Security through social cohesion
Proposals for a new socioeconomic governance
Security through social cohesion: proposals for a new socio-economic governance

Trends in social cohesion, No. 10

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FOREWORD

This volume in the “Trends in Social Cohesion” series brings together some of the contributions that fed the debates at the annual Forum organised on 23 and 24 October 2003 by the Council of Europe’s Social Cohesion Development Division on the theme “Social cohesion or public security: how should Europe respond to collective feelings of insecurity?”. A second volume, which will also present papers discussed at Forum 2003, is in preparation. Under the general heading “Security through social cohesion”, the two volumes focus more specifically on restoring security respectively through renewed socio-economic governance and by deconstructing fear.

To give everyone a chance to air their views, the Forum was divided into four working sessions covering the following themes:

- **Session I:** “Feelings of insecurity and changes in society: what future for social cohesion in Europe?“;
- **Session II:** “Informing or alarming? The impact of the media on collective feelings of insecurity”;
- **Session III:** “The right to live in security: what programmes and legal instruments to combat collective insecurity?“;
- **Session IV:** “The right to live in security: what policies to ensure confidence and future social cohesion?“.

The six contributions included in this volume were selected from the studies presented at the first and fourth sessions. They raise three fundamental questions concerning the changes which are currently affecting the right to live in security:

- What resources must be freed up to ensure fair access to rights?
- What measures must be adopted to achieve a new link between work and social integration?

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1. Forum 2003 was organised in connection with the Council of Europe’s Integrated Project on “Responses to violence in everyday life in a democratic society”, developed under the impetus of Secretary General Walter Schwimmer and directed by Jean-Pierre Titz. The project’s aim is to pool efforts to review political instruments for combating all types of violence in democracies. See the following website: www.coe.int/T/E/Integrated_Projects/Violence.
• What citizen participation policies must be implemented locally and globally?

In her opening address at Forum 2003, Gabriella Battaini-Dragoni recalled that it was the Council of Europe’s mission to build and maintain social cohesion as an essential complement to the protection of human rights and fundamental freedoms. As understood by the Council of Europe, social cohesion is “the capacity of a society to ensure the welfare of all its members, minimising disparities and avoiding polarisation. A cohesive society is a mutually supportive community of free individuals pursuing these common goals by democratic means.” This definition effectively reflects the Council’s conviction that citizens have the right to live in security. If people feel they cannot expect a reasonably secure future, society as a whole will lack cohesion and stability.

This stability is the product of everyone’s contribution, hence the importance attached at the Forum to the concept of the “welfare society”. This concept, where everyone is responsible for building an environment in which people can live in security, also means that the media, which play a key role in forging public opinion and developing solidarity at the institutional and individual levels, must operate in a perfectly open manner and in a resolutely democratic climate. The Council of Europe always makes a point of taking the role of the media into account in any political measures aimed at building security based on social cohesion, namely on a vision of social challenges that goes beyond any stigma and prejudice attached to this or that group of citizens.

The security issue has been addressed by other Council of Europe bodies – the Parliamentary Assembly and the Congress of Local and Regional Authorities – each in its own sphere of competence. The Integrated Project on “Responses to violence in everyday life in a democratic society” has also addressed the complex question of security from different angles.

Security is thus a many-sided concept and may give rise to different interpretations and political responses. In addressing the question of the right to live in security, the Social Cohesion Development Division wanted to alert governments and non-governmental organisations to the effects of the changes and deep structural upheavals – often ill-explained and

2. Gabriella Battaini-Dragoni, then Director General of Social Cohesion, is now ad interim Director General of Education, Culture and Heritage, Youth and Sport.
ill-justified to the ordinary citizen – which are destroying people’s collective reference values and parameters and their confidence in the future. We are witnessing growing inequalities in income and wealth, and major changes to the employment market; even the paradigm of sustained growth is under attack. As a result, the sense of security people used to find in their work is disappearing.

What is more, the security of a decent pension and a decent health insurance scheme – which used to be considered as a right in Europe – is now also under threat. The privatisation of public assets and services is another source of uncertainty, as all the reforms in progress give the impression that these assets and services will no longer be universally accessible but subject to the laws of competition, leaving the more vulnerable defenceless.

The familiar reference frame that used to be so reassuring in the short and the long term seems to be fading as the feeling of insecurity grows. Citizens are beginning to doubt society’s ability to guarantee the welfare of all its members. They are losing faith in social solidarity. There is an increasing tendency to opt out and provide for one’s own security, often by private means. The conviction that everyone should contribute to the security of all seems to be losing ground. It is hardly surprising that members of a society which places so much emphasis on competition and self-assertion should feel less and less concern for one another.

Feeling secure is paramount. The right to live in security must be recognised as an essential feature of a stable, cohesive society. All too often insecurity is perceived as a problem of law and order linked to the behaviour of certain social groups. It is easy, then, to jump to the conclusion that security can be restored simply by harsher law enforcement and repression.

Without denying the importance of law and order and the need to combat crime, the Social Cohesion Development Division believes that making people feel truly secure requires not so much short-term measures as long-term action to strengthen social justice, social relations and community life. Considering security only from the law enforcement standpoint increases the risk of letting the situation deteriorate.

The danger is then that positive cohesion, based on the acceptance of mutual responsibility and solidarity, will give way to negative cohesion, based on fear and the raising of barriers against groups perceived as a threat: poor people, misfits, prostitutes, the homeless, foreigners and even young people from disadvantaged neighbourhoods. This reaction
takes on even more dramatic proportions in ageing societies, elderly people tending to perceive differences as an additional threat to their own security.

How can we foster new forms of social cohesion conducive to the well-being of all in this fast-changing, increasingly multicultural “global village” we live in? Restoring security and cohesion in Europe is the great political challenge of the future. It is important to renew the social contract through access to social rights and guaranteed minimum social standards for all. Thought will also have to be given to the equitable distribution of social powers and responsibilities: moving from the welfare state to the “welfare society” is a step in the right direction.

A “welfare society” is a society where the state seeks to fulfil its overriding responsibility to guarantee the welfare and security of all its citizens by working in partnership with business and civil society and opening the debate on the importance of worldwide justice. This does not mean that the state plays a lesser role, but it does mean drawing up a new “contract” between government, markets and society, as well as between nations. Several authors maintain that nation states will find their own sphere of autonomy and action only by weaving partnerships with other states. This is the only answer to the impression of “public impotence” that is gradually gaining ground and undermining social confidence in democratic institutions.

This concept of a “welfare society” does away with the temptation to consider people as “victims” and therefore focus solely on law enforcement policies without addressing the real problems behind the insecurity brought on by social changes. It requires an approach based on joint responsibility which has a number of very practical consequences. It clarifies and reaffirms the essential roles of central, regional and local government. The “welfare society” means more citizen participation in the development of constructive responses to the feeling of insecurity. If they are to succeed, these responses must be based, in our opinion, on effective access to rights and to collective protection, and on the inclusion of the most vulnerable population groups. They must maintain a proper balance between preventive social action and law enforcement.

With its wealth of experience in the fields of human rights and democracy, the Council of Europe is developing, in this and other ways, a vision of a cohesive society that provides security for all in spite of the upheavals taking place. This vision is at the heart of the Strategy for Social Cohesion.
as recently revised by the European Committee for Social Cohesion.\textsuperscript{4} We are convinced that a Europe that finds its security in the protection of human rights, the rule of law and the practice of democracy and solidarity will play a leading role in making the world a generally safer place.

An introductory analysis by Federico Oliveri\textsuperscript{5} – who also contributed actively to the preparation of Forum 2003 and the papers presented – draws together six selected contributions to this concept, revealing the underlying logic.

The Social Cohesion Development Division warmly thanks all the authors and participants for their contribution to the success of Forum 2003.

\textit{Gilda Farrell}

\textbf{Head of the Social Cohesion Development Division}

\textbf{Council of Europe}

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\textsuperscript{4} The \textit{Revised Strategy for Social Cohesion} was approved by the Committee of Ministers of the Council of Europe on 2 April 2004.

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INTRODUCTION

by Federico Oliveri, PhD student in political philosophy, Scuola Normale Superiore, Pisa (Italy).

1. Democratic citizenship as a source of social cohesion

The cohesion of a society is strictly linked to its ability to face up to a multitude of risks deriving from both the environment and its own organisation. It is a fact that socio-economic and institutional relations among the members of a society, and that society’s interaction with nature, may become so complex and involve so much conflict that new internal and particularly change-sensitive risks arise, to the detriment of the security for which it strives (see Beck, 1986; Beck, 2002).

This latter type of risk is crucially important in societies which are open to modernisation, and which consequently produce unprecedented amounts of wealth and knowledge, but do not offer fair access to markets (the labour market, the credit market and the goods and services market). The statutory power held by the authorities is equally binding for all, but does not automatically cater for the legitimate interests of citizens. The greater numbers of cognitive frameworks resulting from the dispersion of possible courses of action and of responsibilities increase the options open, but at the same time impinge on predictability and the ability to reform, as well as any shouldering of responsibility.

The interaction between these components of modern life does not spontaneously lead to overall cohesion. Thus an agreed system for the management of disorder becomes necessary, particularly in the face of the many requirements arising in the public and private spheres of society. At the same time, the law on which markets, states and society as a whole rely to formalise their rules cannot function efficiently in the longer term without being recognised as “worthy of respect”, something which occurs only if the rules concerned take fair (and verifiable) account of everyone’s legitimate interests (see Habermas, 1992).

The system of rights (i.e. civil, political, social, economic, cultural and environmental rights) has gradually evolved to satisfy this requirement to “legitimise the law”, particularly through the democratisation of
economic and political powers. Thus citizenship opens up as an area of freedom and equal rights, cutting across shared feelings of identity based on proximity, ethnic origin, culture, class or nationality, and constituting a paradigm of social cohesion which can effectively deal with the modern proliferation of risks (see Habermas, 1996). A precondition for the full exercise of citizenship and, at the same time, the hoped-for outcome of real access to rights, the living of a “safe life” becomes the object of a true right, a quite fundamental right which encompasses personal integrity, but also dignity, freedom and participation in public life, and makes possible access to other rights and the creation of new ones in a society in the process of change.

2. The way in which insecurity is talked about and perceived: from “fear of crime” to “the right to a safe life”

a. The privatisation of risks and the “fear of crime”

Reasonable though they may appear, the arguments linking “the right to a safe life” to democratic citizenship do not seem to be given the space and resources they deserve in the light of European history. Discussions of insecurity in Europe and the United States over the past 20 years have highlighted two tendencies which to some extent both cut across and confirm each other.

On the one hand, whereas markets tend to take a monopoly of social rules and regulations, the risks of a capitalist economy undergoing restructuring worldwide are both amplified and accepted as the natural, and therefore inevitable, price to be paid for sustaining growth, leaving aside any concern for a fair sharing of wealth. Furthermore, as the structurally social origin of these costs becomes less obvious, their management is decreasingly perceived as a political issue of justice and collective responsibility. Far from being actively highlighted by all of society’s players as a threat to the legitimacy of democratic institutions and to confidence in the economic system, the resulting insecurity is instead privatised (see Bauman, 2000; Bauman, 2001), and even thrown back onto individuals and their personal resources.

On the other hand, insecurity is increasingly discussed and perceived as a form of “fear of crime”, as a worry about “urban violence” and “incivility”, as a threat to public order from “antisocial behaviour” by certain groups or in certain “sensitive areas”, as a “loss of authority” by traditional
institutions, as a “lack of severity” in terms of punishment and criminal justice, and as a feeling that border controls are inadequate, and so on (see Palidda, 2001). At the same time, the more individualised social risks become, the greater the identification of their management with “a search for somewhere free from any external elements perceived as threatening” (see Bauman, 2000).

It is because of concern about the effects which these perceptions have, or might have, on political decisions and on everyday social practice that the Council of Europe’s Social Cohesion Development Division decided to hold the 2003 Forum which considered “Social Cohesion or Public Security: how should Europe respond to collective feelings of insecurity?”. The organisers of the Forum wanted to find a new approach to the causes of, and cures for, insecurity in Europe, primarily considering social cohesion issues and the right to a safe life as a precondition for democratic citizenship.

b. The feeling of insecurity and its origins

As Bourdieu unhesitatingly said, “precarity is everywhere” in contemporary society. The deregulation of the labour market, increasing flexibility in the organisation of work, reductions in the public welfare budget, the disputed viability of the pensions system and the commercialisation of public goods and services all help to create a critical situation of rising inequalities and poverty, affecting even those who are in work. People are increasingly excluded from the world of work, traditional solidarity is in crisis, new forms of urban ghetto are being created and immigrants are experiencing greater difficulty in integrating. When regret is expressed about the deterioration of the social situation in the developed countries, more account ought to be taken of the “law of conservation of violence” (see Bourdieu, 1998), and action taken at source.

In this context, the “feeling of insecurity” is often the centre of media attention, and this merely aggravates the tendency to withdraw into oneself. Addressing the Forum, the President of the Parliamentary Assembly of the Council of Europe, Peter Schieder, pointed to this aspect of the question. Lacking the will or the means to tackle the true sources of insecurity, politicians are effectively tempted to tackle voters’ impression of insecurity, a feeling which, in the short term, may be influenced by exceptional measures or election promises. Yet “the accumulated frustration of that who feel abandoned by society and unable to influence the decisions shaping their future is the explosive charge in the time bomb we are sitting on. Fear of crime – regardless of whether it is growing, falling or stagnating – is only a detonator.”
c. The asymmetry between demands for security and the responses to these

Ultimately, there seems to be asymmetry between the demand for a safe life, stirred up by the far-reaching changes occurring in present-day society, and a certain kind of response involving a temptation to regard crime as a growing problem on the basis of everyday occurrences. It is clear from its very title that the Forum was intended to focus debate on this tendency, highlighting the risk of a contradiction between social cohesion and public security, which, were it to be accepted, would mean losing sight of the many aspects of insecurity and failing to plan appropriate remedies.

Furthermore, this would result in a dangerous paradox, involving the “transformation of insecurity from a problem into a solution“ (see Van Campenhoudt, 1999). The challenges of social cohesion would be dealt with more through an increase in public order than through appropriate socio-economic governance, at the same time fuelling negative forms of cohesion through a reciprocal opposition between “us” and “others”, with whom we are not familiar, who are marginalised and the targets of fear and/or hostility. Thus the true dimension of the insecurity affecting some people’s lives would be ignored, and would even grow, once the balance between freedom and security which is a characteristic of democratic societies, had been changed to the detriment of all.

3. The eclipse of citizenship and the remedies: a decision for society

a. Will the twenty-first century be the “century of insecurity”?
   Concerns, aims and results of the Forum

The viewpoint adopted by the Forum reflects a genuine concern of which awareness is increasing, with the assumption already being made that the twenty-first century will be dominated by issues relating to security and, on a symmetrical basis, to insecurity (see Baldassarre, 2002). And certain tendencies in this sphere are beginning to emerge, including a growing disproportion between efforts and expenditure devoted to public security and those devoted to better-informed socio-economic governance. The increasing agreement among governments about border controls and strict regulation of migratory movements and the emphasis placed in the media and elsewhere on threats to public order are said to be the most obvious symptoms of this.
As this tension exists between social cohesion and public security in the face of the challenges of insecurity, the Forum directed its thinking along four main lines:

- discussing the causes and cures for insecurity in the light of its extent and depth;
- checking whether reductions, or even short circuits, are affecting demands for a safe life and the responses thereto and understanding their mechanisms as component parts of the problem;
- considering whether a “change of paradigm” would be appropriate, in respect of society’s ability to take action affecting itself for the sake of its own well-being and cohesion (Welfare Society); and
- in the context of such new governance, drawing up specific proposals for the key areas of insecurity.

Drawing on these discussions, most of the speakers took a similar view of current insecurity and also suggested a consistent political line for dealing with it in the longer term. It seems that, during the “great transformation” now under way, an increasingly close link is being created between the rise in social instability, the democratic deficit of representative institutions and the spread of approaches to security fuelled by fear of others. This kind of eclipse of citizenship was said to hold the key to current insecurity, leading to negative forms of social cohesion which harden socio-cultural barriers and increase polarisation between different groups.

