).

The question linking all policy fields is of European coordination of member states' economic policies. As an initial step towards macroeconomic coordination, the "fundamental features of economic policy" have been worded since 1993, and in 1999 the "Cologne

Process" was initiated as part of a Franco-German initiative. However, there are no means of imposing sanctions, and the dialogue has not yet led to the hoped-for positive results in the form of a higher growth trend. A reform policy therefore means creating stronger decision-making powers and binding decisions of the macroeconomic dialogue. A more fundamental criticism is directed at the economic-theoretical organisation of the coordination, and demands a neo-Keynesian macroeconomic economic policy while preserving existing forms of coordination (Hein/Niechoj 2004).

Positions on the present economic model

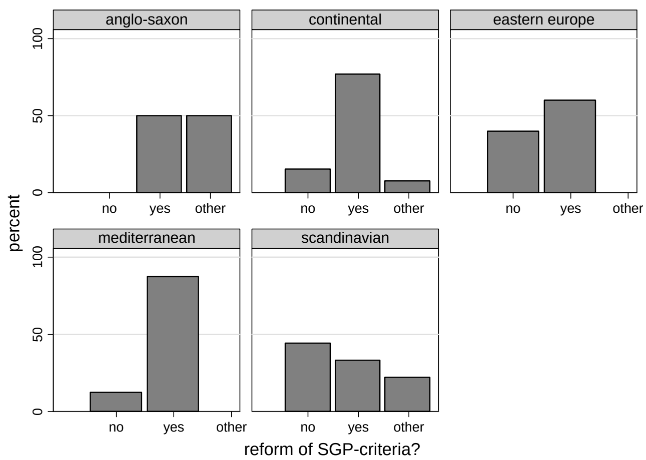
What is presented below are the findings of the survey of leading personalities on which this article is based. There is unanimity in the European countries with regard to the fundamental need for a regulatory framework for fiscal policy in the EU. However, criticism is expressed against the Stability and Growth Pact. The main point of criticism is the lack of flexibility of the Pact; besides this, fault was also found with the dearth of growth incentives emanating from the Pact. With the exception of the liberal parties and some East European parties (esp. in Poland), a problematic pro-cyclical effect is also ascribed to the Pact. Asymmetric economic cycles within the EU are likewise perceived by a relative majority mainly by the social democratic parties and trade unions, as a problem for the Union. Nevertheless, just fewer than 40 percent also view the instrument of national economic policy as widely ineffective. Yet in the group of Scandinavian and Anglo-Saxon countries, this statement is clearly contradicted, with emphasis instead on the ever-present room for manoeuvre in structuring and governance at national level.

The work undertaken by the ECB hitherto is evaluated positively by a clear majority. Critical voices on this are heard chiefly from the trade unionists' camp, who accuse the Central Bank of neglecting the growth target. The European Employment Strategy (EES) is acknowledged as having predominantly little effect on measures taken at national level. With half the respondents, only those in the Mediterranean group of countries answered yes to the question of direct links to reforms in employment policy in their own countries. A picture of division is revealed with regard to the Lisbon Strategy. Overall, most parties consider the aims and measures formulated in the Strategy to be correct, even if the social democratic parties view that with somewhat more scepticism. They find fault chiefly with the concentration on economic goals after revision in 2005. On the other hand, consensus prevails again across all countries and parties on the evaluation of the poor results hitherto produced by the Lisbon Strategy. Despite this critical evaluation both of the results of the EES and also of the Lisbon Strategy, the Open Method of Coordination (OMC) is positively welcomed.

Reform proposals

Of all the options circulating in the debate on reform of the SGP, what is cited mostly is the diverse consideration of investment as a means of counteracting inflexibility and of promoting more concentration on economic growth. In some countries however, yet more change is rejected, instead of which pressure is exerted for preservation of the rules applying to all member states (Finland, Poland, the Slovak Republic). All that the East European countries can hope for, in addition to the Netherlands and Spain, taking investment into consideration to arrive at a definition of deficit criteria, is renewed dissent amongst the member states when it comes to the definition. Italy, Greece and Ireland therefore propose linking with the aims of the Lisbon Strategy. With these reform proposals, various positions can be observed chiefly amongst countries or groups of countries, though appreciable differences between parties are not found (see illustration 1).

Illustration 1: Reform of the Stability and Growth Pact



The reverse scenario is found with the reform of the ECB mandate. While social democrats (and trade unions) welcome by a majority a new wording of the mandate (similar to the US Federal Reserve), the majority of conservative and liberal parties oppose this proposal. On the question of changing the inflation target, only within the trade-union camp a majority welcomes a higher target value. Nevertheless, roughly over one third of the social-democratic parties are likewise in favour of a higher inflation target, while a clear majority of conservatives and liberals are content with the status quo.

In addition to fiscal and monetary policy, wages and salaries are of key economic importance. Therefore, the call was expressed for closer coordination of incomes policy at European level. Although an absolute majority reject this as a matter of principle, around a fifth cannot imagine this as taking place for a very long time. However, this proposal clearly finds more support from the social-democratic parties (over one third) than from conservative parties (under 10%). A majority agreement for EU-wide coordination of incomes policy is found only within the Mediterranean group of countries. On the other hand, this idea is rejected in the Anglo-Saxon and Scandinavian countries. This common ground between Great Britain, Ireland and the Scandinavian countries can be observed against the background of highly diverse wage-negotiation systems.