**b. Post-Fordian globalisation or democratic citizenship?**

After the second world war, the creation of stable waged employment provided a sound social basis in western Europe for legitimising democratic institutions and giving substance to the rights stemming from citizenship. By providing purchasing power, waged work was a key to mass consumption, and consequently to growth. It also, thanks to monetary and fiscal policies intended to achieve not only full employment, but also a redistribution of wealth and a more extensive welfare system, provided most workers with a guarantee of good living conditions and a means of achieving social integration, and even with collective representation. The crises which began in the 1970s cast doubt on the basis of such a “social compromise”: the Fordian and Keynesian paradigm gradually gave way to an approach which tended to abandon the link between profits and the quality and quantity of jobs, the main creator of demand and a great factor of social integration.
The current post-Fordian paradigm uses new technologies (especially in the fields of communication and work organisation) to detach the production/consumption cycle from its strictly national dimension. Thus markets become increasingly integrated, in order, among other things, to take advantage of the favourable investment and production conditions offered by certain countries, in terms of fiscal flexibility and low wages (the so-called “relocation of production”). Similarly, the worldwide scope of trade opens up new markets in goods, capital and services, the latter being areas previously kept under control by states, because of their importance for access to social rights (see Crouch, 2000). The increasing influence of financial issues on the global economy enables the stock exchange, and other speculative mechanisms, which are certainly flying higher than the real economy, to be used to boost profits and consumption. The risk of financial crisis is thus extending worldwide (see Bellofiore & Brancaccio, 2002), and savers face an increasingly worrying lack of transparency in the management of their money.

In this context, competition and the rationing of credit encourage corporations and states to adopt strategies under which they vie with each other on tax rates or to reduce inflation, rather than going in for innovation and research. Deregulation and polarisation of the labour market, wage moderation, increasing flexibility of working relations and budgetary cuts to the welfare system – and this in a context requiring its extension – are the best-known elements of this process. And while the aim of price stability (and budget restrictions) pursued by the European Union in the euro zone does tie in with reasons of financial viability, it also risks consolidating these processes and, in particular, failing to stimulate stable and equal growth (see Pilhon, 2001).

What is more, the consequences for democratic citizenship and access to rights go beyond the limitation of resources or a crisis for the traditional mechanisms of socialisation. The social exclusion of weakened individuals and groups goes hand in hand with a fairly generalised political crisis, even affecting citizens’ representation and, in general terms, public facilities, for conciliation where problems or conflicts arise. Once their context is global, freeing them from the effects of national processes of democratisation, economic decisions become automatic in a way which strongly saps confidence in the social regulation of production (see Ramazzotti, 2003), and even the ability to strive for fairer shares of well-being.

This “lack of alternative” turns risks into true insecurity and may lead individuals or communities to turn inwards or even to harbour real “fear
of others” (see Bauman, 2000). This kind of short-circuit is not unlikely, especially as many factors are involved. On the one hand, the expression of social unease as a “demand for public safety”, particularly where certain groups which are considered dangerous are concerned (foreigners, residents of problematic neighbourhoods, etc.), interacts with the security industry and with the search for political consensus, through visible measures against crime, illegal immigration or other “threats to order”. On the other hand, a restrictive management of immigration may well increase the amount of work done in the underground or informal economy, while the presence of superfluous workers with few or no skills may lead to forms of social control involving a harsher crime policy (see Wacquant, 1999).

In his latest book Mr Baldassarre, emeritus President of Italy’s Constitutional Court, has expressed the fear that “states will increasingly be asked to administer, i.e. to ensure that global imperatives are properly met, and to carry out police functions, i.e. to prevent internal conflict and preserve public order in the face of the increasing social costs imposed by globalisation” (Baldassarre, 2002, p. 280). Similarly, the always latent tension between “human rights” and “citizens’ rights” seems to be re-emerging, while the process of “multiplication of the rights” (Bobbio, 1990, p. 68) seems to have broken down, as if the eclipse of citizenship affecting the native population could be offset through the exclusion of other groups on the basis of their origin.

c. Restoring security and deconstructing fear of others

In the light of this diagnosis, society needs to take a decision about itself. Coherent preventive policies should be envisaged so as to provide a basis for social cohesion and security in the form of access to rights and a high-quality democratic life, particularly in the context of a new balance between development and collective well-being. With this in mind, the Forum offered a two-part agenda to the players concerned: reconstruction of the “positive” forms of social cohesion through a new kind of governance in terms of economic, employment, welfare and local development policies, together with deconstruction of the “fear of others”, taking as a starting point criticism of those mechanisms which exploit the feeling of insecurity or which adversely affect the balance between freedom and security in society as a whole.

With a view to its publication in the series “Trends in social cohesion”, this dual approach has led to the contributions being divided into two separate
volumes covering “Security through social cohesion”. Volume 10 looks at “Proposals for a new socio-economic governance”, while volume 11 deals with “Deconstructing fear by going beyond stereotypes”.

4. Proposals for renewing socio-economic governance in Europe

a. The welfare society as a paradigm

If the eclipse of citizenship is to be overcome, a change of paradigm is necessary, for it is the very form of social life that is affected and called into question. The return to the future which therefore needs to be promoted ought to combine criticism of post-Fordian globalisation with an acute awareness of the ambivalence of the Fordian labour compromise. And many tendencies characteristic of the “post-war golden era” also need to be neutralised, such as a lack of autonomy at work, the “monetarisation of solidarity”, the index-linking of welfare to growth (see Laville, 1994), the value of social rights as a “compensation” rather than a precondition for equal participation by all, and the following reduction of the citizen to a “customer of service-providing bureaucracies” (see Habermas, 1981).

Taking the “welfare society” (see contribution of Franco Archibugi) as a paradigm for a new social contract enables these negative tendencies of Fordism to be overcome, with the emphasis being placed on society and its own capacity to achieve the well-being of its members (see Strategy for Social Cohesion, Council of Europe, 2003) and democratically to control political and economic powers in the context of the implications of its own cohesion. What is more, no longer being centred solely on the nation-state, this provides a framework for extending citizens’ participation into the post-national space, and for restoring there the principle of the responsibility for collective well-being being shared between authorities, markets and society, the main principle of the Council of Europe’s strategic discussion of social cohesion. Volume 9 of “Trends in social cohesion” is particularly intended to describe the actual political scenario needed for society to take such a decision about itself. Proposals interlinked across a fairly broad horizon will thus be discussed, inter alia, concerning:

- the resources to be freed up so as to ensure fair access to rights and citizens’ participation (Riccardo Bellofiore and Karoly Lorant);
- the measures to be adopted to achieve a new link between work and social integration (Jean-Louis Laville and Franco Archibugi); and
• the social cohesion policies to be introduced locally and globally, so as to ensure that they are relevant and mesh well with each other (Monica Schümer-Strucksberg and Jérôme Vignon).

**b. Freeing up resources for fair access to rights: proposals relating to economic policy**

Although they are vital to the exercise of democratic citizenship, it has often been more difficult for social rights than for other rights to be fairly exercised, thereby contributing to social cohesion. It does in fact require structured and economically significant action by the authorities for this kind of right to be implemented, whether relating to the supply of collective goods and services or to the creation of a system to regulate and redistribute income. If the emphasis is placed, as it is by Riccardo Bellofiore and Karoly Lorant, on the costs of rights (not only of their exercise, but also of their absence), this takes us to the sources of the problem concerning the economic model, the finding of public resources and the priorities on which their allocation is based, the participation and confrontation of the social forces with an interest in these decisions, etc.

This at least partly explains the way in which access to social rights has reached a dead end in the long-industrialised countries, which, for some 20 years, have been facing up to post-Fordian restructuring and globalisation of capitalism. Riccardo Bellofiore’s conclusion is that current policies “increase instability and inequality, and slow down the increase of productivity both because they limit the output that can be sold and because they undermine human capital”. In his view, “social rights and welfare are shrinking with the resources funding them”.

The result is a reform agenda which is very structured and which Europe, and the European Union in particular, should adopt in order to renew its “social model”: an agenda focusing firstly on a revival of internal demand with the help of public investment policies. And in order to achieve the effects which are hoped for, these investments ought to be democratically determined so as to “increase the well-being of households in real terms” and to “bring Europe’s technological position up-to-date”, particularly with a view to sustainable development. This means first and foremost the creation of quality jobs and efficient and accessible services, services which really meet users’ social and environmental needs. And “it is only through these measures increasing today the capacity utilisation, investment, and employment, that it will be possible tomorrow to provide real well-being to an ageing population”.

In a context where the numbers of stable and sufficiently well-paid jobs created and the authorities’ ability to influence the economy are tending to be eroded, current trends will need to be gradually reversed. Thought therefore needs to be given to action in several stages, starting with an expansion of public expenditure and a greater flexibility in budgetary limits (Stability Pact), co-ordinated at European level, passing through the phase of a true (social) budget for the European Union and culminating in the inclusion among the objectives of the European Central Bank of full employment, accompanied by the setting-up of a network to control the capital markets.

Karoly Lorant reached very similar conclusions about the situation of social rights in Hungary, a country which has, frequently to a greater extent than others, felt the negative effects of “transition” (unemployment, lower incomes and pensions, more difficult access to fundamental goods and services). Yet there is a vital difference between the experience of central and eastern Europe and that of western Europe: the former adopted the neo-liberal paradigm (liberalisation, deregulation, privatisation), as well as certain post-Fordian tendencies (“relocation” and restrictive fiscal and monetary measures so as to achieve low manufacturing and export costs), without the filter of a democratic concept of citizenship which, in the West, had evolved during the social struggles during the “thirty Fordian and Keynesian years” which followed the second world war.

The “dual economy” experience now gradually extending to every country, with a lesser or greater part of key sectors being foreign or “anonymously” owned, and with trade being directed more towards exports than domestic demand, firstly requires a “local shift” of production world-wide, and even the building and strengthening of not only a domestic market but also one encompassing other countries on an equal footing. If “globalisation is to function for all”, well-being within the territories where people live should be ensured either through trade policies rebalanced towards internal demand or through measures which reduce the pressure from financial capital, foreign investment and multinational companies on governments and workers.

In this context, a return to the Fordian principle of “doing the selling at the same place as you recruit the workers” would enable economic governance in general to be directed towards employment, wages and welfare. Public management (implying de-privatisation) of strategic sectors, i.e. technological innovation and training, infrastructure and basic services, should accompany countries’ modernisation, provided that monetary
and fiscal instruments can again be used to influence the cycle. Also preconditions for success are worker reorganisation, wider discussions of alternative policies and the participation of civil society in the preparation of the reform process, in both eastern and western Europe.

c. Creating a new link between work and social integration: proposals relating to employment and welfare

Work, as much as economic, social, cultural and educational activity, continues to play a vital role in integration of modern societies. Thus it is a precondition for the future of social cohesion that work must be both quantitatively and qualitatively restored, with a view to well-being, and that the “new jobs” characteristic of post-industrial societies be combined with forms of welfare protection. Drawing on participatory, rather than strictly economic or welfare logic, this kind of interlinking will gradually be able to take over from approaches focused too much on flexibility, as part of which “the safeguarding of jobs has as its corollary the impoverishment of workers”, and on forms of “workfare” which impose too many conditions on access to employment and to the connected rights.

In Jean-Louis Laville’s view, a new way of linking work and identity is feasible on the basis of a “plural economy” where the market no longer has “a monopoly of wealth creation”. What is more, citizens are already organising in the public domain to offer socially useful services (“third sector”), and are, in their capacity as consumers or savers, increasingly taking into account the effects of economic decisions on third parties (fair trade, responsible consumption, ethical finance). An extended debate on the goods and added value which such citizens’ commitment provides to society would enable that commitment to be recognised as a resource, in legal terms as well, for further developing the social dimension of the economy, and even, at the same time, for strengthening the fabric of society and citizens’ confidence in their own “capacity to generate work”.

With a view to overcoming the precarity of non-continuous working relations, Jean-Louis Laville’s main suggestion is for a “general status of active person” to be adopted for anyone engaging in any form of activity (voluntary work, further training, acquisition of professional skills, community service jobs, etc.), providing both rights and appropriate remuneration for those concerned. A definition of work in such plural terms could in fact “translate into occupations the vast quantity of work” (see Gallino, 1998, p. 66) which present-day society demands. In operational terms, the
credibility of this move could be based on “territorialised collective bargaining” and on a well-structured “minimum income for initiative”. So that it does not finance inactivity, while ensuring that the right to initiative does exist, this income should start at a base rate and increase according to the integration activities carried out by the beneficiaries, whether in the voluntary or the for profit sector.

Franco Archibugi explains the reasons why this step does not undermine the role of the state but, in contrast, demands a qualitatively different involvement of it, citing the tensions which he detects in post-industrial society. While, on the one hand, there is a growing demand for services and for citizens to participate in the provision of these, and the link between profit and investment is weakening as non-profit-making motives gain in strength, on the other hand, jobs continue to be destroyed, certain branches which are in crisis are still artificially supported and public goods are increasingly commercialised. Unless this deadlock is overcome, the welfare system crisis will worsen, in parallel with the employment crisis. What is more, in order for society to make full use of its potential in terms of well-being and to develop a true “associative economy” alongside the commercial and public sectors, far-reaching reform of public administration is needed.

In order to make the move “from the welfare state to the welfare society”, the selection of objectives consistent with one another and compatible with the available resources is merely a first step. Once these have been ordered in accordance with priorities negotiated with the various stakeholders, their introduction requires a reasonable share-out of tasks and responsibilities between the three sectors (public, private and non-profit) of the economy. This distribution has to be based on an evaluation of the results achieved in terms of total costs and user satisfaction. This complex “reinvention of socio-economic government”, which Franco Archibugi sometimes refers to as “strategic planning”, should gradually occur at every level of decision-making, to the point at which account is taken of the repercussions of the global dimension.

Where financing is concerned, these proposals firstly require a “more rational management of existing resources”, on the basis of the idea that the state benefits and subsidies which dampen the effects of the current crisis would often be better spent on funding the non-profit sector. Those writers who put forward proposals along these lines should also bear in mind that there is a real risk, if the jobs erosion continues and there is no change in economic policy, of the unemployed possibly never becoming
voluntary workers. The prediction that in the United States, at least, four-fifths of workers in 2040 would be volunteers (see Fogel, 2000) would not then come true, possibly making way for a society, four-fifths of the members of which were excluded from decent work (see Gallino, 1998). Citizens’ commitment would remain confined to the “shadowy zones” of the market economy and public activity, with a residual welfare role and a fairly limited degree of independence.

Indeed, “if the current economy is basically limited to what the major industrial groups want to produce” (see Gallino, 1998, p. 67), the desired balance between wage-earning work for all and more organised “work undertaken as a civil commitment” will not be struck, unless production and their social conditions are given new thought. This is why the planning referred to by Franco Archibugi necessarily requires going hand in hand with a sea change in economic, industrial and commercial policy, particularly along the lines envisaged by Riccardo Bellofiore and Karoly Lorant. What is more, the unity of workers on matters such as the homogenisation of social and economic rights and the regaining of the political initiative seems to pose a few problems, without any prospect of a social surplus to be shared out.

d. Collective action to meet the challenges of social cohesion: specific problems and solutions at the local and wider levels

It is fairly clear from the above that, although specific problems arise at every level, political action at the local and wider levels have lasting effects only if the solutions devised are both consistent with each other and appropriate to the context. Cases could arise in which the wider frameworks clash with citizens’ demands, and local measures lack the support and resources that they need. So each society shows its attitude to collective action to ensure its own cohesion through the way in which it meshes these two levels, and this amounts to governance. The example of the relevant strategies adopted by the Berlin city authorities and the European Commission may help us to evaluate the results of such action. It also shows the scope of the reform proposals just outlined in relation to actual situations and political tendencies.

The Berlin Senate, with its federal programme entitled Die Soziale Stadt (the social city), partly financed by the European Regional Development Fund, set up approaches involving an interlinking of work and social integration similar to those proposed. In order to combat urban marginalisation, a reform of public administration involving an active role for the various
levels and players concerned has been combined with collective organisation and the promotion of spontaneous citizens’ initiatives, with the giving of greater responsibility to residents for meeting the neighbourhood’s needs and, in more general terms, with the rebuilding of a “capacity to work together”.

In the selected disadvantaged neighbourhoods, encouragement has been given to voluntary work, particularly with a view to meeting the area’s needs through “occupations” which are socially recognised and strengthen the social fabric. Some first steps have been taken towards budgetary self-management, with account being taken of concerns relating to both development and social cohesion. Help has been given to create online sites focusing on the neighbourhoods, so as to familiarise their residents with Web resources and gradually to encourage exchanges of information, and even to provide the means and instil a desire to play a part in local development. Looking beyond these various projects to improve quality of life, the programme has had the more lasting result of supporting and developing a network of collective action. A “neighbourhood management team”, comprising experts in fields including group management and empowerment, started life as an operational unit and gradually gave rise to citizens’ forums and planning groups, also involving representatives of local authorities, to consider project implementation, fund management and results monitoring.

It is also on the wider scale that the dynamic processes of a welfare society find an agreed operational framework in which to stabilise. This scale is provided in Europe by the European Union and the Council of Europe. This is why the social impact of the market (a single market, in the case of the European Union) should be the main item on the political agenda, particularly with a view to a new shouldering of responsibilities relating to universal access to rights. The specific challenges facing the Union in this field are unhesitatingly taken into account by Jérôme Vignon. A fairly significant asymmetry is thus highlighted, between the lack of a European social policy similar to those of states and the effects which liberalisation may have in terms of “damage to the social fabric” and of “a challenging of the autonomy of the responsible ministries”.

Facing up to these issues, the European Union has developed, and continues to develop, responses which are either corrective (European Social Fund, etc.) or structural, as in the fields of social security for workers moving within the Union (Regulation 1408/71, recently simplified) and services of general interest (Commission Green Paper, currently under
discussion). Along the same lines, the inclusion in the forthcoming constitutional treaty of the Charter of Fundamental Rights and the development of the “open co-ordination method” in the field of social protection are described as illustrating the increasingly important social dimension of Union activity. And these principles relating to the protection and development of rights may well remain highly abstract unless much thought is given to the scope and relevance of the competition principle in the various spheres of life. In fact, uncertainty remains both in the constitutional treaty and in the Charter, which mention only services of general economic interest, as well as in the Green Paper, which does not manage to draw a clear distinction between services of general economic interest and what are just termed services of general interest.

Thus, as ultimately happens in all contexts affected by insecurity, it is to the force of the rule of law, to its non-discriminatory vocation and to its need for democratic legitimisation, that it is necessary to turn to affirm the “unconditional nature of social rights as a public guarantee of the equal exercise of civil and political rights”. It seems that citizenship needs to be rebuilt in this way if Europe is to gain credibility and effectiveness as a global player and to strive, with the other regions of the planet, to make “globalisation work for all”. With our current system of interdependency, there seems no end to the search for security, in the same way as there is no limit to the possibility of using security to justify each of the methods in turn considered necessary to achieve it, even those which merely give rise to other insecurities.
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A. FREEING UP RESOURCES FOR FAIR ACCESS TO RIGHTS: PROPOSALS RELATING TO ECONOMIC POLICY

I. Who will pay for our rights? Macroeconomic limits to the welfare system and alternative economic policy perspectives

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1. Globalisation and post-Fordism as processes increasing inequality

At the beginning of the 1990s, a peculiar reading of contemporary capitalism became some kind of common perspective, both from the right and the left. Globalisation was seen as an already fully accomplished state in trade, production and finance. Post-Fordism, as a revolution in the organisation of labour (toyotism and the like), was seen as producing a sharp increase in productivity in an era of slow growth. The two views together accounted for a tendency to the “end of labour”, the “end of the Nation-State” and the “end of the cycle”.

These were myths. However, the employment crisis had some credibility at the time, relative to Europe in the middle of the construction of the Monetary Union. Moreover, the way the European Monetary Union was shaped – with a European Central Bank divorced from any political control from representative bodies; without a true European fiscal budget allowing economic and redistribution policies, coupled with strict controls over national budgets; plus liberalisation and privatisation everywhere – actually confirmed a retreat of the state in the area. It was also true that the new forms taken by globalisation were a novel phenomenon to be understood.

All of these processes increased inequality not only all over the world but also in Europe, deepened the crisis of its social model, and widened regional differences within the area. It was, and still is, a degenerative and self-reinforcing process: it eroded the growth and stability of the real economy, and accelerated the fragmentation and precarisation of the work force.

Social rights and welfare were shrinking with the resources funding them. Indeed, the deterioration of the social fabric created directly and indirectly economic costs, sometimes explicit, sometimes hidden.
2. The “new economy” and employment

In a few years the picture changed dramatically. The US “new economy” reinforced the above-mentioned myths, but with some important variants. Globalisation and post-Fordism (now rather seen as the knowledge economy) are considered as the successful means for an upsurge in the rate of growth relative to the prior two decades. Together with deregulation everywhere, they are maintained to be the necessary conditions for any rise in employment, which however had to be flexible both in the labour process and in the contractual conditions.

Indeed, employment also started to rise again in western Europe, but this was due to its much higher elasticity to income than in the past, i.e. the capacity to create occupation without a higher growth in the area. In fact, Europe was still lagging behind in its growth rate, and this outcome was attributed to a supposed rigidity mainly in the labour market and to a supposed excessive generosity of the welfare state.

The proposed solution was, and still is, to urge for an adaptation of its economic and social environment to the Anglo-Saxon model, including its heavy reliance on financial markets. This again was a myth, although it was paradoxically true that a real difference between the USA and Europe is relevant to the different growth patterns. Simply, it had to be looked for elsewhere: in the fact that the US monetary and exchange rate policies were growth-enhancing, whereas Europe’s economic policy was restrictive.

To understand the present situation, and to put the debate on economic policies in the proper context, we have to go back to the economic model constructed during the 1980s and 1990s.

3. The making of the current global capitalist regime

It is true that the economic model was authentically global, at least in this sense: that after the 1979–1982 period, the resurgence of finance domination over industrial capital, the consequent excessive mobility of speculative capital, the aggressive competition among global players in manufacturing and services and the restrictive fiscal policies were reinforcing each other.

The effects were, and still are, destructive. First, a dramatic rise in interest rates, which is specifically contained in advanced areas of the world in depression, with the “price of money” remaining historically higher than the norm. Second, the artificial constraints put on the state’s social expenditures and on its commitment to maintain full and stable employment at
decent wages. Third, the emergence in many sectors of overcapacity, even if and when demand increases. Fourth, more and more fiscal competition among states and regions, and the supposed need to reduce taxes. Fifth, the redefinition of industrial policy as the state’s support to firms, rather than the channelling of private initiative to contribute to a democratically decided composition of output. And so on.

This complex created a stagnationist tendency worldwide and mounted a general pressure against workers’ ability to defend their bargaining power, both in the labour market and the labour process, so that they almost lost all control over the production of value and its distribution. The welfare turned into workfare, everywhere.

4. **Flexible accumulation and financial instability**

Actually, there was a counter tendency, led by the USA. This counter tendency was able to avoid big slumps in the last three decades. For a short span of time in the late 1990s, it was powerful enough to pull Europe behind her. However, it was only a counter tendency: it was not able to win over the tendency, but rather needed the latter in the same definition of the US economic and social model as a paradigm of the new economy.

It was this system which produced slow and volatile growth at first and short bursts of rapid growth at the price of higher financial instability afterwards. The reason was that to maintain effective demand with a squeeze in workers’ purchasing power and state deficits, the USA had to resort to private indebtedness. Europe (as well as Japan and East Asia, and now China) benefited from the US external trade deficit. Consequently, as European (and Asian) growth became centred not on growing internal demand, but on US growth, the more dependent on an economic model it was, the more unstable it became.

It is true that this model not only needs labour flexibility and higher workers’ productivity, but also higher “quality” of labour (to win in a more competitive world economy characterised by slow and/or unstable growth). The supposed “autonomy” of workers, however, is now automatically controlled by the macroeconomic dynamics, and higher obsolescence of “old” qualifications and “old” workers.

Flexible accumulation means not only higher fragmentation and precarisation of the work force. It also means the spreading of social insecurity also among what was once the “guaranteed” core of stable workers.
5. From the return of the economic cycle to the return of the state

It must be added that during the 1990s, the USA was able to politically regain its hegemonic status, which had been threatened during the 1970s and 1980s. To do that its exploited its military role (first in Iraq, then Bosnia, Kosovo, Afghanistan, and in Iraq again), its financial role (Wall Street), its possession of a substitute for a world money (the dollar), its power for a mercantilist view of trade liberalisation to developing countries and its overwhelming influence over the IMF, WB and WTO to diffuse the liberalisation of capital movements and structural adjustment programs.

The USA was also able to promote “from above” the growth of income and employment, even with active industrial policies, active trade policies and active monetary policies. Hence, it actually succeeded in regaining the technological leadership in many sectors, and in enhancing the dynamics of productivity of its economy. It must be noted that, in light of the ideology surrounding European economic policies, the budget surplus was mainly a result of higher growth, not a precondition.

6. From the crisis of globalisation to the globalisation of crisis

The unsustainable processes nurturing the new economy in a few years produced a crisis, which – given that the USA was the pillar of world growth – spread to the global economy.

The paradox is that, at first, the boom of the new economy was fuelled by the crisis in developing areas, exactly because the mechanism hung upon a chain of links going in this direction: politically produced over-valuation of the dollar (and the related deflation of prices by imported products and services), relatively mild monetary policy (sustaining stock exchange speculative bubble and irrational exuberance), increasing private (firms and households) debt, and higher private expenditure (investments and consumption). In the late 1990s, capital flight “to quality” (hence, to the dollar and Wall Street) helped the centre, and especially the USA, but retarded the day of reckoning of the over-investment and over-indebtedness which was built up. Of course, the crisis in developing areas was also a means to “buy cheap” entire firms and sectors.

Consequently, the crisis after 11 September 2001 marked the end of many myths: the irreversibility of the globalisation as affirmed in the 1990s, the end of the cycle and the end of the state. The crisis is now a crisis of legitimisation and an economic crisis. The answer by Bush (much more “flexible” than radical left theorists who accepted many of
the capitalist myths of the 1990s) has been to utilise again some parts of
the old “Keynesian” doctrine, though probably not enough and contra-
dictorily. We have thus witnessed the reprise of budget active deficits
(tax reductions, higher public expenditure, etc.), in the presence of an
expansionary monetary policy. However, leaving aside the flavour of war
Keynesianism leaves behind, the new economy has not yet revived.

7. Some specificities of the European situation

There have been some specificities in regards to Europe’s path during the
last 15 years. Indeed, western Europe’s slow growth in the 1990s is, in
the new context, partly an outcome of the generalisation of the German
export-led model of the previous decades (which in turn makes European
growth dependent on global growth, in particular on the American one),
partly due to external political and economic shocks (reunification, etc.),
partly also due to the effect of a “monetarist” approach to the construc-
tion of a single currency (the stress on nominal convergence – stability of
prices, deficit/GDP rate, debt/GDP rate – as conducive to real conver-
gences among the partners).

It is also the unintended consequence of an approach that wanted to cre-
ate an imperialist counter-power to the USA and Japan designed for the
pre-1990s world (a view which wanted France to join West Germany in
controlling the money supply and to provide the political and military
head, West Germany as the economic leader, and originally helplessly
hoped for the UK’s financial sector to be included in the scheme).

The limits of nominal convergence may be appreciated referring to the
circumstance that, in an area characterised by differences in productivity
and infrastructures, in presence of “strict” monetary policies and
“sound” fiscal policies, the main factor of readjustment cannot but be
the productivity and the cost of labour-power. In other words, inequality
tends to be widened by the automatic market mechanisms, within the
single nations and among them. At the same time, under the pressure of
the ideology and of the reality of the globalisation, it means that the
worst conditions tend to be generalised, so that higher inequality grows
within the Economic Union as a whole.

However, during the 1990s the restrictive approach to monetary union
was not simply an “error” due to short-sightedness. It helped in foster-
ing capitalist restructuring, reducing nominal (and real) interest rates,
pushing for a change of welfare into a workfare system, etc. Moreover,
the polarisation within the Union enforced and crystallised a hierarchy
among the various “regional” economic systems.
8. Neo-liberalism and social-liberalism

Both at the global and at the European level, the current capitalist regime and the connected economic policies are labelled – with good reason – neo-liberal. A proposed alternative, strong in some European countries, may be labelled as social-liberal. The latter position characterises itself by two differences from the neo-liberal: its aims are to control globalisation and to redistribute the fruits of the new economy.

Both policies have, however, some strong points in common: among them, the positivity of financial globalisation and the stability of the new economy. The current crisis of globalisation and the new economy have added a paradox. Very often, in answering the present difficulties the social-liberals seem to be more in favour of liberalisation than are, in practice, the neo-liberals (who, as we have seen, have amply used the old monetary and fiscal counter-cyclical instruments, when needed). The catch phrase of the former seems to be “liberalise to re-regulate” the economy. The idea is simple enough: liberalisation automatically regulates the firms’ sector, through free competition and avoiding monopolistic positions. What is needed is the socialisation of what the economic mechanism produces.

This way, wealth and income will be created; the only problem is distribution. Since globalisation and the new economy are economically “progressive” but “socially” regressive, what needs to be done is to complement the “liberalism” in the economic policies with “redistribution”, e.g. through the reduction in working hours and/or the provision of a basic income (both allowed by the stable jump in labour productivity provided by flexible accumulation).

9. Financial globalisation and pension funds reforms

It may be worthwhile to look at a specific example of the reasoning provided by the two views, and of their limits. At the beginning of the 1990s, financial globalisation was supported according to the idea that western societies were becoming “older”. This created a dual problem: competition from new “younger” industrialised areas and their unskilled workers, and the unsustainability of public pension systems because of lower productivity and higher dependency ratios.

Financial globalisation was favoured both by neo-liberals and social-liberals. For neo-liberals, the high savings of Europe and Japan invested in the financial markets meant the possibility for developed countries to specialise in the
knowledge economy, and for households to gain from the boom in the stock exchange. Households’ savings, transferred to new capitalist areas, would have speeded up their growth. Both the new economy and the transfer to new industrialising countries (NICs) would have increased the real resources to share. This dynamic would have been favoured by the privatisation of the pension systems: the latter would make bigger financial capital, more productive real capital, more wealthy households, exactly when public pensions needed to be reduced. For the social-liberals, the pension fund capitalism could be bargained in exchange for redistributive measures like the ones referred above, and could allow workers (say, through trade unions’ intervention) to participate in firms’ corporate governance.

Actually, something of this kind happened in the 1990s, but in the process the result was to foster financial crises, at first at the periphery then at the centre of capitalism. Although social crisis in the periphery was of course much harder than in the centre, social insecurity affects more and more the income for the elderly. Worse than that: the ideology of the pension fund capitalism is instrumental to asking workers for more flexibility in the labour process, more precarisation in the labour market, more uncertainty in wages, since – it is said – this accelerates growth. Growth then translates in rents for households, and workers now gain from finance what they lost in the workplace. Again, the difference between the neo-liberals and the social-liberals is that the latter are asking for more “social guarantees” for workers and households.

Unfortunately, the short-termism and instability of financial capitalism is structural, so that pension funds capitalism is simply aggravating instability in finance and insecurity in society. What is at stake is not the mode of distribution, but the mode of creation of wealth and its social conditions.

10. The need for structural policies

We have seen that the crisis after 11 September 2001 was deepened by the absence of any autonomous growth-enhancing policy in Europe (and the constraint of the Stability Pact – though the ECB was in practice relatively mild in its restrictive attitude in these years, and there was some talk of making the state budget policy less strict). In Europe, those alternative economic policies cannot be satisfied, however, by simply asking for a U-turn in macroeconomic policy, nor by mere redistributive years.
The reasons are straightforward. Long years of restriction have created supply bottlenecks. Social (and environmental) needs ask for a different composition of output. The regional differences impose different, structural policies. Rather, we are forced to think of a very difficult mixture of macro and structural (demand and supply) policies, which are indeed the necessary precondition for redistributive policies. These policies must be realistic, but radical enough to break in one of the poles of the triad the perverse coherence between globalisation, post-Fordism, new economy, and new state intervention today almost entirely pro-capital. Moreover, these policies will never see the light of the day if they are not imposed (and monitored) “from below”. The only reason why this talk is no mere utopia is the fact that capitalism is in crisis – legitimisation crisis and economic crisis at the same time. Even though crisis will sooner or later be overcome, growth will be again unsustainable and unstable.

Why mere macro policies are not enough should be clear by now. Indeed, macro expansionary polices have, in some way or another, been enacted in the USA and even in Europe because of the crisis, but the monetary and fiscal policies sustain profits and employment without any significant change in the nature of production or of work conditions. Nevertheless, these mechanisms are those that create and/or exacerbate inequalities.

11. Different quality of growth needed to implement redistributive measures

Why mere redistributive policies are not enough should also be clear. The “new economy”, by some authors and by some movements, has been seen as a new stable system of creating surplus value, though very unequally. And this is the context in which it is very often said that the European economy must modernise itself. Indeed, this perspective has led to some concrete proposals even from the left as answer to unemployment and poverty: reduction in working hours, basic citizen income, expansion of workers’ employment outside the market and state sectors, etc. The underlying idea was that a more equitable redistribution must be forced into the system; it will resist, of course, but it will “adapt”. However, this was also a myth. The inequality of the new economy and of contemporary globalisation is an integral and essential feature to the present status of the economic system, which does not accept a different distribution of income and wealth if the production side is left as it is. To have a truly different equitable distribution, present-day globalisation and flexible accumulation must be broken on several grounds.
Why are growth-enhancing policies and a different nature of growth both precondition of these redistributive measures? To take an example, no reduction in working hours is possible if there is no increase in real wages and employment, allowing the potential gain not to be lost in more overtime work to increase the wage. Moreover, this is not possible if there is not some regained control within labour processes by workers, so that higher flexibility and productivity allow fewer workers to produce more. But no increase in real wage is possible if there is no sustained increase of effective demand, helping to redress the balance in the labour market in favour of supply – but the latter must be devoted to bettering the “social” quality of life.