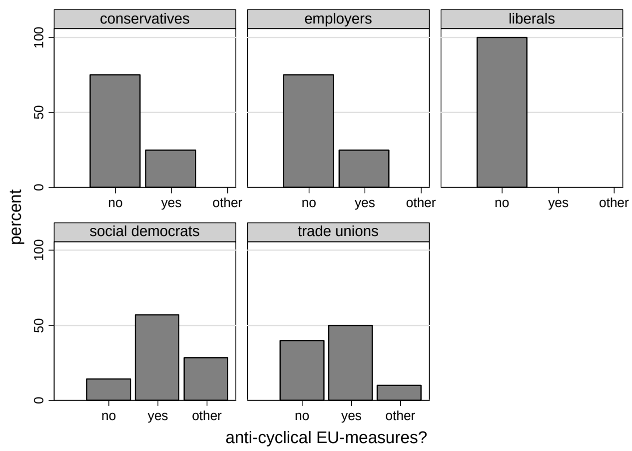
While the protection of sound collective wage-negotiation systems in Ireland and the Scandinavian countries is cited as an argument, social democrats and trade unions in Great Britain are in principle sceptical towards the transfer of responsibility to the European level. Instead, the company level is cited as the one preferred for wage negotiations. On the other hand, the greater majority of social democrats and trade unions in other countries believe that wages should be negotiated at national level, while conservative and liberals argue for further decentralisation of wage negotiation to company level.

Similarly, the proposal for closer coordination of employment policy meets predominantly with scepticism. Even if majority opinion considers that the European Employment Strategy has only a minor influence on legislation at national level, a majority is in any case opposed to strictly binding parameters set by the EU. This brings the cluster of countries into even greater prominence. Closer coordination in the realm of employment policy is broadly supported by the Mediterranean countries, with rejection at cross-party level in the Scandinavian countries and in Great Britain. On the question of closer coordination of employment policy, what applies here too is that only the social-democratic parties and trade unions support this measure by majority, while it is unanimously rejected by conservative and liberal parties.

Besides the cited reforms to existing institutions, there are also demands for utilising new instruments within the economic policy of the EU. What still comes relatively close to the status quo is the proposal to supplement the "Broad Economic Policy Guidelines" by the prospect of rather short-term coordination. This proposal meets with support and rejection in relatively equal measure, yet in the process clear party differences emerge. It is flatly rejected by conservatives and employers' organisations, though both trade unions and social democrats are by majority in favour.

In contrast to the change and/or supplementing of the "fundamentals", anti-cyclical measures implemented by the EU would be a totally new instrument of economic policy. Here too, the same differences reappear on the left-right axis. Besides the rejection of conservatives, liberals and employers' associations, the trade union camp also is divided on this aspect. Within the social democrats group, it is in turn the Scandinavian parties who express opposition to anti-cyclical measures of the EU. The reason cited was the rejection of a growing EU budget, which would be the necessary precondition for such a proposal (see illustration 2).

Illustration 2: Anti-cyclical measures implemented by EU



The proposal for macroeconomic coordination within the EU goes one step further. Here too, approval and rejection are on the whole in equilibrium, and the pattern between parties and countries is virtually identical with the positions adopted on anti-cyclical measures: there is unanimous rejection from conservatives, liberals and employers' organisations, with majority approval amongst social democrats and trade unions on the other hand. The voices of opposition to these measures within the social democrat ranks again come from the Scandinavian countries. A transfer of responsibility for economic policy (especially fiscal- and incomes policy) to the EU level is flatly rejected, with a system of voluntary coordination of 25 countries on the other hand being assessed as unrealistic.

Social policy

Overview of the debate

The basis of the more recent social policy of the EU can be found in the Amsterdam Treaty. Social policy comes under the joint responsibility of the European Community and of member states. European social policy has hitherto been a policy field subject to soft regulations, even if this is demanded from many sides in order to reinforce the social elements besides augmenting market freedoms through conditions relating to social policy. While there has since been a recognisable social dimension in the employment laws of Europe (minimum standards), rules governing welfare payments and welfare systems are either wholly non-existent or exist only in the form of directives. Hitherto, applying the OMC has predominated in the realms of social policy.

There exist a range of lines of argument in the realm of social policy. Recommendations and agreed targets in the realm of social policy are always an integral part of the criteria of the SGB and the monetary policy of the ECB (Scharpf 2002). Through this, either the dissolution of the OMC through "hard" regulations is said to be desirable and/or setting a lower limit for welfare spending measured by the gross domestic product (Scharpf 1997). Another conceivable idea is said to be the assimilation of socio-political standards into the SGP and/or the assimilation of welfare rights into the Charter of Fundamental Rights. A more extreme position implies that the heterogeneous nature of welfare states would render a common social policy impossible, with this field having to be organised at nation-state level.