Let us consider another example. Basic income needs a very effective progressive tax system, which indeed is difficult to pursue if the welfare state and its financing are under attack, and if there is fiscal competition among the states in the economic union as elsewhere. In fact, very often, a reduction in working hours and basic income are actually introduced, if won, as means to increase flexibility or smooth social tensions, without providing a longer term answer to the problems of inequality and stress.

12. The sketch of an alternative economic policy from the macro point of view: expansive monetary policy and taxation

The analysis so far of the roots of the present economic situation and of its origin in the 1990s may give us some hints of the structure of a different economic policy perspective. It is true, indeed, that a view which attributes to fiscal policy the aim of balanced budget and to monetary policy a 0–2% target inflation cannot be accepted. Monetary policy would actually produce in many sectors of the economy, and more for producers than for retailers, deflation. Balancing the state budget starting from deficits means restrictive fiscal policy.

I have already recognised that both the internal limits of this view and the difficult international situation demand some flexibility, both in fiscal and monetary policy. Yet, the problem is of principle, so to speak. It is to understand that there is a problem of insufficient (internal) demand in Europe, and that this requires expansionary monetary and fiscal policy. The expansionary monetary policy must allow for reduced (short term) interest rates not only in periods of slow growth of recession, but also during the upswing, as well as for the possibility of monetary financing of state budget deficits. The expansionary fiscal policy means the opportunity to have budget (current account) deficits below full employment, and to allow permanent budget (capital account) deficits for state investment.
Here, it must be clear that the proposed European constitution is contributing to bleak perspectives. First, it actually includes and sanctions all the neo-liberal precepts on monetary and fiscal policy, exactly when what is to be done is explicitly attribute to the ECB also the objective of full employment and to make room for deficits in the state budget – in current account expenditure below full employment, in capital account expenditure even at full employment.

This policy must go hand in hand with a kind of segmentation of the European capital market through the introduction of the Tobin tax, and if needed of capital controls (which are already allowed by Article 59 of the Maastricht Treaty), to permit lower interest rates than in other advanced areas. The receipts of the Tobin tax should be devoted to the fight against poverty on the global scale, and not to expenditure in European countries (for which expansive policies are needed). Higher public expenditure could benefit from higher taxation elsewhere, e.g. on luxury consumption, on energy consumption and on an internal taxation on securities (along the line of the so-called Keynes tax, proposed by the author of the General Theory in relation to the internal, i.e. national, financial activities).

13. The sketch of an alternative economic policy from the structural point of view: democratic determination of demand and supply side policies

However, an alternative economic policy aimed at enhancing employment and social welfare cannot be reduced to a “revival of Keynesianism”, read as low interest rates plus reduced taxes. There are several reasons for that. Firstly, it is known that the transmission mechanism from lower money interest rate to higher private investment demand is uncertain. Secondly, tax reductions are effective only if they are temporary and favouring “lower” incomes (versus the kind of tax reductions favoured nowadays, from Bush to Berlusconi, etc.). Thirdly, the consequent availability of higher money income net of taxes in itself does not mean higher real income (the same caveat applies to mere money subsidies, like basic income). The more so if there are structural constraints on supply: indeed, fourthly, supply bottlenecks are what we should expect after a long period of slow growth. Fifthly, the composition of output determined by “market” mechanism is unlikely to meet most urgent and egalitarian social needs.

All this means that – even though, of course, higher money wages, detaxation of poor households, citizen basic income, etc., must be
favoured against the spontaneous trend of neo-liberalism – the core of an alternative economic policy cannot but be the structural definition and expansion of public expenditure increasing the provision in real terms of goods to households, and all these redistributive measures must be included in this larger view. Government expenditure must, therefore, also and primarily provide directly and in real terms a larger (and not a shrinking) share of European income, as well as increase it as a share of overall investment. It is only through these measures that increase the capacity utilisation, investment, and employment today, that it will be possible to provide real wealth for the ageing population tomorrow.

The content of this expenditure is well known: infrastructures, of course, but also restructuring of urban areas, telecommunications, ecological reconversion, health, cultural formation, research and development. Not all these interventions need to be “centralised”. Some of them – environmental measures, social services, culture, etc. – have to be monitored by the public and be driven by public demand, but they do not necessarily always have to be state activities; and, in any case, their space dimension is very often “local”, not “national”. Yet, much of the new social needs may be answered by the state nationally or locally employing many of the present unemployed population. An important point is that the definition of investment, to be excluded from the Stability Pact, must be extended to all these social expenditures (on health, childcare, public transport, ecological housing, etc.). Rather than fixing nominal targets, minimum real standards in social expenditures and public services must be established.

Moreover, needless to say, public investments have to go hand in hand with selective industrial policy and selective credit polices. Contrary to what the constitutional treaty now says, state intervention must have as its objective not only unqualified competitiveness in “free markets”, but social welfare in regulated markets.

In summary, the structural nature of a new alternative policy, to supplement the reduction of working hours, basic income, and higher wages, comes both from demand (political control of the composition of demand) and from supply (public investments increasing both the productivity and the quality of life). More effective “demand and supply” interventions will help reduce the inflationary effects of higher employment. Indeed, the real wage would thus depend less and less on money receipts and productivity would soon rise as a consequence of this policy.
14. The sketch of an alternative economic policy: a synthesis of what is needed in a long-term view

To sum up, in order to provide for better provision of social needs, what is needed is: (i) macroeconomic expansionary policies fuelling internal demand; (ii) allowed by financial market regulation and taxation; (iii) with a strong structural determination of the content of effective demand; (iv) and supply side orientation of industrial and banking sectors of the economy; (v) so that the objectives of full and better employment, with a stable and guaranteed labour force with regular and permanent jobs; go hand in hand with (vi) higher social welfare and public services; (vii) and a defence of the public nature (pay-as-you-go) of the social security system. Of course, this may appear as mere utopia. But refraining from moving in this direction not only has social costs, but also has increasingly economic costs.

Let us compare three examples. First, the expected economic revival in Europe. We have witnessed how, contrary to propaganda, the Europe of the euro was not able to expand with the USA in recession. But now the (politically driven, because of the political business cycles) decision to let the dollar rapidly fall, even if it is “orderly”, means that US revival, if and when it will happen, will not extend to Europe. The new exchange rate policy is simply trying to promote American exportations, with Europe having no weapon to defend itself from a downing demand and a probably consequent deflation (while Asia is accepting an unlimited hoarding of dollars to limit the loss of competitiveness). Thus, the model of European monetary unification is rapidly coming to an end, because its philosophy is no longer viable.

Another example would be that of pension fund reforms in favour of privatisation. It indeed deepens inequality for three reasons: (i) because of the unequal distribution of financial wealth and opportunities; (ii) because it contributes to the generalisation of rules of corporate governance favouring the reduction in employment and its precarisation; and (iii) because it links pensions to the vagaries of financial markets. This way, private investment is more uncertain, and households’ consumption is constrained. Hence, more inequality, without providing firms the demand they need.

Labour market reforms that impose more flexibility in the field are our last example. But the precarisation of labour markets and the easier possibility to lay off people have as a consequence the loss of skills and know-how
which are slowly accumulated in firms and are necessary for higher quality of the products and higher long-term productivity.

Current policies, contrary to the alternative one sketched above, increase instability and inequality, and slow down the increase of productivity both because they limit the output that can be sold and because they undermine human capital.

15. The sketch of an alternative economic policy: a synthesis of what is needed in a short and medium-term view

Only taken this way a policy of higher effective demand starts to have a strong structural component, and begins to overcome the traditional Keynesian policies and goes positively beyond it. It must be considered, too, that higher effective demand, pushing up production and productivity and hopefully wages, not only reduces the rate of unemployment, but increases also the rate of participation and the rate of activity. Of course, these positive effects on employment and labour force, and stable employment with increasing wages, have themselves a positive feedback on the state budget, through higher state receipts, and help a defence and bettering of public welfare and social security systems.

The reason why the public sector must take a larger share of national income and contribute decisively to investment demand is that, both at the national and at the continental dimension in Europe, there is a need for an upgrading of the technological and organisational position. Radical leaps in technology and organisation need the mobilisation of huge amounts of resources, must take into account long temporal horizons, their presupposition is a more educated and versatile workforce, their receipts are farther away in time, and may create social disruptions. All arguments seem to be in favour of public rather than private intervention.

The more so if the final aim is an increase of stable employment with higher productivity but less working hours – which is exactly the opposite relative to what the “free” dynamic of the new capitalism is producing.

The usual objection is that the European budget is too small to even begin a kind of economic policy as the one designed above. Here we have to distinguish short and medium term. In the medium term, the size of the budget not only must but can be increased, to at least 5% of European GDP. But in the short term, it is true that the size of the budget, as well as the European funds devoted to social equity programmes and redistribution, are too small. Thus, the only possible move is twofold: on the one
hand, a co-ordinated expansion of national public expenditure; on the other hand, a flexibilisation of the budgetary guidelines, allowing countries and regions in the process of catching up to have higher deficits (and higher selective credit expansion, too).
II. HOW TO DEFEND SOCIAL RIGHTS ACCESS FOR EVERYONE WHEN MARKETS ARE LIBERALISED AND PUBLIC SERVICES ARE PRIVATISED? MEASURES TO ENSURE SOCIO-ECONOMIC SECURITY OF POPULATIONS, MOVING FROM THE HUNGARIAN EXPERIENCE

by Karoly Lorant, Vice President of the Hungarian Civil Society Council, Budapest (Hungary)

1. Insecurity as an objective condition: the implementation of the neo-liberal paradigm and its effects

a. The rise and fall of Fordism: towards a rights-based approach to security and welfare?

Looking back from the beginning of the twenty-first century, the epoch between the 1920s and 1970s is often referred to as “Fordist”. Using this expression most of the authors mean mass production accompanied with mass consumption and a social partnership among the main forces of society (government, trade unions, employers). Ford, the American entrepreneur became the symbol of his times not only because he invented the assembly line, but because, long before Keynes’ “General theory”, he discovered from practice that mass production needs mass consumption, the production and consumption side of the economy should be connected by wages that allow workers to buy what they are producing.

After the second world war, the more equal distribution of power between political forces accompanied by the growing wealth in the wake of the strong increase in productivity, led to a more equal, more secure society, which later became known as the “welfare state”. The welfare state, on the basis of a progressive taxation system, was able to provide a relatively high level of public security to its citizens. The main elements of the welfare state were the pension system, the health care system, education, the basic infrastructural provisions and different kinds of social benefits (for instance for the unemployed), in addition, the idea that governments are responsible for their citizens. All these elements were in fact a matter of rights – economic and social rights.

From a macroeconomic point of view, the welfare state created a balance between the demand and supply side of the economy. This income redis-
tribution and fiscal policy produced sufficient demand, which fostered the growth of production. Economic growth reached a historical height in these decades: the societies of welfare states became more equal, characterised by a broad middle class. This welfare state has been eroding since the mid-1970s, principally for the following reasons:

- the technological changes that are taking place (as a consequence of technical progress the big factories disappeared and, together with them, a working class that could easily be mobilised for the protection of social rights and a influential trade unions system);
- the high costs of the welfare state (the tax rates, and redistribution in general reached in fact high levels: the new philosophy of neo-liberalism attacked it, arguing for lower taxes and more freedom for individuals to determine the fate of their income, according to the “free to choose” option, proposed by Milton Friedman); and
- the Middle East war in 1973 (the oil prices skyrocketed causing high inflation never experienced since the second world war and, coupled with zero growth, produced a stagflation situation that challenged the Keynesian economy strategies).

The theoretical bases of neo-liberal policy, widespread in this historical context, are not really new. The debate between the “free marketers” and the “interventionists” is two centuries old. Liberalism and its new form, neo-liberalism, promise gain to everybody. However, in practice, this philosophy contributes to stronger inequalities and, indeed, helps the strongest at the expense of the weak. All the axioms of the neo-liberal paradigm (free market ideas) can be challenged on the basis of evidence.

b. Goods, services, labour and capital: the four liberalisations

According to neo-liberal ideas, the free flow of goods and services leads to more effective production structures because every country produces the kind of products in which its relative competitiveness, relative productivity or relative supply of production factors is higher than that of their counterparts. But in reality, free trade works for the benefit of all participants only when the partners are more or less equal. Free trade between countries with large differences in per capita income leads to growing inequalities. In a globalised world when goods, services and capital can flow freely between countries, multinational companies want to produce in low-wage countries but sell in high-wage countries. In this way, they disconnect the supply and demand side of the economy, because with the diminishing jobs the aggregated demand decreases in
the high-wage countries and there are no automatic economic forces to compensate for this process. This phenomenon in the long run leads to lower demand and lower growth both in the high and low-wage countries.

The shift of production and services from the high-wage countries to the low-wage countries results in diminishing job possibilities and falling aggregated demand in the high-wage countries, while it does not really improve the situation in the low-wage countries. This kind of international trade contradicts all the existing trade theories, because each one argues for foreign trade on the basis of relative terms whereas the actual situation is based on an absolute difference. The international firms produce with the same technology, thus with the same productivity, in low-wage countries as they had done in the high-wage countries: the only difference can be found in wages. From this it follows that most of the benefits that are attributed nowadays to international trade are problematic.

In a similar way, the deregulation of the labour market and the flexibilisation of the industrial relationship becomes more and more the easier mechanism for entrepreneurs to maximise benefits and reduce costs, i.e. keep the salaries steady.

On the other hand, the neo-liberal way of thinking promotes the free flow of capital as advantageous, because the capital flows to the more profitable, thus more effective industries. It may be true in some definite cases, but in the globalised economy the higher effectiveness (higher return on capital) very often is only virtual and comes from speculation (as in the case of the Asian countries in the late 1990s) or from the tight financial position of the indebted developing countries who are obliged to pay much higher interest rates than the rates in the developed countries. It produces no more income, only redistributes what had already existed; uncontrolled capital movements can even cause serious income losses especially in the developing countries.

c. Tight monetary and fiscal policy

The most important goal of the neo-liberal approach is the low inflation rate that can be reached, but achieved by tight fiscal and monetary policy. Tight fiscal and monetary policy after a time really can produce low inflation rates, but at the expense of economic growth and its distribution. It can be clearly seen in the case of the European Monetary Union (EMU) countries where, to keep the euro stable, this policy is applied. The eco-
nomic growth in these countries in the last three years (including the forecasted data for 2003) was around 1% as a yearly average, well under the secular trend of 2–3% and below the growth of the three non-euro EU countries (UK, Sweden and Denmark) by 1% point.

However, neo-liberalism was not simply a macroeconomic paradigm, but a new social philosophy as well: these measures seemingly served purely an anti-inflation policy and a more efficient economy, but in reality they reshaped the whole social structure. The main goal was to dismantle the welfare state and in this way redistribute power in favour of “capital”, i.e. big multinational companies and financial organisations. It was stated that almost all activities that are done by the state are inefficient, or prodigal. One of the measures to dismantle the state was privatisation.

d. Privatisations and minimal redistribution

In fact, one of the main creeds of the neo-liberal policy is the supremacy of private property over the common forms of property (state, local government), but it has been never proved that within the same circumstances private property is more effective than state or other common forms. On the contrary, the privatisation of state properties is usually accompanied with the downsizing of socially important but economically unprofitable activities and with increase in prices. Historical statistics do not show a close correlation between economic growth (as overall indicator of effectiveness) and property structure.

With the privatisation of state enterprises a substantial number of jobs disappeared, usually because the privatised enterprise did not undertake the unprofitable tasks that the state-owned enterprises did (for instance, to provide electricity or water to populations living in remote territories, etc.). The remaining jobs became more uncertain, mainly because profit-orientation made these companies more mobile. In a similar way, the privatisation of social services for instance the pension system and health care, threatens first of all the lower income strata of society.

The role of states in ensuring a sustainable balance between development and social cohesion is therefore undermined. In particular, the neo-liberal paradigm affirms that the redistribution of income in a society leads to lower efficiency because it draws away resources from profitable, highly effective economic fields and transfers them into low efficiency ones or the government uses the centralised resources in a prodigal way. So redistribution leads to lower efficiency and finally lower economic growth. Once again evidence cannot prove this statement, as many countries
have higher than average redistribution and fast economic growth at the same time (see Figure 1).