Migration is another slogan in this context. Eastwards expansion of the EU is arousing fears that migratory movements from the new member states could overburden national welfare systems. This fear is based on the obligation to apply the systems of social security for the benefit of all employees and their families who immigrate from within the EU (EEC Directive No. 1408/71).[4] The answers to this question fluctuate between protectionism and further liberalisation (worker mobility).

One possible socio-political measure given this background and that of low-wage dumping is the introduction of a European minimum wage, which is demanded irrespective of the question of the level of wage negotiations. While a minimum wage already exists in many countries of the EU, German trade unions in particular have long viewed this as a threat to tariff autonomy. One European minimum wage level could for example amount to 50% of a prevailing national average income (Schulte et al. 2005).

One of the central pillars of the European social model is the dialogue with management and labour. The Commission can "develop the dialogue between management and labour at European level, which, if considered desirable, can lead to contractual relations" (Article 138 of the EC Treaty). To this end, the Commission has built up a process of ongoing dialogue with management and labour, which is conducted with the leading representatives of employers' organisations (UNICE and CEEP) and the Trade Union Confederation (ETUC). Within the framework of this dialogue, positions are being developed in the domain of education and training, in the organisation of the labour market and in setting directions for economic policy. In the realm of employment, active participation of management and labour is at the heart of the new European Employment Strategy. In order to promote the Social Dialogue at company level, the Directive on the European Works Councils (EWC) was finalised in 1994. This type of committee, devised chiefly for information and consultation, has so far been set up in approx. 40% of companies, which come under the Directive (Lecher/Platter 2003). One key strand of criticism of the Social Dialogue is an imbalance between management and labour due to an effective right of veto by the employers. There therefore exists a requirement by the Commission to promote more vigorous socio-political activities in order to motivate employers to take more interest in the Social Dialogue. An additional option is closer involvement of management and labour in decision-making processes. Based on the idea that coordination of the sectoral level comes across as only weak, closer coordination between the

4 Although reform of rule 883/2004 has already been finalised, it still has no legal force because of the absence of a directive on implementation.

European Works Councils and sectoral trade unions (Keller 2003) is recommended in addition.

Positions on the current social model

The assessments of the current model of a "social Europe" turn out to be highly varied. As has become clear in the preceding section, what has been most prominent is the clear criticism of the lopsidedness of the economic policy of the European economic and social model. In the evaluation of Europe as a socio-political entity, the positions taken by the Left range from inadequate (Greece) to positive, though with reservation (Denmark). What is noticeable is that those states, in which the welfare state at national level comes across as relatively weak tend to express greater criticism of EU social policy than the political players in the developed welfare states. As expected, the trade unions' criticism of the model's inadequacy is more severe than that of the social democrats. Employers' representatives (e.g. the Austrian Chamber of Commerce) even consider the domain of EU social policy as a "highly developed legal area" which is "virtually decided".

On the other hand, a high level of unanimity prevailed with virtually all interviewees regarding possible "social tourism" and migration based on differentials in welfare-state provision. The general assumption is that it will be not so much the differentials in welfare-state provision, which trigger migratory movements, but at most the availability of employment opportunities and wage differentials. In countries such as Austria, which borders the new member states, potential labour migration is however viewed as "the number-one challenge" both by the Left (especially trade unions) and by the Right. In Southern Europe (Spain, Greece, Portugal, and less so, Italy), migration can be observed chiefly from non-EU countries (in Greece: from Albania and other Balkan countries, in Spain: also from Latin America and North Africa). Yet this is generally estimated to be not a problem but a benefit for the economy as long as the labour market ensures sufficient employment opportunities. Also in the Northern European countries (Scandinavia and Ireland), migration is not considered to be a problem.

The Social Dialogue at EU level tends to be positive, though evaluation of the results hitherto has been mixed. Yet there appears to be a fundamentally broad approval for the institution of a Social Dialogue at national or EU level. Collective labour relations are cited by some even as the cornerstone of the (existing) European economic and social model, and by others even as the core for building up and expanding a stronger social Europe. Trade unions tend to judge the findings hitherto of the Social Dialogue more critically than the representatives of parties on the Left. The Social Dialogue is positively evaluated especially in the new member states of Eastern Europe.

Reform proposals

Discontent with the current European economic and social model (EESM) is virtually mirror-imaged: contrary to the views of the conservative and liberal parties and employers' associations, the respondents from the social democratic parties and trade unions are patently unanimous in the view that the social dimension of Europe ought to be enhanced. Yet a greater degree of non-uniformity prevails as to which path is to be taken for a future EESM. What emerges here is that the approval on concrete measures, which aim to create a uniform EESM, are evaluated more critically.

In connection with this, the existing heterogeneous character of the arrangements for welfare states in Europe is not viewed as an obstacle on the road to a common EESM but as a strong point of the EU. Relatively clear reference is made, chiefly in the Scandinavian countries and partly also in the new member states, to the potentially fruitful competition amongst the welfare states for the purpose of mutual learning. In the new member states in particular, though also in isolated quarters in Austria, France and other countries, what is also pointed out is that the kernel of a common EESM is said to already consist of the form of rectified national arrangements. These arrangements included for example collective labour relations, the prevention of inequalities, public social-security insurance and the like. A majority of respondents questioned therefore reject working towards a European social model in the long term, or rather regard this at best as unrealistic. Instead, there is advocacy of social minimum standards or social rights at the European level. Variations at national level can then unfold as part of this framework.