**Figure 1**

![Connection between the rate of economic growth and the central government expenditure as % of the GDP](image)

(e. The neo-liberal paradigm of society: some final remarks)

Multinational companies and international organisations became therefore new and uncontrolled actors of the New World economy. Nation states are unable to withstand the pressure of international organisations like the WTO, IMF and World Bank. New international civil movements are too weak yet to become a partner of multinationals. Democracy, which is based on elected representatives of society, paled.

In the wake of the weakening strength of the trade unions, societies became fragmented (“debris” society) and unable to establish communities that were able to control their fate. Individuals are connected to society mainly by media playing a very important role in keeping the neo-liberal ideas on the surface. Against the growing evidence of the negative economic and social impacts of neo-liberalism and its outcomes, the mass media tells the people that there is no other alternative to this way of globalisation. Anybody who rejects neo-liberalism and who argues for
other policies is seen as unrealistic or, in the worst case, is condemned as being “extremist”.

This political structure of society explains the uncertainties that we experience both in the developed and developing countries: those who have the power, the big multinational corporations, the international financial and trade organisations (WTO, IMF, and WB), have no social responsibility. The nation states that supposedly have social responsibility do not have the necessary resources to ensure the desirable level of social security and/or they are under the influence of the big corporations.

Moreover, the fact that neo-liberalism is not a really successful strategy even in the developed countries, can be seen from the economic growth in the EU-15 countries that has been low and has a decreasing tendency (see Figure 2 below).

**Figure 2**

![Growth rate of the GDP in the EU](image)

*Source: OECD Historical Statistics and National Accounts of OECD countries*

For all these reasons, socio-economic security can be restored only with a change of power distribution similar to the process that caused trade unions to become partners of national companies in the course of the twentieth century. But as we have seen, this might need a long time.
In the following section we will examine how these general changes made their way in the case of the systemic change that occurred in Hungary.

2. The Hungarian experience of transition based on neo-liberal principles

a. General character of the systemic change

The systemic change in Hungary was carried out according to the principles of neo-liberalism. The prices, foreign trade, capital movement were liberalised, the state enterprises (the whole enterprise system, because being a socialist state all the means of production were in the government’s hands) were privatised, the commercial connections with the Comecon countries were liquidated. Behind these measures there were the IMF and the World Bank who linked their loans to these “structural adjustment policies”.

As a result the Hungarian economy collapsed, whole branches of industries disappeared and 1/3 of the jobs (1.5 million) were lost. The GDP at its lowest point was 20% below that of the last year of socialism, real wages deteriorated in a similar ratio, unemployment went up from zero to 12% (see Figure 3). If we take the differences between the actual GDP and the calculated GDP if the trend of the 1980s had remained as transformation loss, Hungarian society suffered a loss of $25 000 per capita (see Figure 4).

As a consequence of the privatisation (and the high debt burden of the country) in most parts of the economy foreign ownership became dominant. In the manufacturing industry the ratio (in net sales) of foreign-owned companies is around 70% and the same ratio exists in telecommunication (other industries: building industry 30%; wholesale 47%, retailers 40%; hotels, restaurants 30%; financial services 55%).

The privatisation of public utilities (electrical energy, water, gas supply, concessional road-building) resulted in dynamic price increases that considerably exceeded the average rate of inflation. Because the income level could not keep pace with the explosive price increase of the public utility sector, the gap between the increase in incomes and public utility prices contributed to a considerable extent to the process of impoverishment after the systemic change.
Figure 3

Social indicators of the systemic change in Hungary
1980=100

Source: Yearbooks of Central Statistical Office of Hungary

Figure 4

Transformation losses in the Hungarian economy
1980=100

Source: Calculation of the author
The Hungarian economy became therefore a “dual economy” where the foreign owned export-orientated companies determine the dynamics. At the same time, the foreign trade deficit of the Hungarian-owned industries amounts to 40% of exports. In practice, this means a highly unstable economy that is dependent on the interest and market possibilities of foreign multinationals.

**b. Public health reform**

After the systemic change in the framework of health care reform freedom of choice was established in basic provision, in as much as eligible family doctors replaced the previous district doctor system. Another fundamental reform measure transferred the state-owned health care institutions to the ownership of local and regional governments. However, the operations of these institutions were financed by the newly established health care self-governments from contributions collected after wages. The total value of these contributions suffered a continuous decline because of the decline of employment and real wages; thus the costs of health care increasingly burdened the patients themselves. In the meantime, the financial facilities of local and regional governments narrowed too, which presented a threat to the maintenance and modernisation of buildings. Thus the system has been working amidst a chronic financial crisis, while its structural inadequacies became more and more apparent too.

**c. Pension system**

Principles of the pension reform implied (i) a pension system of three basic elements, (ii) a gradually rising pension age-centre, and (iii) a clear and transparent relationship between contributors’ contributions and their pensions. To meet these requirements the parliament approved a so-called three-pillar pension system in 1997. The three pillars of the system are the following. The first one is a pay-as-you-go type, compulsory public pension, financed from contributions paid by employees. The second one is a compulsory private pension, which is collected on individual capital accounts. The third and final pillar is the voluntary insurance that can be contracted with private insurance companies. According to the law, every person entering the labour market must join the three-pillar system, while those already employed have the right to choose within a certain period.
The new pension system is primarily beneficial for the higher income social groups. The first pillar, the citizens’ minimum, is too low; it is rather a grant than a basic pension benefit. The second pillar is of a biased nature because on the one hand it is compulsory whilst on the other hand is managed by the private pension fund. Under these new conditions, the future pensioners must pay a higher share of their income for pension premium but still they will probably have a lower pension benefit than before – except the higher income social strata. Voluntary pension benefit is practically available only for the social groups with high and stable incomes.

d. Dwellings

Before the systemic change in towns, the great majority of the dwellings were in state (municipality) hands and the government bore the responsibility of providing dwellings for people, especially for those who were living on salaries whereby they could not afford to build their own. The government built some five apartments per 1 000 inhabitants yearly. After the systemic change the government-built apartments fell to almost zero, and thus the general house building slipped back to one-fifth of the peak years of the 1970s. With the privatisation of municipality flats 90% of apartments went into private ownership (mainly the ownership of the earlier renters). The result is that young people without enough wealth (for instance, who are living on an average salary) are unable to rent a flat for an acceptable price. On the other hand, maintenance and reconstruction of dwellings cause a severe problem for the population (the new owners) who are unable to cover the expenditure from their income.

e. Unemployment

In consequence of liberalisation, deregulation and the collapse of previous commercial relations with the Comecon countries the performance of the economy diminished. Between 1989 and 1995, the number of employed fell from 5,5 million to 4,0 million, i.e. by 1,5 million and stabilised around 37% of the total population and 52% of people of active age, which is a low level also in international comparison. In the statistically observed history of Hungary, including years of crises, world wars and revolutions, there was no example of the cessation of one third of the workplaces. While in the last forty years unemployment was unknown, during the system change, in three to four years, unemployment increased on national level to 12% and since then has lessened
slowly, but in some regions it is permanently around 17%. Especially difficult is for the young to find their first job and for those over 40-50 years to find a new job if their workplace is lost. In a short period the real income of the population as a national average fell by 13% and this conceals large differences among strata and regions. Table 1 displays the neo-liberal-minded measures in Hungary during the systemic change and their impacts on important economic and social indicators.

**f. Social inequalities**

The income inequalities decreased in the first decades of the socialist epoch, but after the systemic change these began steadily to grow: the economic transformation polarised the society. The proportion of the population living on less than the subsistence minimum was in 1991 around 15% and at end of the decade this figure reached 35–40%. The difference between the lowest and highest decimal class of per head income which was 4,6 times in 1987, reached 7,5 by 1995 and grew further to 8–9 times by 2000.

**Table 1: Chronology of the transition In Hungary: measures and their impact**

<table>
<thead>
<tr>
<th>Measures, events</th>
<th>Unemployment (%)</th>
<th>Real wages (yearly change%)</th>
<th>Inflation (yearly change%)</th>
<th>Balance of foreign trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1986 Authorisation of private wholesale trade</td>
<td>0,1</td>
<td>2,1</td>
<td>5,4</td>
<td>-0,4</td>
</tr>
<tr>
<td>1987 Liberalisation of industrial foreign trade and security market</td>
<td>0,2</td>
<td>-0,4</td>
<td>8,6</td>
<td>-0,2</td>
</tr>
<tr>
<td>1988 Tax reform, acts on associations and on authorisation of foreign investments</td>
<td>0,3</td>
<td>-5,1</td>
<td>15,5</td>
<td>0,6</td>
</tr>
<tr>
<td>1989 Act on Transformation, beginning of privatisation, transition to dollar accounting in CMEA trade</td>
<td>0,4</td>
<td>0,9</td>
<td>17,0</td>
<td>0,8</td>
</tr>
<tr>
<td>1990 The first government election, act on pre-privatisation, dissolution of the CMEA, price liberalisation</td>
<td>1,7</td>
<td>-3,5</td>
<td>28,9</td>
<td>0,9</td>
</tr>
<tr>
<td>1991 Act on bankruptcy, Act on the National Bank of Hungary, act on financial institutions. Further price liberalisation and liquidation of price subventions, completion of foreign trade liberalisation</td>
<td>8,5</td>
<td>-6,8</td>
<td>35,0</td>
<td>-1,2</td>
</tr>
</tbody>
</table>
3. Some suggestions for fighting insecurity through challenging the neo-liberal paradigm

a. An alternative to neo-liberalism and globalisation

Insecurity is not a pure feeling of the people; it is a well-established fact. The problem – as we have seen – has its roots in the change in power distribution and (as an outcome of this) the implementation of the neo-liberal policy in the late 1970s, with which the social contract that had existed earlier was kicked over. We also have to recognise that problems of insecurity cannot be solved at the level of individual countries, because they are unable to cope with the alliances of big multinational corporations, thus it needs a much wider co-operation among states and citizen’s movements.

Seeking for a new paradigm first of all we have to give a new sense to globalisation. Up to recently, globalisation has meant the growing power
of international corporations and the decline of democratically controlled institutions like national parliaments and governments. In a new perception globalisation would mean co-operation between nations, societies, cultures based on information technology and aiming at pursuing environmentally sustainable economic development, and solving the so-called global problems such as poverty, pollution, health care, basic material provision, etc.

b. Localisation globally

We have shown that today’s international trade cannot be sustained in the long run because it disconnects the two interrelated sides of the economy, the demand and the supply side. Now we add to this that according to the evidence, the local population consumes 70–80% of the production of a territory. The ratio of the import to the gross output of a country in most cases is not higher that 20–30%. Localisation means to produce first of all for the needs of the local population and also to offer a democratic control over the production-distribution process. Competition should be taken under control, to allow it to a degree that fosters technological progress and efficiency but prevents the destructive impact on the local industries.

c. Decreasing the negative effects of capital flow

Localisation also means preventing speculative capital flow that can cause damage to local economies. One possible solution is the so-called Tobin tax that would make speculation unprofitable.

For the sake of the less developed countries an international bankruptcy agency should be set up that helps to share the losses between the creditor and debtor countries in a way that helps to restore the economy of the bankrupted country.

In the case of FDIs, the idea of “sell where you employ” policy should be applied which interconnects the demand and supply side of the economic processes.

d. Curbing transnational corporations

In the last two decades every measure relating to international trade served the interest of transnational corporations (TNCs). It is understandable if we consider that the leaders of the corporations determine the policy of international institutions like the World Trade Organisation (WTO), the
Organisation for Economic Co-operation and Development (OECD), the World Bank (WB), the International Monetary Fund (IMF) and some other institutions of industrialists.

It would be mistaken to underestimate their power or influence, but groups of national states and civil organisations could be able to enforce such a rule in their relations with TNCs that would allow more control over the activity of the transnational companies. For instance, TNCs should be obliged to build much more on the local industries, or to interconnect TNC sales with the purchasing power (jobs) they create in a given country.

e. Regional co-operation

The pattern of international trade nowadays is that the developing/transition countries’ economy is connected to the developed economies and there is only very limited connection between neighbouring countries (except in the case of the developed countries of Europe and North America). In the last decades, there were some attempts in Latin America and Asia and just recently in Africa to develop regional co-operations but they have no dominant role. For the sake of their stability and security, national states should foster regional co-operation in which the participants are more or less equal regarding their economic development or cultural values. A co-operation can serve much better the interests of all the participants when the contracts bind more or less equal partners. Regional co-operation of several hundred million consumers are already big enough to provide an optimal size market for all kinds of products. On the other hand, they can be strong enough to withstand forces that do not serve their interests.

f. Active role for governments

For the sake of environmentally sustainable development and of socially acceptable differences between social strata, governments should have an active role in forming economic and social policy. What can be left to the market and to what extent may intervention change from country to country according to the concrete circumstances? In a developed country with mature industries and markets, the government’s role might be less, while in developing and transition countries the catching up with the developed countries is unimaginable without a strong government policy and definite priorities.
g. **Diversity in ownership structure**

International research shows that private property has no inherent priority over common property forms. Forcing privatisation by the IMF and World Bank very often served only the interest of the transnational companies, who by this way, were able to buy up the industries of the developing/transition countries and acquire new markets.

According to our point of view every ownership form can have its place in an economy and their relative weight should be suited to the concrete circumstances of a given country.

However it seems reasonable that state ownership should have a greater role in developing and transition countries, where infant industries need government support. Also state enterprises in basic infrastructural fields like water or electricity supply or mass transport can serve much better the interest of the public when they are state or local government property. Co-operatives have great significance when small entrepreneurs (farmers, retailers, directors of small industries) want to ensure their stability and profitability.

To sum up, ownership structure should serve the interests of local communities and where in the last decades – as a consequence of pressure from outside – this structure was distorted attempts should be made to develop ownership structures that fit better the local needs.

h. **Financial and fiscal policy for local interest**

According to the neo-liberal paradigm, the economy policy of the government should be limited to keeping inflation down. The main means of this policy are tight fiscal and financial policy. Tight fiscal and monetary policy may be useful to prevent the economy from overheating but to use them as basic rules is mistaken. Fiscal policy (budget deficit) and financial policy (interest rates) should serve the needs of the local economy and change according to the economic cycles.

i. **Protecting the workers**

The first precondition for protecting the labourers’ interest is to have the economy under the control of local communities. In the developing and transition countries labourers lost most (for instance their jobs) when crises were triggered by outside forces. It is because the fate of labourers depends much more on the economic conditions than contracts made between economic partners. Today, the economies of developing and
transition countries are over-exposed to the international movement of speculative capital, and generally to economic changes in remote parts of the world.

So the first step to ensure labourers’ security is to get back the control over the local economy. This goal can be reached more easily if neighbouring countries stick together and form regional integration.

But it will be a long-lasting procedure and protecting labourers is an urgent task. In the short run the best way for protecting the labourers’ interest is strengthening the trade union movements and involving other civil society groups into fighting for special purposes, for instance to protect jobs like in the Danon case in 2000.

\textit{j. Possibilities for changes in the enlarged European Union}

Neo-liberalism is not a law of nature but the interest of specific power groups referred to here as “multinationals” or “international financial and trade institutions”. Neo-liberalism was able to come into being mainly as a consequence of technical progress; the importance of the industrial labour force and, parallel to that the trade unions’ power has declined. From this it follows that social security can be restored only if the wider part of the society can get back the power. It is possible if civil movements are able to organise themselves into strong pressure groups.

The enlargement of the European Union makes the question of social security more important because there are large income differences and other structural imbalances between the E-15 countries and the newcomers. The “four freedoms”, which is the basic economic philosophy of the current European Union will hardly be able to solve the foreseeable problems.

One of the most important things that civil organisations who are fighting against insecurity can do is to keep the problems discussed above on agenda. They have the people acquainted with the problems and with the idea that an alternative to neo-liberalism does exist.

Peoples’ movements at all times have had to face the fact that their resources are limited; they can reach results only by self-organising. The Convention on the Future of Europe gives a good opportunity for this. The Convention invited the civil organisations to participate in the debate on the future of Europe. Some 600 civil organisations participated in the hearing in June 2002. The great majority of them were rather critical of
the neo-liberal way of thinking and its outcomes. NGOs, think tanks and academics could co-operate to form a stable scientific base to keep the problems and the possible solutions on agenda. Bringing them together is an organisational task, which can be solved using only modest resources.

Another part of the NGOs represents mostly movements of similar views and values. These movements can also be organised into a wide stream of people with similar goals. With some organisation work a rather wide coalition of civil movements can be formed. This coalition then might develop closer connections to the European Parliament and/or take part directly in the forthcoming parliamentary elections, with a clear programme addressing the basic problems the greater part of the society in both parts of Europe have to face.

The message that there is an alternative to neo-liberalism should be conveyed to the people. Against the fact that the media, seen, listened or read by people in the EU is in the hands of several big corporations (for instance Time-Warner, Bertelsmann) which advocate neo-liberal ideas, the local media can be reached. It also needs hard organising work.

Summing up, to improve the social security here in Europe or in other parts of the world the ruling economic paradigm needs to be changed. This paradigm can be changed only if those forces that are interested in change will be strong enough to reach their goals. It is not fully hopeless if civil organisations (first of all trade unions) with strong organising work keep together and use the possibilities that the European elections and the European Parliament can provide.
B. **CREATING A NEW LINK BETWEEN WORK AND SOCIAL INTEGRATION: PROPOSALS RELATING TO EMPLOYMENT AND WELFARE**

I. Work and citizenship: reviewing the links between employment and social welfare in the context of a “plural economy”

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**Introduction**

Increasing feelings of collective insecurity cannot be explained by any rise in levels of violence.\(^1\) Our contemporary societies cannot be considered more dangerous than earlier ones, but this objective fact does not prevent the subjective perception of increased risks and threats. The hypothesis we will use in this text here is that this feeling is largely engendered by the decline in the integrating capacity of institutional frameworks and in that which used to stem from paid employment.\(^2\) This paper will thus examine the role of employment as a vehicle for socialisation, before looking into potential changes in the relationship between work and social welfare conducive to providing feelings of security, reducing uncertainties and regenerating social cohesion.

The first section goes into the impact of the compromise between the market and the state characteristic of the thirty-year boom period after the second world war (1945–1975), highlighting the prime importance of paid employment at the time. With the advent of the “social state” after the second world war, individuals were partly freed of the constraints of family and neighbourhood, on which they now depended less for meeting their security needs. Paid employment became the “great integrator”\(^3\) because as an environment it not only housed exploitation and alienation but was also the main focus for adult socialisation. Furthermore, by endorsing the social value of work by means of monetary income,

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1. To take just one example, albeit perhaps a partial and disputable one, rowdy behaviour and minor offences are on the increase while the number of homicides and attempted homicides are on the wane. In France, for instance, the number of such crimes sank from 4.5 to 3.6 per 100 000 inhabitants between 1990 and 2000.

2. This is in line with the analysis put forward by Bernard Perret, *De la société comme monde commun* (Society as a shared world), Paris, Desclée de Brower, 2003. The writer’s introduction in fact includes the statistics on violence mentioned here.

employment also expressed a belonging to a community that possessed certain rights. In typical wage-based societies, it was work that made welfare protection accessible at national level, thus emancipating workers from the traditional neighbourhood-based types of solidarity.4

However, the compromise between the market and the social state as endorsed by paid employment was deeply affected by contemporary changes. In attempting to respond to these changes, the policies prevailing at the time prioritised market mechanisms. In doing so, they helped sustain the feeling of collective insecurity, contrary to the declared aims.

This is why the first section of this paper will deal with the various ingredients of a new social contract capable of restoring social cohesion not by concentrating on the market but by seeking to strike a new balance between the market, the state and civil society. The second section takes up the argument for a debate on the definitions of the economy and solidarity as a way out of our political powerlessness vis-à-vis the economy by means of a fresh advance on the democratic front. The initiatives that have been launched by civil society and gradually disseminated over the last few decades are a major asset for such an endeavour; yet however necessary they may be, they can never be sufficient if they are not inextricably combined with public action. One precondition for this is reformulation of economic and social rights. In accordance with the guidelines set out by the European think tank co-ordinated by Alain Supiot, the third section of my text strives to show that current experiments with a “different” economic rationale could provide sufficient leverage to enshrine in legal realities the recognition of pluralised forms of work, helping to forge new links between employment and social welfare and including a minimum income formula compatible with this objective.

In short, as outlined in the appended table, the aim is to stress the difference between the usual directions adopted by public policies and the requirements of a new social contract, showing how the conception of plural economy on which it might be based could be seen as consistent with European history so far.

1. From expansion to the changing face of employment

The consensus on periods of expansion is based on prioritising the market economy. In order to offset the inequalities arising from this arrangement, a protective state is allowed to intervene in order to restore balance,

which leads to a conception of social rights in which the right to work in an enterprise is complemented with social welfare aimed at protecting workers against the main risks in life. The market economy is bounded by a legal system of social protection which grows up on the basis of labour in both the labour law and social welfare fields. This makes public intervention look more like a complement than a threat to the market economy, or indeed a factor for market expansion.

It was after the second world war, with the need to shore up national consensuses, that this positive interaction between state and market took on its whole significance. The state henceforth endeavoured to promote economic development by means of new tools for knowledge and intervention. Concurrently, the welfare state extended the previous variants of the social state with social security arrangements and the spread of social protection systems. In taking on these new roles, the state was directing and supporting the market and at the same time correcting its inequalities.

The synergy between state and market is especially obvious in the near-universal spread of employee status, thanks to a regular flow of new job creations and high productivity gains, which facilitated periodical collective bargaining. Work gives rise to a paradox, which is in fact the key to its vital place in modernity. The wage-earning relationship in work highlights the exploitation of workers in their dependence on capital. At the same time, thanks to the related social rights, work affirms the same workers’ belonging to the body politic. The constitutive ambiguity, the enigma, of employment, is thus explicable by the fact that it inextricably combines exploitation and social integration.

a. Employment as the great integrator

Despite its ratification of subordination, employee status has achieved an unprecedented coupling of work and protection: the wage-earning employee joins a right-holding community, and monetary exchange between employer and worker is regulated by norms established through collective bargaining and rules issued by the national representative authority. Citizenship is engendered by employment, which also provides women with social recognition. At the same time, the drift from the land,

and later immigration, illustrate the pull being exerted by the city and its industries.

Paid work is thus the expression of citizenship. Even private enterprises acknowledge the worker’s belonging to a right-holding community. This is where we move on from a straightforward contract to a fully-fledged social status. Conflicting employers’ and employees’ interests lead to negotiations aimed at settling all matters relating to work relations, that is to say “all the practices and rules which structure relations between employees, employers and the state in a given enterprise, branch, region or indeed the whole economy”.6

Furthermore, contact with “the real world” forging interpersonal links within the working communities and with the organisation of labour.7 Since work cannot be performed without such productive co-operation, it generates a process of recognition by others: remuneration is not exclusively monetary, it is also symbolic. Although the more fragmented types of work involve a lesser degree of recognition, the judgements of colleagues can offset the lack of a hierarchy to heighten workers’ self-esteem. At any event occupational psychologists assign work an irreplaceable role because it is vital for the individual’s personal balance, bearing witness to recognition by other people, which involves a relationship with action and reality.8

Despite the employee’s evident subordinate relation to the employer, therefore, paid work can undisputably be defined as a means of obtaining status and recognition. Work also facilitates a considerable increase in one’s standard of living, with improved purchasing power, which means gradual access to the consumer society.


During this period of sustained growth, a virtuous circle emerged linking up production and mass consumption, and we should not forget that social advancement became a living reality for many families. This exceptional synergy between the economic and the social is liable to obscure the fact that the solidarity centred on the redistributive state was indexed on growth, that people’s traditional lifestyles lost a great deal of their autonomy and that the public services planned their responses to social needs without ascertaining the users’ views on the matter.

b. A destabilised wage-based society

This process during the thirty post-war boom years made employee status virtually universal, embracing over 82% of the working population in 1975. The expression société salariale (wage-based society) was coined to take account of this integrating function of employment. However, this society is shaking on its foundations. A few cracks had already begun to appear in the 1960s. New social movements had emerged criticising the lack of prospects for real involvement by employees and users in either work or consumption. They wanted to “replace a policy of living standards with a policy of lifestyles”. A demand emerged for involvement in the various spheres of social life, for guaranteed equality of relations between the genders and the different age groups, and for environmental protection. However, the real shock to the system came later, with the trend towards internationalising the economy.

Wage-based societies were always national, and now they are finding the increased interdependence of economies profoundly unsettling. It is primarily the markets that are changing, with international trade increasing more sharply than production. Take capital goods, for instance: demand drops off as soon as most households merely change their goods periodically instead of regularly purchasing new ones. Every developed country then attempts to increase its exports, which leads to exacerbated international competition with the emergence of new producer countries.

Furthermore, inter-company confrontation is aggravated by intensifying financial flows. At global scale this intensification subjects companies to an international profitability norm which results from capital volatility.\(^{10}\) In this context, international transfers of resources and locations is becoming part of the corporate strategy, thus burdening employees with uncertainties and “labour intensification”,\(^{11}\) which they have to accept as the price to pay for keeping their jobs. Such transformations in commercial and financial activities are being facilitated by technological change. The ever-increasing speed of data transmission and miniaturisation of electronic media amount to a revolution in the information sphere\(^{12}\) which is upending the established production system. Micro-electronics and information technology are leading to a “creative” type of destruction. Communications transport and storage costs have plummeted to such an extent that new co-ordinating, control and supervisory systems are now being implemented through networks so that the research, design and production activities do not all have to be located in the same country.

This internationalisation has the corollary of weakening the social state because capital mobility undermines its redistributive capacities. State-market complementarity, which had been at the heart of the previous expansion, was based on independent national policies. This approach is now being called in question, and it is doomed to failure unless we wish to put up barriers in some kind of drive to achieve autarchy. In destabilised national environments,\(^{13}\) the job-creating machine is turning into a “person-excluding machine”.\(^{14}\) Contemporary change above all means the attrition of wage-earning employee status.

\(^{10}\) The adverse effects of such volatility has prompted various reactions, for example the Action for the Taxation of financial Transactions for the Aid of Citizens (ATTAC), which has swiftly expanded since 1998.


\(^{13}\) See B. Badie, La fin des territoires (The end of territories), Paris, Fayard, 1995.

Although paid employment as the great integrator is still vital for social cohesion, given that “the proportion of wage-earners in the working population has remained practically unchanged since 1975”, it has been severely undermined. Governments have attempted to tackle this situation by concentrating on relaunching market growth while facilitating corporate job creation by decreasing the related social welfare contributions. In doing so, they have greatly exacerbated feelings of insecurity by relaxing the rules on employee status, which presents workers with an uncertain future: dismissals, unemployment, exclusion and job insecurity are threats faced by increasing numbers of Europeans.

2. **Democratisation of work: updating a system originally aimed at guaranteeing security**

This trend towards a situation where protecting employment has the corollary of impoverishing the workers and disrupting social cohesion has long appeared inexorable. However, resignation is not the only possible reaction. New dynamics are emerging with increasing force, expressing the determination of many members of civil society to work towards a different kind of globalisation. This includes the campaign being conducted for a different economy at both local and international levels, taking concrete form in the solidarity-based economy.

In its widest acceptation, the solidarity-based economy might be defined as all activities contributing to the democratisation of the economy through citizen involvement. This economy is based on collective actions aimed at establishing international and local regulations to complement national ones or to offset shortcomings in the national systems. We might mention several manifestations of this polymorphous movement, which is difficult to identify because of its lack of unification.


a. New dynamics in civil society: the solidarity-based economy

Fair trade is one example of such a trend.\textsuperscript{17} The lack of any criterion other than the commercial one in international trade, where the producer and the consumer are completely cut off from each other, is creating new forms of overexploitation primarily affecting producers in the South.

Fair trade arose from encounters between certain organisations from the South and a number of ecological and human rights associations in the North. It has two aims: “improving the lot of small producers in the South who have been marginalised by the lack of financial resources and experience, by creating outlets for marketing their agricultural or crafts products among northern consumers anxious to improve North-South solidarity; and providing a consumer network by heightening public awareness of the injustices of international trade regulations and lobbying political and economic decision-makers”.\textsuperscript{18}

As for solidarity-based finance, it is an effective counter to the increasing social polarisation between the wealthy and the poor. The idea is to democratise access to loans and improve counselling in the creation of new activities, in order to promote the latter and increase their survival rates. Such incentives are part of an endeavour to create a socially responsible savings system that is based on and promotes social cohesion.\textsuperscript{19} This experiment has shown that high-quality investment based on shared responsibility ensures greater financial security and efficiency. In order to ward off the danger of social exchanges becoming confined to monetary ones, various groups have emerged which endeavour consistently to use geographical proximity as an asset helping to set up networks that enhance people’s freedom and capacity to initiate activities.

\textsuperscript{17} This whole section is based on one of the pioneer works presenting a theoretical consideration of fair trade: T. Perna, \textit{Fair Trade — La sfida etica al mercato mondiale}, Turin, Bollati Boringhieri, 1998.


Private collective production, mutual knowledge exchange networks and local exchange systems are rehabilitating a “ground-floor” economy,\textsuperscript{20} which Fernand Braudel described as “material life” or “material civilisation”.\textsuperscript{21} However, where such basic production and exchange activities differ from illegal activities or straightforward “resourcefulness” among relatives or friends is that they have opted for integration into the public environment, drawing on voluntary solidarity and egalitarian relations among all members.

The solidarity-based economy by no means overlaps with the whole economy. It is but a widely ignored part of the overall economy which requires clarification and legitimisation. In fact, the importance of all activities conducted from the solidarity-based economy angle has less to do with the number and volume of organisations than with the reflections and realisations to which they give rise, and their impingement on the political debate based on new, enlightening practices.

\textbf{b. Linking up public action with activities conducted by civil society}

Public action will never renew its legitimacy until it is streamlined with the various voluntary and co-operative activities emerging from civil society. And vice versa: such activities will remain locked into their impecunious, informal status, involving forced survival tactics, until they are anchored into the public sphere.

The aim of renewing relations between the public authorities and the experiments conducted under the solidarity-based economy is not exclusively to create jobs and promote sustainable development. Democracy is also at issue here:\textsuperscript{22} democracy is “inseparable from certain customs, the power of civic virtues, a political morality conducive to attachment to the common

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\textsuperscript{22} The question put by Sylvie Mappa in S. Mappa (ed.), \textit{Développer par la démocratie?} (Using democracy to secure development?), Paris, Karthala, 1995, is not only relevant to the South; in our view it applies equally to the North.
weal and the constant practice of political participation”. Faced with negative individualism, which is being exacerbated by the commercialisation of social life, the “local public spaces” (espaces publics de proximité) that are growing up around the themes of occupation, employment and action against unemployment constitute environments in which the tendencies towards withdrawal into the private sphere or reliance on welfare can be countered. They express a relationship between individuals and collective actions which differs from that which prevailed in earlier social movements. By their joint presence in such places, citizens can regain confidence in their capacity for generating work and overcoming the fear occasioned by the uncertainty of public action.

Moreover, the employment crisis cannot be solved solely by strong economic growth. The solution lies partly in reinforcing the commitment to the common weal. Such a day-to-day public spirit cannot be expected to spring up spontaneously: it requires an unprecedented type of policy combining employment, social cohesion and public space. This requirement is especially urgent because the independence of the economy from politics was based on equating increasing wealth with growing numbers of material possessions, given that only this kind of commodity is measurable. In a tertiarised economy with high relational and non-material content, we can no longer cling on to the aforementioned independence without shutting ourselves into a passé vision depriving the citizen of any influence over things economic.

c. Synergising the two forms of solidarity

The importance of the solidarity-based economy issue here stems from the fact that it challenges the split between the liberals, the advocates of free enterprise, and the progressives, the champions of social acquis. It highlights the fact that this central conflict, which has now been reactivated, obscures the agreement between both parts on the fact that solidarity is indexed on commercial growth. The truth of the matter is that


this shared conviction is especially problematical now that the market is invading the social field. While liberalism is throwing society back on to the market, social democracy, which used to use the market mainly for financing social benefits and services, is having trouble dealing with the sudden influx of large private enterprises into fields that were formerly the preserve of public action. Under such circumstances, it would be highly ironic if we tried to curtail the market if people depend on its performance to increase social transfers.

This is the dilemma which the solidarity-based economy could help overcome, because it complements redistributive solidarity with a type of solidarity conceived of, in line with Leroux, as social cohesion based on equality and reciprocity, uniting willing citizens in the public space. The solidarity-based economy could use its capacity for articulating the reciprocity-oriented, redistributive dimensions of solidarity in order to promote socio-economic integration.

The complementarity between both these forms of solidarity may stem from the fact that horizontal solidarity, which is more oriented towards reciprocity and which prepared the way for redistributive solidarity, does not place the market economy as the sole producer of wealth. Conceived in the form of collective action governed by the principles of freedom of undertaking and equality among participants, solidarity can help create wealth. “Social capital” formed on the basis of solidarity is of decisive importance to the economy. It is a primordial production factor which helps improve the results of “productive combination”. This would turn solidarity networks into genuine economic resources, although if these networks are to be fully operational the access to economic and social rights must be made less restrictive.