However, it remains relatively unclear at this point which social standards could be meant. The fact that even here too there is growing resistance to more concrete proposals is shown by the example of the minimum wage. Approval of the introduction of a European minimum wage fluctuates significantly, depending upon the group of countries in question. Parties on the Left and trade unions in the Scandinavian countries voice unanimous opposition to this. In these countries the view prevails that regulation of the minimum wage should be reserved for management and labour. Statutory intervention would weaken the position of management and labour. In the states of continental Europe, approval of the introduction of an EU-wide minimum wage is more affirmative, even if trade unions in countries with a strong partnership of management and labour (Austria, though also France) reject intervention by the legislator or even by the EU in wage matters. "Parliaments have lost nothing in wage policy", according to the trade union representative in Austria. Support for the EU minimum wage is strongest in the Southern European states, Great Britain and Ireland. In the process, the variant which receives the greatest support is the one by which the obligation to introduce a minimum wage is agreed at EU level (as defined by welfare entitlements). This variant is then implemented at the national level (for example with the help of a formula which takes into account the economic development of the nation in question) each time through national minimum wage rates. Therefore, the trend is for the minimum wage to be rejected both in Eastern European states and in the states with developed welfare systems and with a developed partnership between management and labour (continental Europe and Scandinavia).

As with other examples from the realm of the economy, the example of the minimum wage shows that the transfer of responsibility for social policy from national to EU level continues to be viewed with criticism. What fits in with this picture is the fact that in the realm of social policy a large majority support the use of "soft" policy instruments like the Open Method of Coordination.

As an interim summary, what can be noted is that the positions of the respondent parties and organisations is governed essentially by the degree to which this has been implemented in concrete form. On an abstract level, approval of a "more social Europe" within those on the Left is widespread. This tends to support the hypothesis, which assumes that party interests dominate national-state interests. However, if specific policy solutions (such as the introduction of the minimum wage) are addressed, clear schisms are manifested throughout the groups of countries and a greater reluctance to transfer socio-political responsibilities to the supranational level.

As it has already been made clear, a unanimously positive attitude prevails amongst the respondents towards the institution of the Social Dialogue and of the partnership of management and labour, even if judgement of their concrete implementation at EU level is definitely mixed. Nevertheless, a broad majority, especially social democratic parties and trade unions, advocate that management and labour should play a greater part in the EU in future. However, a certain non-unanimity prevails with the question of how strengthening the influence of management and labour, primarily of the trade unions, can be achieved. It is primarily from the trade unions' side that the obstructive attitude of employers' organisations is repeatedly emphasized. In addition, an interviewee in Denmark commented on the fact that in a considerable number of EU states employers' organisations do not possess the organisational resources or the powers to actually induce their members to implement policies jointly agreed on by management and labour. Furthermore, criticism has been expressed (in Spain and Greece) accusing the Commission of regarding the obstructive attitude towards the Social Dialogue as "an excuse for doing nothing" and of becoming too indolent. Opinion is split on how the influence of the trade unions could be strengthened. A relative majority of respondents advocate the Commission's playing a greater part, which should allocate "contracts" for quasi-legal dealing to management and labour, as well as exerting more pressure on employers for inducing a more co-operative attitude in the latter. A minority of respondents, chiefly trade unions with a syndicalist tradition and a strong organisational base, reject the Commission playing a stronger part: a strengthening of the role and position of the trade unions would have to be achieved by the trade union movement's own efforts. Developing the coordination between European Works Councils and national trade unions is advocated chiefly by the trade unions, less so by the parties of the Left.

Also, as regards the Social Dialogue, the outcome is the well-known lines of conflict: plenty of approval on an abstract level and plenty of approval of the institution as such, but widespread disagreement on questions of concrete policies and strategies. In this way, powerful trade unions tend to be less prepared to pursue the "supranational route" for strengthening the influence of the management and labour, where this is achieved by institutionalising the role of the trade unions and by increasingly involving the Commission in management of the Social Dialogue. Instead, the concern is with strengthening the trade union movement through its own efforts. It is chiefly in those states with a developed partnership between management and labour where there is further emphasis on requiring the workability of national institutions not to be harmed by the European process of integration.

Competition

Overview of the debate

Despite public discussion on the analogy of the EU with federal states, the responsibilities of the EU remain far behind those over which the federation has jurisdiction under federal systems. What's more, European identity has so far only found scant expression. Yet both of these factors are important for overcoming the problem of competition at the nation-state level in key domains relating to distribution, such as agricultural and structural policy. Tax competition within the Union is likewise the manifestation of the situation relating to competition at nation-state level, where incentives for investment are created by the undercutting-type of competition.

As ever, taxes form the core fabric of national sovereignty. Taxation policy of the EU has hitherto related predominantly to rates of taxation with indirect taxes (such as VAT and excise duty) in the context of harmonisation of the internal market. In addition, the Community budget is partly financed from VAT revenue, which is why the burden of contribution should be justly distributed throughout all EU member states through a process of harmonisation.

Because of increasing cross-border competition with company taxation, the EU is henceforth becoming involved with this area also. With the Eastern enlargement of the EU, there has been a further increase in the number of states with low rates of taxation. Criticism has been expressed now and again by high-tax countries against such tax competition as "tax dumping". Findings on tax competition that are standard and capable of generalisation have been difficult to work out so far (see Herschel 2005; Ganghof 2000). As possible reform measures, what is demanded nevertheless are Europe-wide minimum rates of taxation (with transition periods), consolidated company taxation for transnational companies (for example, "strictly at-source taxation", see Jarass/Obermair 2005), an EU tax on financial transactions ("Schüssel proposal") and an EU tax on capital gains ("Tobin-Tax"). Because of the perceived problem of inadequate harmonisation, transferring tax issues to the majority principle (instead of the rule on unanimity) in the Council of Ministers is being contemplated, along with increasing the responsibilities of the EU for levying tax.

Another area of interstate competition is agricultural policy. The agricultural budget is the largest departmental budget of the EU (in 2000 approx. 45% of total spending, with a downward trend). The Common Agricultural Policy (CAP) is the only wholly communal area of the European Union. Discourse in this policy field is centred on whether the EU should continue to focus its spending on agricultural policy, where payments should be directed to, and how the increased funding requirement due to Eastern enlargement should be tackled in future. One piece of criticism is levelled at the question of CAP efficiency, where it is said to be an inefficient system with the wrong incentives, and for this reason it should be decentralised (renationalisation in accordance with the principle of subsidiarity). The cost argument (especially concerning the Eastern enlargement) is matched by proposals for abolishing the payments over time, for bringing about co-financing through the member states or for concentrating payments on the "second pillar".[5]

Structural policy is an additional key policy field of the European Union. The aim of this is to consolidate economic and social cohesion within the Community, and in the process promote special growth and employment in the underdeveloped regions ("regional policy").[6] One significant strand of criticism is directed at levels of efficiency of regional promotion. Reforms range from the abolition of subsidies to a clearly more stringent selection criteria (per capita GNP < 50% of the EU average) (Boldrin/Canova 2003) or on the focusing on individual projects (without reference to area) and on metropolitan growth zones (EU Commission 2004). More moderate proposals are inclined towards co-financing through national funding (Weise 2003), or to relinquishing the regional approach in favour of a national approach with the aim of expanding institutions and investments in research and development, education and infrastructure (Sapir 2003). The shortage of funds resulting from the Eastern enlargement is cited as an argument for increasing the EU budget or for intensifying the selection criteria for structural funds.

The aspect of competition emerges very prominently with the creation of a harmonised internal market for services. According to the draft of the Commission dated 13th January 2004 (the "Bolkestein Directive"), this harmonisation will be achieved initially

5 EU agricultural policy of the EU consists of three areas: market intervention, direct payments and payments for the development of rural areas ("second pillar"). With approximately 30% of the EU budget, direct payments constitute the largest budget item.

6 Out of the EU budget from 2000 to 2006, EUR 213 billion or about one third of the EU budget was allocated for regional policy purposes. The structural funds serve to satisfy the objectives of structural adaptation of regions that are backward (objective 1), of economic and social transformation of areas with structural problems (objective 2) in addition to adaptation and modernisation of policies relating to education and employment (objective 3).

through the dismantling of national regulations, which traded under the name of the so-called country-of-origin principle.[7]

In political and scientific discourse there is controversy as to what kind of consequences the introduction of the Bolkestein Directive could have had for individual member states. Criticism was levelled at a possible "race to the bottom" on standards relating to work, welfare, quality and the environment (see Böhret et al. 2005; Matuschek 2005). For this reason there were calls for eliminating the country-of-origin principle, or introducing this only after an extensive process of harmonisation. Further criticism was levelled at an unclear concept of services, and accordingly there were demands for a positive list and exceptions to health-, welfare-, and social services (European Parliament, 2005).

Positions on the current situation relating to competition

Not only amongst the European Left but also a clear majority of conservative parties are aware of a general level of tax competition, and one which is intensified due to the Eastern enlargement of the EU. This perception also tallies with the figures. In this way, the current tariff on tax-rate differentials with tax on profits of private limited companies stands on average at approximately 10 percentage points between the old and new member states (Büttner 2006: 12). Whether these differences actually do cause a postponement of investment decisions, which on balance is at the expense of the old member states, is disputed and unconfirmed from an empirical point of view, and is not noted unanimously by the social democratic Left in Europe – for example in Ireland, Great Britain or Denmark the existence of tax competition is also partially questioned. Or rather, should such competition exist, then its effects are considered to be relatively marginal. Accordingly, support for tax competition is expressed by countries, which have grown with and within such a form of competition. The new member states too would have to be given the opportunity for economic development even though competition may not be taken too far.

7 Where transnational operations are only temporary, service providers would be subject to the rules of the country of origin, combined with a comprehensive prohibition on restriction in the recipient country. Monitoring and supervision of the providers would depend on the country of origin. The country-of-origin principle foundered on 16th February 2006 in the European Parliament.