27. As shown by R. Castel, op. cit., 1995, pp. 290 and 291.
3. Reformulating economic and social rights

This viewpoint converges with that of the European group co-ordinated by Alain Supiot, which stresses the importance of a labour policy that is less preventive than the usual employment policies and is centred on maintaining the capacities of individuals.30 Cardinal importance attaches to structural policies on innovation and research, vocational and further training, collective infrastructures, and creation of networks encouraging occupational mobility and development of new enterprises.31

a. Collective frameworks for a professional status

This European group considers that the current risk is that of confinement in a defensive strategy aimed at preserving the acquis of the best protected workers, for example certain categories of public sector employee. On the other hand, concentrating on such an objective would mean abandoning all those who were condemned to living on the breadline. The only realistic way of escaping this outcome would be to develop a comprehensive approach to work linking up the imperatives of freedom and security by means of new collective frameworks for a mode of labour organisation capable of “establishing rules; delineating spaces for negotiating the rules; and enabling collective actors to intervene effectively“.32

This issue, which rejects the dividing line between “normal” and “casual” wage earners, is in line with other forwarding-looking approaches. All these strategies start from the current changes in order to transform the categories of labour law and define appropriate forms of protection. Far from “giving up” in the face of new economic developments, these approaches seek to link up various forms of protection conducive to social cohesion with contemporary methods of labour organisation. For instance, another group of European researchers has concentrated on introducing the idea of a “transitional market corresponding to all the intermediate situations between employment and non-employment that

30. This emphasis on capacities or “capabilities” is characteristic of the work of A. Sen; cf. Development as Freedom, New York, Alfred A. Knoff Publisher, 2000. For a practical application of this theoretical approach to the empirical realities of the solidarity-based economy, see I. Guérin, Femmes et économie solidaire (Women and the solidarity-based economy), Paris, La Découverte, 2003.
32. Ibid., p. 85.
can be temporarily occupied by either employees lastingly integrated in enterprises (part-time, part-time early retirement, training courses, etc.) or other working people in the broad sense of the term, be they job-seekers or engaged in occupations commanding some degree of social prestige (unemployed, young trainees, parents involved in child-raising, active members of voluntary organisations, etc.). These markets are conceived as an instrument to combat long-term employment by means of “an alternative to what is called the second employment market”, the “low-wage” sector in the United States and the “government-subsidised” sector in Europe. The idea is to reunify situations that have hitherto been treated as special cases in order to “homogenise the social rights of «normal» workers and those of the working population in situations of transition”. The aim is to provide crossover points for the whole working population between paid employment, training and other social or publicly useful activities by combining wages and social transfers.

What is lacking is a coherent framework granting individuals an “occupational status” that prioritises continuity in developing the capacities of workers in different situations. This option would facilitate the activation of social expenditure which would be neither a favour for the enterprises, with the effect of a godsend providing alternative revenue, nor an increase in social control over unemployed persons as in the case of “workfare”. Nevertheless, it does call for formulating procedures for collective deliberation on a socially just and economically efficient approach, at all the different levels, the need to reconcile the requirements of the collectivity to which the workers belong (the enterprise or the territory)


34. The “second employment market” is defined as all jobs financed by social treatment of unemployment; this expression is mainly used in Germany: G. Schmid, “Le plein emploi est-il encore possible? Les marchés du travail «transitoires» en tant que nouvelle stratégie dans les politiques de l’emploi” (Is full employment still possible? “Transitional” labour markets as a new strategy in employment policies), Travail et emploi No. 65, 1995, pp. 5–17.


37. Regarding the scope of these effects in employment policies, see M. Lallement, “L’État et l’emploi” (The State and employment) in B. Erne and J.L. Laville, Cohésion sociale et emploi (Social cohesion and employment), Paris, Desclée de Brouwer, 1994.
and their individual freedom to use their rights. A link is needed with recent advances in the trade union field, advocating a new emphasis on territorialised collective bargaining. A fourth level of social dialogue\(^{38}\) might be added to the three conventional levels of enterprise, branch and the inter-occupational national level. Territorialised collective bargaining could be introduced, for example, by involving trade unions financially in efforts to promote local employment, enlarging the scope of collective bargaining, and having officially approved joint collecting agencies fund activities extending beyond the training field. Such facilities, which could easily be mobilised because they would be based on transferring existing resources, would facilitate progress towards regional agreements among social partners on development of employment and the economy within the territory.

\[b. \text{Recognition of voluntary undertakings}\]

Therefore, extending economic and social rights involves an inescapable paradox: to make paid work accessible to all, while at the same time putting the importance of employment into perspective, particularly by legitimising other forms of work. This tension lying at the core of the solidarity-based economy produces a number of misunderstandings. Some people do not see this phenomenon as a tool for creating jobs and suspect experimentation in such an economy of being attempts to introduce downgraded forms of work in which payment is replaced by free provision of labour. The problem is that while reconciling professionalised, durable jobs and voluntary undertakings is indeed the main specificity of the projects, this feature is invisible to their target groups which, for this very reason, help normalise them. This process points to an enormous reluctance to enshrine voluntary service in a legal framework which would elevate it to work status.\(^{39}\) Yet the pluralisation of work is one of the vital crossover

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38. This proposal was put forward by the Poitou-Charentes regional branch of the CFDT, see F. Joubert, B. Quintreau and J. Renaud, “Syndicalisme et nouvelles solidarités” (Trade unionism and new solidarities), La Revue de la CFDT, June/July 1998, No. 11, on which the ensuing passage is based; see also in the same issue G. Larose and F. Aubry, La Confédération des Syndicats Nationaux et l’économie solidaire au Québec (Confederation of National Trade Unions and the solidarity-based economy in Quebec), as well as the article on “Pourquoi rapprocher la négociation sociale du terrain?” (Why bring collective bargaining closer to the grassroots?), Le Monde, Initiatives supplement, 16 July 1998. It should be noted that the principle of a fourth level of social dialogue has been adopted by a national convention of the Socialist Party.

39. According to Alain Supiot, “It is necessary and sufficient that an undertaking to act be bound up with the effects of the law for this action to be described as work” in his article “Grandeur et servitude de l’emploi”, Partage, No. 112, April 1997, p. 14.
points for advancing towards a definition of work transcending that of employment. The issue at stake is the emergence of a new type of social right bound up with a model of work as being both voluntary and paid.

c. Towards a revenu minimum d’initiative (minimum initiative income)

Furthermore, the links between protection and initiative could be improved by a three-phase system:

- In the first phase, a minimum benefit would be granted to persons who lack the requisite resources for a decent livelihood. This benefit could be paid together with other resources, with the minimum income benefit being reduced by an amount lower than the said resources. The idea would be to grant this benefit to any person who lacks the minimum guaranteed level of resources, even where his/her efforts to re-enter the labour market prove unsuccessful;\(^{40}\)

- During the second phase, therefore, it is vital to ensure that this condition-free income does not end up paying for its recipient’s exclusion by supporting his/her efforts at occupational integration. Any individual or collective, commercial or voluntary socio-economic initiative produced by a beneficiary or a group of which he/she is a member must be examined and supported, and help must be provided in formulating the initiative. Where the initiative is validated the recipient is automatically granted a supplementary allowance;

- In the third phase, however, it is obvious that the initiative cannot be made accessible to everyone immediately. This is where the public authorities could take responsibility for providing socially useful activities for persons who could otherwise be engulfed by exclusion. And it is here, and here alone, that a compulsory rationale can be implemented, an approach which is otherwise ethically untenable. It is also here that we must offer access to an activity and supplementary income under conditions which may in this case be strict, because freedom is catered for elsewhere.

Lastly, in order to regulate all these provisions and ensure that integration becomes a societal question instead of a technical matter reserved for specialists, beneficiaries of the measures must be represented on the bodies responsible for granting the minimum income, as has been pointed out by the associations representing unemployed people.

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This plan for a three-phase minimum benefit would retain the minimum salary provision, which is the only way to stop low wages plummeting even further. Unlike universal allowances, it has the advantage of being fairly easy to finance. Its main feature is that it tackles the question of the social construction of a genuine local integration mechanism, which has so far usually been evaded. In so doing it could break with reliance on welfare assistance to establish the conditions for access to personal and social initiative. This is why it might be designated the revenu minimum d’initiative (RMI).

This new RMI proposes replacing the hierarchical system of beneficiaries classified according to “employability” with an attempt to integrate them into a plural economy. The aim is no longer to look for employment in the commercial sector, with unemployment benefit as the only palliative. All hypotheses are considered without debarment of any kind, including contributing to private production and creating small territorialised commercial or crafts enterprises. Despite the indubitable need for additional public financing, notably in order to ensure that social work can follow this trend, it will guarantee returns on investments because it will, so to speak, activate “passive expenditure”. The fact is that it is based not on increased social supervision of the poor, as in the case of workfare, but rather on taking more account of their living conditions and trusting them as citizens. Reforms of this type have in fact already been initiated, for instance in Denmark with the Social Development Programme launched in 1988 and the Netherlands, with the 1993 Social Renewal Programme.41

This redevelopment of the RMI is inseparable from a reform of the main social rights which have been made dependent on holding a job.42 The fundamental rights can no longer be bound up exclusively with wage-earner status: universal social rights must be granted to everyone for the purposes of medical cover, old-age pensions and family allowances, if


42. A. Supiot, op. cit., 1997, p. 11.
only to take account of the changes in the situation of families which have accompanied transformations in the world of work.43

**Conclusion**

One of the main corollaries of the compromise between the market and the social state peculiar to the boom period was that solidarity became institutional and was consigned to dependence on market growth. This led to the contradiction which is currently becoming evident in a more internationalised economy: on one hand, in order to protect the competitiveness of enterprises, employment arrangements are having to be made more flexible; and on the other hand, this flexibility is fuelling the public feeling of insecurity which work-related protection used to keep under control. Furthermore, in an economy which is also increasingly service-oriented, the fields which the development of the welfare state took out of the market (health, social services, education and personal services) are now at the centre of the strategies being implemented by the major multinationals. This trend towards privatising such services is leading to a commercialisation of societal life, the adverse effects of which can only worsen, particularly in terms of negative individualism.

The aim of democratising work implies reworking the idea that the market economy is the sole source of prosperity for the whole of society. It would be useful to conduct the debate on work and labour from a more realistic and less ideological angle than that of the market economy, vis-à-vis that of an economy with a market, in other words a plural economy of which the market is one of the component parts which, despite being the major aspect, is in no way the only wealth-producing sector.44

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43. C. Euzéby, *Mutations économiques et sociales en France depuis 1975* (Economic and social changes in France since 1975), Paris, Dunod, 1998. Such writers as Bernard Friot protest against this development on the grounds that it confirms the focus on social contributions, which are reminiscent of welfare assistance. However, as Denis Clerc has noted in his critique “Et la cotisation sociale créera l’emploi” (Social contribution will create employment), “surely taxation is another way of socialising income. Is it necessary to affirm to such an extent the link between work and social rights, given that the latter are basically owed by the whole of society and are not payable solely from public capital?” in Alternatives Economiques No. 170, May 1999, p.71.

From this plural economy angle we can combine the various poles emerging from the experimentation on the solidarity-based economy, that is to say economic practices in which individuals freely form partnerships with a view to joint actions helping to create economic activities and jobs, while also reinforcing social cohesion by establishing new kinds of social relations based on solidarity. Such initiatives can complement efforts to democratise public services and regulate the market economy. By thus drawing on both the different registers of the economy and the different forms of work, we can envisage revitalising the political bond and consolidating the social fabric, which are vital if the European social model is to develop and adapt while still retaining its fundamental values.
## Appendix – A social option

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II. What conditions are needed to manage the crisis of the welfare state? “Social planning” as key for the passage to a welfare society

by Franco Archibugi, President of the Planning Studies Centre, Rome (Italy)

1. The multiple challenges for the welfare state

The crisis of the welfare state, as said more attentively somewhere else, can be seen under the profile of three general factors:

- the financial limits;
- the lack of efficiency, effectiveness, and performance measures; and
- the disaffection on behalf of the users.

a. The financial limits of the public sector

The fiscal pressure of the state on the production of national resources, in order to redistribute income and fund indivisible (and also divisible) services, has in our time reached unsurpassable levels, mainly if we take into account the decline of the growth rate of resource production itself.

Furthermore, everyone knows that the elasticity of total public expenditure on resource formation (GNP) has been for a long time (even if not forever) superior to one, and moreover, is inclined to grow.

The public expenditures in western economic systems are funded by the fiscal systems. And, except for marginal variations, the state fiscal income elasticity with respect to the GNP (in other terms, the fiscal burden on the private sector incomes) is parallel *grosso modo* to the public expenditure elasticity. Even from the side of the global fiscal pressure, therefore, we have reached a turning point beyond which either we should invent “other forms” for funding ever-growing public expenditure, or we


2. The threshold of this unsurpassability, when defined in the past, has encountered clamorous denials. Leroy-Beaulieu, the celebrated economist of public finance of the Collège de France, at the end of the nineteenth century argued as impossible that this threshold could surpass 12–13%. In the 1920s and 1930s, authoritative economists such as Keynes and Colin Clarks argued as impossible that it could surpass 25%; see Cazes (1981). I ask myself if the role-playing of public expenditure, and of “deficit spending” in particular, would be seen by Keynes himself in the same way today, in light of the present level of state pressure on the whole economy (reaching in the European advanced countries between 50% and 60%). This effect should permanently be taken into account in the debate on Keynesism and the “dissolution” of its consensus; see Dean (1981).
should invent some non-public forms of funding those same services where a growing demand is registered.

b. The lack of efficiency, effectiveness, and performance measures of the public sector

The second crisis factor related to the further development of the public services can be identified in the efficiency/effectiveness crisis of the same. In fact, everywhere – more or less – together with the growth of the demand for public services a crisis of their efficiency control has also been registered. The more they are extended, the less they are controlled. And this is true in spite of the fact that their expansion occurs under the pressure of a true social demand.

The welfare state systems introduced after the second world war in all developed countries demonstrated that big dimensions are often necessary to standardise costs and ensure equal performance with respect to citizens’ rights. But we also know that big dimensions have the effect of making constant the adaptation of the service supply or provision to the real preferences change of demand even within the same specific social service.

All this is at the base of the “bureaucratisation” phenomenon: i.e. the development of obsolete or parasitic activities, fitting more to the interest of the officers of the institutions than to the users or beneficiaries themselves.

The best way to control efficiency and/or effectiveness of the public service is therefore to control and steer its performances in every direction. But it is difficult to apply appropriate methods of measuring and evaluating performances if these are not analysed, defined, and assessed through an explicated goals system, and related to an elaborated analysis of the best means necessary to achieve them and the enchained system objective/instrument of the implementation process.

All this can be named “strategic planning”, to which we will return below.

c. Disaffection and antipathy

Amongst those factors evoked, the second also gives rise to the third. The lack of efficiency/effectiveness produces disaffection, as well as an antipathy, on the part of the users. But such disaffection and refusal towards provided services, also independently from their efficiency, can be provoked by the personal preference – beyond a certain threshold of
satisfaction of the primary and secondary material needs – for more “personalised” and less “social” services and performances.

This phenomenon, which of course occurs when a minimum level of tangible needs is satisfied, is spreading in ever-greater strata of the user population.3

2. The changes in social demand and the consequent new labour market model

a. The transition from the industrial to the “post-industrial” society

The post-industrial society4 – commonplace already – is characterised by a radical inversion in the proportions of household consumption: from the consumption of industrial commodities to the consumption of personal services; from consumption valued “at the market-price” to consumption valued in “non-market price terms”, or simply not valued at all.

If the industrial society has signed a progressive “marketisation” of the inter-individual transactions, the post-industrial society is offering to us a new process of “de-marketisation” of such transactions, which is all yet to be studied and to be evaluated, beginning from the meaning of the accounting instrument of GNP which is today so felt as obsolete and at the same time so used.5

In industrial society, the dominant employment has tended to model itself on forms and conditions of factory organisation. In post-industrial society, on the contrary, independent work begins to re-emerge again, after its tendential dissolution, albeit in different forms. The “labour market” does not become the tendentially dominant and hegemonic model, like in industrial society.

3. In fact, the more the state extends social coverage and its engagement in favour of the generalisation of its intervention to satisfy emergent social needs, the more the subjective satisfaction of the same needs seems to decrease. On this paradoxical (or maybe not at all paradoxical) result, see the arguments of Fred Hirsch (1976) and those of Tibor Scitowsky (1976) about the “joyless economy”.

4. The concept was proposed a long time ago by many scholars, including Touraine (1969) and Bell (1973), with the non-defined terminology as usual at the beginning of a reflection.

5. Let me say how I am more and more astonished by a kind of predominating schizophrenia within the profession of economists of every school, where it has become commonplace to state that the conventional, official accounting system used in every country, does not mean anything, whilst from the other side continuing undaunted, without scruples or reserve, to use it to say if things are going well or badly.
First of all the movement is accentuated and generalised towards a “professionalisation of labour”, already announced in the last phase of industrialisation, that of automation. In the industrial sector as well, in fact, the first development of mechanisation, which for a long time constituted a factor of degradation of the qualifications, has been succeeded by the latest development in automation, in which in the form of new professions inherent to the control of the entire process, labour qualification has been recovered.