Trade unions view this aspect more critically even beyond national boundaries. In the new member states of Eastern Europe also, where the parties of the Left similarly articulate a cautious position on judging tax policy, trade unions talk of "tax dumping". This also applies to trade unions in the Slovak Republic, where a competitive flat-tax system was introduced, which was criticised by other East European countries as distorting competition. The rift between trade unions and social-democratic parties in Eastern Europe therefore exists at present with respect to the effects of tax competition: trade unions fear the "race to the bottom" that could be detrimental to the common good, while the parties of the democratic Left are divided over the consequences, viewing competition so far as a legitimate method in the EU-10 states for attracting foreign direct investment.

Another field, which has a bearing on competition and consequently the regulation of competition amongst member states, is the common agriculture and structural policy. Spending on agricultural policy is deemed by most parties and organisations in Europe as being too high. In France on the other hand, only minor criticism is expressed about the level of spending, because sustaining European agriculture is of prime importance, not least for reasons of safeguarding supplies at national level and health protection.

The opposite position to the French Left (who on this point agree with the general opinion in France) comes from Great Britain, where the prevalent view states that agricultural policy should be integrated with structural policy, with structural assistance at country level being provided to mainly the new member states; agricultural spending in the narrow sense should be financed by the member states concerned. The unanimous criticism of the states of Central and Eastern Europe (expressed by both the parties of the Left and also by the trade unions) directed at the structure and level of spending of the CAP goes in yet another direction: because of the credit advantage in the agricultural sector and successful structural adaptation in past years, domestic producers are rated as competitive. A reduction in direct assistance throughout the whole of the EU would therefore bring additional advantages to farmers of Eastern Europe.

Assessment of regional and structural policy of the EU is much more positive. It is rated by a clear majority as efficient. The criticism put forward partly by the new member states against the bureaucratic nature of application processes for structural funding can be explained by the essential institutional adaptation payments. Overall, parties of the Left in these countries as well as trade unions regard redistribution processes as sensible instruments of cohesion.

Another facet of competition amongst the member states is the liberalisation of services in general and the Bolkestein Directive in particular. Neither amongst the conservative and liberal parties nor amongst the parties of the Left and trade unions in Europe is there any general rejection of liberalising the service market, with parties of the Left tending to be more open than the trade unions. Central and East European states in particular view service competition as a necessary process of completion of the internal market for their catching-up process.

However, within the Left, there was unanimous opposition to the country-of-origin principle, where a "race to the bottom" was expected that would be detrimental to the common good. Such competition for undercutting in the areas of social provision, the environment and labour rights is feared particularly in Scandinavia, though also in the Anglo-Saxon, continental and Mediterranean countries. Solely in the Eastern European countries does opinion differ on this, as became clear also in the most recent dispute about the acceptance of the compromise proposal of the European Parliament. With the country-of-origin principle, what re-emerged were the limits to a transnational formation of a coalition based on an asymmetric perception of the distributional effects of a policy. Yet this rift divides exclusively the old from the new member states, and is not linked to the welfare-state models. The potential danger of a downwards spiral is seen in Eastern Europe – if at all – only by the trade unions, who although not wanting to remove any sectors still argue for common standards in public welfare provision.

Reform proposals

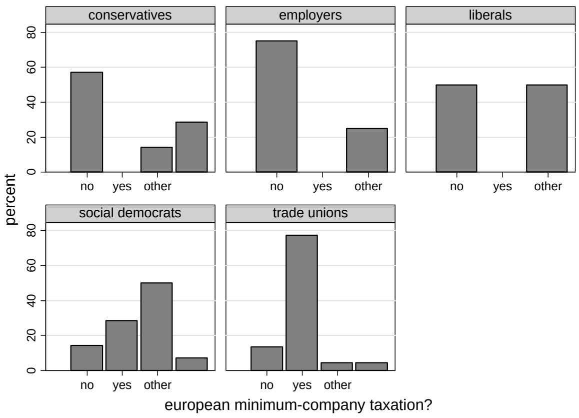
Wide differences exist about the question on correctly dealing with (perceived) tax competition. The introduction of the majority principle in the Council of Ministers on tax issues – a relatively pragmatic-institutional solution – is not supported by any majority. If the social-democratic parties, such as in the case of Finland, express support for such an approach to reform, then they do so with the reservation of drawing clear limits to responsibility of the EU on tax issues. The change from the unanimity principle in tax questions to the majority principle is supported only by continental and South European social democrats. While the Scandinavians hold no uniform position, East Europeans, the British and the Irish are clearly opposed to this. Amongst the conservative and liberal parties, in addition to employers' organisations, this proposal meets with virtually unanimous rejection. Yet no transnational left-wing coalition emerged about this question. The reason for this can be traced back to the notion that although such an institutional step provides the option for a minimum standard on tax issues, it is no guarantee whatsoever. What could also be undoubtedly the case is that mutual development can be initiated and tax competition can be enshrined even more securely by institutions. Trade unions in Europe tend to combine with this step a regulatory integration step, which is why the majority of them approve of reform of the Council of Ministers. Votes of rejection came chiefly from the East European countries, which do not wish to transfer any further responsibility in tax issues to EU level. Rather, the Visegrád states link this with creeping attempts at harmonisation, especially of the old member states. After all, with the expansion there is an increased need for consensus in the Council of Ministers, and consequently another argument against majority decisions on tax issues. This aspect gives credence to the hypothesis that in terms of ideology it is possible to observe relatively independent clusters of countries when measures taken at EU level involve various consequences regarding distribution, or rather, are perceived as such.

On the other hand, there is greater uniformity amongst the parties of the Left when it comes to the question of whether the tax responsibility of the Commission should be increased. With a clear majority they expressed opposition to such a measure in the context of tax competition (this is even more clearly the case with the liberal and conservative parties). In this case, the theorem of decommodification does not appear to apply, as Europeanization is totally rejected. The position of the Irish parties presents a paradigm: they wholly reject a transfer of responsibility for tax policy to EU level, as national governments would otherwise no longer possess tax mechanisms during periods of recession (except for spending cutbacks). One exception to this question is the position of Italian social democrats, which are able to envisage both the majority principle in the Council of Ministers and the transfer of tax responsibilities to the Commission. Combined with this is the vision predominating within the Italian Left of developing the EU into a federation of states. In Poland on the other hand, trade unions and social democrats hold opposing positions: the former advocate a transfer of responsibility, while the latter oppose it. Yet the picture is predominantly one of unanimous rejection of this measure, which can be rated as a transnational position of political parties.

A central reform option in Europe-wide tax competition is the introduction of a minimum rate of company taxation or the harmonisation of the tax-base principle. A majority expresses support for regulation of company taxation, even if there is no clear majority in support of European minimum taxation, as a range of social-democratic parties and trade unions concentrate on standardising the tax base.

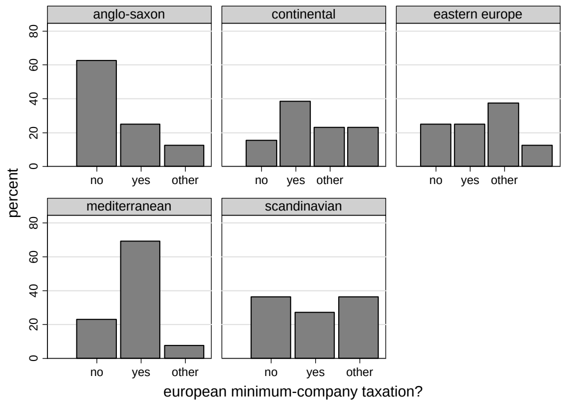
What is noticeable in the differentiation of answers in trade unions and parties of the Left is that trade unions give preference to a minimum rate of taxation, while the parties of the Left veer more strongly towards the tax base (see illustration 3).

Illustration 3: Europe-wide minimum company-taxation (Left-Right)



Harmonisation of the basis of tax assessment is often understood as a pragmatic starting point for ongoing integration. The point can then be followed up by way of further development by the introduction of a "band" (margin) – according to the Austrian social democrats, for example. This was likewise put forward by the conservative parties as an argument against a standard tax base. As a rule, regulation on margins is seen as an alternative to specifying a minimum rate of taxation. The Italian social democrats even go so far as proposing financial compensation for the new member states for any tax harmonisation (e.g. via structural funds). In the Eastern European countries, the parties of the Left and trade unions likewise advocate the introduction of tax corridors in order to prevent a race to undercutting. The Slovakian Left expresses support – with greater reservation – for accompanying tax competition by harmonising the basis of tax assessment, which could be achieved via the OMC. On the other hand, the notion of an EU tax as standing in direct relationship between the EU and the electorate is viewed by the East European parties of the democratic Left as a likely alternative or compensation, while what is demanded by trade unions here too amounts to a minimum company tax. A minimum rate of taxation is rejected by the conservative and liberal parties, as also by employers' organisations; also, the idea of harmonising the basis for tax assessment finds support only sporadically.
When observing the positions on minimum tax in the cluster of welfare states, a supportive attitude is shown in most groups of countries. Critical voices are heard chiefly in Great Britain and Ireland, as well as in the Scandinavian countries (see illustration 4).

Illustration 4: Europe-wide minimum company-taxation (welfare state type)



With regard to the criticism of the status quo of the Common Agricultural Policy (CAP), there are two crude strands of argument amongst the forces of the Left in Europe: on the one hand, the CAP in its form hitherto is regarded as necessary yet relatively inefficient. As a result of this there is support for transformation of agricultural policy towards one which is aimed more vigorously at research and development, landscaping, organic agriculture, and which opposes price subsidies.

The other argument addresses the issue of justice and fairness, both within a country, and also how the CAP affects world trade. What is derived from this is that the expenditure over time will diminish, that operational upper limits will be introduced and that the "second pillar" ought to be promoted. The latter argument is cited with emphasis by the trade unions. No unequivocal pattern emerges on this policy field: there is neither a transnational left-wing position, nor can clusters of countries be discerned subject to the limitation that the countries of Eastern Europe do not wish to lose their claims to structural aid, and are therefore in favour of diminishing payments from structural funds to former target regions. After the funding requirement resulting from eastwards expansion has risen and prospects for increasing the (structural) budget are relatively poor, this strikes them as a practicable solution. A second reform approach to the CAP is the strengthening of the "second pillar", i.e. payments for the development of rural areas instead of direct payments.

Amongst the parties of the Left in Europe, what prevails on the one hand is the opinion that the new East European target regions should receive structural funds, and at the same time (in parallel with the CAP) no increase in the overall budget is envisaged as a rule, with old development regions scheduled to drop out of the programme (according to the Swedish social democrats, for example). This opinion in turn is expressed primarily from countries that are not closely dependent on the structural programme. Only from selected countries such as France, Ireland or Denmark is the position put forward for building up funds for the structural and cohesion policy, among other things by increasing contributions from Great Britain.

The social democrats and trade unions are unanimous in the preference for the regional-specific approach (with the exception of large-scale infrastructure tasks, which are to be organised by the state), as this is said to contribute to "de-politicisation". From the Eastern European countries in particular, the criticism has been expressed that regional and structural policies are based on too a formalised application process, an opaque and complicated system, with too little time given for sound appraisal. From the position of the Czech Republic, the financial bottlenecks in structural funding caused by eastwards expansion could be overcome at the expense of the CAP.

Concerning the question on alternatives to the Services Directive, there is a clear plea for separate treatment of public services within the political groupings on the Left. These should not be subject to a general liberalisation in this area. These include among other things the education and public service sector – such a negative list would have to be standard and would not be allowed to be specified individually by member states.

In most cases the alternative concept of the host-country principle finds support amongst the parties of the Left. The problem of the country-of-origin principle is not shared, or only with reservation, by the conservative and liberal parties, as also by the employers' associations.

Conclusion

On a very general level (the need for the SGP, strengthening the social dimension, approval of the Social Dialogue, structural policy) unanimity was found, both at party level and at transnational level. Yet on a less abstract level, differences grow wider according to party or country. Relatively homogenous positions within families of parties can be observed with the reform proposals examined, chiefly within the conservative and liberal parties. This involves mainly reforms that signify closer integration in the sense of deregulation. In this way, proposals for closer coordination of incomes and employment policy are similarly rejected, as is a (country-specific) EU minimum wage or a standard rate of company tax. Anti-cyclical measures or the concept of macroeconomic coordination, too, come up against relatively unanimous rejection from the conservative and liberal parties. Conversely, there is a great deal of general approval of harmonisation of the services market from these families of parties. Not only with support for further "negative integration" through expansion of the internal market but also with rejection of "positive integration" through stronger market regulation by the EU, there is widespread unanimity on the right wing of the party spectrum.

On the Left of the party spectrum, only in very few cases was any unanimous position discernible. Although the perception of problems is often still identical, as in the case of tax competition or of the asymmertric economic cycles within the EU, with concrete reform proposals what often comes to light are clear differences within the Left amongst groups of countries. In the process, further "market promoting" reforms are not rejected unanimously. In this way, some Eastern European parties of the Left have supported the Service Directive in the Bolkestein version. With reforms aimed at market regulation or the transfer of responsibility to EU level, there is similarly no unanimous position of the parties of the Left. Yet in some cases what is found here are countries with a pattern of rejection and approval. In this way, the Scandinavian social democrats are relatively averse to the transfer of responsibility to EU level, e.g. in incomes or employment policy, or in the realm of company taxation. Nevertheless, they wholeheartedly support the establishment of minimum rates of company taxation or the harmonisation of tax bases. On the other hand, such proposals meet with resistance, chiefly from the parties of the Left in Eastern Europe. Yet the transfer of responsibility is viewed with less scepticism than by the Scandinavian parties of the Left (e.g. anti-cyclical measures, closer coordination of employment policy, tax responsibility of the Commission). If one takes into consideration the redistributive consequences brought about by additional rules and the transfer of responsibilities, this observation may be explained: a greater need for regulation without direct EU responsibilities would involve increased cost burdens on Eastern European countries. The Scandinavian countries on the other hand will experience only minor effects from minimum standards of regulation, yet will profit from the decreasing competitive advantages of countries subject to low regulation. The competitive pressure decreasing as a result of this will make it easy for parties of the Left in these countries to preserve redistributive measures in their own countries (or to develop them). Transfer of responsibility, as would be necessary in implementing anti-cyclical measures, would however produce a different redistributive effect. With direct EU responsibilities, East Europeans would be only slightly affected by the costs as a result of unequal financing of the EU budget, yet could take full advantage of the redistributive effects amongst the EU countries. In this way, calculation of redistribution costs would by comparison favour the East European countries, while the Scandinavian countries would be enlisted to provide a relatively high level of financing, profiting less from the process of interstate redistribution. These various redistributive effects of the transfer of responsibility and regulation also explain why the countries of Southern Europe adopt the most welcoming positions towards integration in both matters. What should be assumed here is that both costs and benefits of the transfer of responsibility are somewhat in equilibrium, just like European rules would not entail too steep a rise in adapting and raising one's own standards.

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