But in the post-industrial society, the movement towards a more extended professionalisation is spreading with the spread of the same extra-industrial activities and services (which are not susceptible to the quantification of output) all founded on individual performance of a professional type. In the post-industrial society the dominant model of reference is no longer the factory, but the office: and this ends up influencing even the same industrial activities (if not even agricultural production, which is transformed into an agro-business). In conclusion, the (employee) “labour market” is being progressively substituted, as a relevant model of reference, from a “professions markets”.

b. The transformation in motivations

Even concerning motivations a great transformation occurs. In the industrial society, if progress is guaranteed by the increase in productivity, this is in turn sought for on the basis of an “augmentative” interest in profits and incomes. It is not by chance that capitalist accumulation and industrial society have been interactive phenomena and strongly integrated. And nor is it by chance that entrepreneurial profit has been considered the basic motivation of productive activity in industrial capitalist society. The Schumpeterian entrepreneur is, in fact, the standard hero of industrial society, motivated by profit, who looks in product innovation or the production process for that rate of increase in productivity on which his rate of profit depends (and on the prospects of which the rate of investment also depends.

In post-industrial society, the absence of an increase in real productivity renders problematic the presence and efficiency of the profit motivation

6. In the post-industrial society the boom of “services for production” is developing: marketing firms, advertising agencies, infromatics, etc. But such activities, rather than going towards the large structure, recuperate the professionally self-managed structure.
as a “motor” of activity and investment. The expectation of profit would have nothing more to base itself on. Other various motivations take over: for instance, social and professional recognition motivation in the ever-larger range of strongly personalised activities that characterise the “tertiary” age.

In fact, it is growing a production and consumption area of an associative type, composed of small communities, “local” and “proximity” initiatives, whose impact is growing within the whole economic system. In this associative area, the solidarity and the “service spirit” are overcoming the gain purpose, and the exchange sometimes happens in “nature” or by barter, sometimes with *sui generis* monetary forms. This area constitutes – in the advanced economic systems – an “independent” sector, an economy for which I am induced to propose the term of “associative economy”, an economy basically motivated by non-profit intentions.

c. A crucial change in labour supply and availability

These activities, including labour supply motivations, are producing changes that the economists, entrapped in their interpretative paradigms, have difficulty recognising.

I entrust myself to Robert W. Fogel (a Nobel Laureate for Economics in 1993) when he recommends a clear distinction in the futurist analysis of the labour market between the earnwork (work for earning) and the volwork (the voluntary work). And he concludes – after some deeper calculation on

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7. For considerations on the decline of the spirit of enterprise by Heilbroner (1976), see a quantitative analysis on the crisis of profitability by Heap et al (1980/81), and essays on the phenomena of de-industrialisation collected by Blackaby (1979).

8. In the vast literature on this subject, see the critical survey concerning the European countries by Laville and Gardin (1996).

9. See also the excellent, wide analysis by Williams and Windebank on this subject (1998).

10. The “independent” sector in the United States has reached grandiose proportions and has a big national confederation, which deserves to be deeply studied and taken into consideration (Independent Sector, 1992 and Hodgkinson et al (eds, 1989). See also Salamon and Anheier (1996). In addition, see the Independent Sector website at www.independentsector.org.

11. More analysis of the general effect of this kind of economy is in Archibugi (2000), Chapter 11 and 12. But many other scholars have contributed to the theme development (among them I limit myself to referring to the interesting works of Hirschman (1977), Aglietta e Brender (1984), Greffe (1990), Offe and Heinze (1992), Laville (1994).

the evolution of both types of work – that in the United States: the hours for earnwork, which in 1880 were 81% of the available hours (“discretionary hours”13) along one entire life year (of one same subject: the Average Male Household Head), (the volwork then was consequently 19%), had decreased in 1995 to 62% (whilst the volwork had increased to 38%). Thus we already live today with around 40% of the hours available for work employed for volwork. But even more stupefying is the projection that he outlined of this trend, according to which in 2040 (still in the United States) the earnwork will decline to 23% whilst the volwork will ascend to 77% (employing around 4/5 of the available time of the average person).

In other terms, the earnwork will tend to disappear, and we are going toward a situation in which the volwork tends to prevail. What will be the behaviour of the labour supply in such a situation? Probably it will answer only to the activity wishes of the worker. (Can we still term them as such?)

It is probable that if a globalisation will be developed that is more organised and more controlled, shuffling can occur, and perhaps it could become some new type of “labour division”. Then, in the welfare world it will be researched how to introduce a new system of compensation, of support, and of social “shock absorbers” in regard to this unbalance and social misdistribution of benefits, which nonetheless are suitable for everybody (and only an intellectual strabismus could deny it).

3. The growth of the independent, non-profit and associative economy

It is in this sense that I formulate the hypothesis of the growth of a “post-capitalist economy”, an economy based on non-profit performances, on aims and motivations not related to the gain, first in the labour performances, but also in the motivations of the organisations, which will become more and more non-profit organisations.

Let us give further insight to the functionality of this kind of economy in the context of the contemporary challenges to security, of the traditional production relations, of the welfare state crisis and of the new needs for a programmatic vision of public management.14

13. He considers “non-discretionary hours” the residual hours of an average day (based on 365 days per year of the male household head) reserved to sleep, meals, essential hygiene, and chores (evaluated steadily – through the times – at 12 hours per day).
14. A support to this view could come from an excellent political analysis by Paul Hirst (1997).
a. Shapes and resources of an associative economy

In the non-profit and associative economy, which does not exclude the “individual” interests of its operators in their personal motivations, the social interests and the “sociality” are exalted. Its most innovative and distinctive characteristic is in its expansion in the fields of culture, art, scientific research, education, natural environment, politics and “governance”. However, the presence within it, also very important, of the field of charitable initiative and social solidarity, and any form of humanitarian spirit, has been, nevertheless, very strong historically, even before the personal interest to profit and marketisation was developed together with the capitalist society. Therefore, this presence impedes perception of the historical novelty of the non-profit and associative economy and further impedes enlightenment of its contents of modernisation as an alternative to the market and profit-based economy.

We can ask ourselves, with regard to this impressive forecasting, how all of these people (three-quarters of the total active population, according to the estimation of Fogel for 2044) could receive the resources they need if they do not work for earnings? Fogel has not been clear about the forecasting method used, but it seems that it is a matter of a simple projection; for a forecast with a span of 40 years we cannot ask for more. For my part, my answer is implicit within the analysis of the change model. Resources will come within the same category of “volworkers”, which will be, to say, self-consumer and self-producers.

Obviously, the productive economic base remains always the industrial technology and automation which distribute material goods for all (and without a bottleneck, on the contrary it is always within a crisis of over-production and market saturation; and the industrial sector does not know what to invent to create new needs and to keep the customers).

But, the new immaterial base of resources – and this is the new thing that we need to abandon paradigms of the traditional economy that is built on the model of the industrial material base – is a self-producer and self-consumer

15. All fields which become the crucial fields of the new society. Somebody preferred to coin for it the name “knowledge society”: see Drucker’s book on the “post-capitalist society” (1993), where Chap. 1 argues the transition “from capitalism to knowledge society”). For a point of view on the transfer of technology at a world scale, see the essays edited by D. Archibugi and Lundvall (2001).

16. Alvin Toffler, a good inventor of nice slogans, calls them “pro-cons” (1980).
one. The exchange occurs within the immaterial sector itself. Without taking into account that even the volworkers can sell their services, not for earnings but for professionalism, to the sector of the immaterial goods. Moreover, these are the conditions for their high productivity progress.

Besides, from where are the resources coming:

- for the unemployed (willing or not) of today?
- for the students in permanent parking in the universities?
- for many government employees (already about one-third of the people who work for earnings in many countries), for whom nobody measures their outcome and results, and whose work is similar rather to a volworker’s parking (and if we do not rush to render them useful they will be an implosion effect on the system)?

Actually, these resources come:

- from the “turning of accounts” of the public financial system;
- from the households (whose real per capita income is much lower than that of the monetary one, which demonstrates that it could be a big waste if not redistributed in terms of real welfare within the households); and
- from the states (like the pension payments and other social transfers – as the idea of a “basic income” itself – which redistributes “resources” and purchasing power.

To protect employment through direct or indirect subsidies in favour of obsolete productions and through resource allocations when the market does not reveal their utility for the consumers and the public means protecting a labour waste and not the social utility of the work. In such a case, it is better to induce people to rest, or still better, to encourage it towards voluntary work (volwork).

b. Why not a “basic income”?

By eliminating remarkable “institutional waste”, a greater flexibility in the creation of labour opportunities could be determined instituting a “citizenship income” (or basic income). With it, economic security would certainly

17. On the “basic income”, after an earlier debate under the form of “guaranteed income”, see Theobald (1965) and Stoleru (1973); a large movement which deserves special support has been promoted as “BIEN” (Basic Income European Network; www.basicincome.org). Among others, see Van Parijs (ed.) (1995).
increase, without implicating social waste of labour in all the fields where neither the private nor the public systems have the capacity to guarantee the social utility of the same. As already mentioned, social hypocrisy such as inventing jobs to aid the for-profit firms (more or less forced and artificial) for products and activities where the utility and preference on behalf of the public is not measured should be avoided, because, in effect, it is done only in the name of a defence of the employment level, which is none other than a defence of income.

In such cases, then, I think it is more logical and sensible, and at the same time mature within our advanced economic systems, to introduce such a basic income for all (already practised for many citizen categories under other titles, like the elderly, students, housewives, etc.). It is a matter only of deciding how to set up the distribution forms (and some related requirements) and how to establish its compatibility with other predominant forms of personal (by capital or labour) “incomes”.

c. The passage from welfare state to welfare society

In brief, in order to pass from a welfare state to a welfare society it is necessary first of all, to be convinced that not all can come from the state, and much can come from the society. We have advanced into an overloaded state. Some say that we have advanced too much. Others say that we have not advanced enough, or in a good way. Regardless, we all sufficiently agree that something must be done overall to recuperate efficiency and effectiveness in respect to the objectives, and to obtain a general saving on the governmental available resources.

However, are there “objectives”? It is clear that people with common sense do not speak about “objectives” in general; and for those who do hoard them together, it would imply that they want everything, and everything together! By doing so, they speak about objectives, which, formulated one by one, cannot be perceived to be contradictory to one another. Objectives are needed that are consistent and compatible with resources, and with adequate priority scales; and moreover, objectives negotiated with the various political and social stakeholders.

On this point, which is crucial in order to assure governance, we are still at “square one”. We are totally unable to introduce into governmental management some system of strategic planning and programming. These systems are already elaborated on the scientific stage, but they are terribly rejected by the politicians and by the public managers.
In every country, a lot of decision procedures have been introduced, at a bargaining table with stakeholders and an incredible variety of actions, without any awareness of the results obtained, in front of any amount of money employed in the different activities, especially in the field of social policy. The relation between objectives, performance measuring, and program budgeting is largely absent (the first country that introduced a strategic planning at the federal level, GPRA, 1993, was the United States; other European countries have followed something similar but less systematically and in a more confusing way) in the government practices.

Everywhere, governments continue to operate in the dark regarding the result of their operations. In fact, without introducing strategic planning in governmental services (for instance in the social field: health, social policy, education, environment, infrastructure, etc.) it is impossible to decide with awareness, if, why, how, until what point, it is convenient (for the users and for the state savings) to associate in the welfare state, also the private contribution of the people interested, and of the co-operation of the non-profit organisations. The devolution to the non-profit sector (or third sector) of some activities of the welfare state, and the negotiation of contracting out with the for-profit sector for part of the activities, if it is the case, pass necessarily through a demonstrated improvement:

- in the management control;
- in the cost analysis;
- in the self-government of the users; and
- in the “customer satisfaction”.

Only strategic planning procedures can render this possible.

Following the principle that the state must “program more and manage less”, we can obtain the wanted transition from the welfare state to the welfare society. However without programming by the state this will never be implemented. Instead, they would implement experiments and attempts more developed by an ideological aspiration rather than by a result analysis and accounting. For this kind of approach it is easier to forecast failure rather than success.

Obviously, what proportion of certain state programmes could be devolved to the voluntary private sector, and in as much the private sector can do by itself, without or with moderate contributions of the state, will depend case by case, on the nature of the programme, and on
the circumstances (for instance the degree of maturity of the private sector, the human skills available, etc.). All of these could proceed only through an equally developed process of strategic planning, sector by sector.

4. Strategic planning as a reform of “reinventing government” at all levels of public decision

In order to manage and steer all sectors of the economy in their interdependencies, there should be a possibility to know (but also to share in) an evaluation process concerning:

- the preferred social and economic goals;
- the available resources for the achievement of such goals (therefore a full consciousness of the resource’s limits); and
- the level of efficiency (or productivity or performance quality), which could be pursued or achieved, as means or tools in order to achieve those goals.

The programming requirements

That evaluation process is named – simply – programming or planning (as preferred). It is a process that serves to guarantee the political and factual “feasibility” of the aspirations expressed through the definition and selection of the goals.18

Its effective implementation in the public sector activities requires:

- that any performance assessment (with related measuring, in order not to be disappointing) cannot but be based on a systematic application of the method and procedures of strategic planning;

18. For a general appraisal of the programming philosophy, concept, and principles see Frisch (1976), Tinbergen (1964 and 1971), Perroux (1965); and also my own contributions (for instance, Archibugi (2002b). For the accounting instrumentation of a new programming system at a national level, see Archibugi (1973). For the contrast between the traditional “economic approach” and the “programming approach”, see also Archibugi (forthcoming). I owe to a private conversation with Wassily Leontief a “sailing metaphor” in order to distinguish, without opposition among them, but rather convergence, “market” and “planning”: the market is like the wind which provides energy and movement, planning is like the steering wheel which provides direction. In order to navigate well, and without risk, both are indispensable. In the western advanced countries, the market has provided dynamism and speed, but without the route and destination, resulting in wandering, with the risk of several whirlpools. In our countries often one thinks that the speed in itself could be a surrogate for the absence of destination.
• that such systematic application includes in its extension the entire agencies system of the public system, in order to meet the goal of making consistent and co-ordinating the contemporary or simultaneous efficiency/effectiveness of the goals of multiplicity of all involved governments (that is, “governance”); and

• that strategic planning at a government level, to not be fallacious, must be called to account with a systemic and co-ordinated vision of the objectives and of the available resources, at the scale of the entire societal organisation of reference; i.e. including the private sector for profit and the non-profit private sector.

To that word (programming) some adjectives should be added further—according to people wish to emphasise, in one case or another, in one environment or another, some essential “attributes” of it, considered alternatively an important aspect of the same, for instance:

• “Strategic”: which enlightens the “objective/instruments” connections that have developed all along the logical process of programming;\(^\text{19}\)

• “Integral” or “unified”: which must unify a multiplicity of aspects (usually classified as “economic”, “social”, and “territorial”);\(^\text{20}\)

• “Systemic”: which illustrates the need to begin with the knowledge of the inter-dependencies or interactions between phenomena, and of the feedback effects which normally occur among actions;\(^\text{21}\)

• “Structural”: which recommends awareness of the “multi-dimensionality” phenomena, like different territorial levels (from urban communities to the regional, national, multinational, or global community), or different inter-industrial levels (agriculture, industry, tertiary and related subsections), different levels of social structures (class, education, or income level);\(^\text{22}\) and

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19. On this subject, see the pioneering work of Friend and others: Friend & Jessop (1969); Friend & Hickling (1997); and more recently, Bryson (1995) and Archibugi (2002a).

20. This subject has been dealt with largely in the 1960s and 1970s by a legion of urban planners, like Chapin (1967 and 1985), Perloff (1985), Friedmann (1987), Lichfield (1996), and also at the UN level: see the works of UNRISD (1975 and 1980).


22. In this field I quote only the “big names” of Leontief (1966 and 1976) and Frisch (1976), but I would like to refer also to some interesting seminars and papers promoted by the UN Economic Commission for Europe on multi-level planning and decision making (UN-ECE, 1970).
• “Participated” or “negotiated”: which means the involvement of all the stakeholders in its choices and decisions, i.e. those entitled to be interested in the effect of such choices and decisions.\textsuperscript{23}

The attention and the emphasis on each of these attributes, and eventually on others, should not let us forget that any programming, to be such, must encompass – at least on the theoretical level – all these attributes simultaneously.

Programming, therefore, is the way to guarantee that the political choices of the welfare state are made on the basis of assessed priority, and therefore could be “rational” in an environment in which the social pressure is stronger, and any public intervention is in organic conflict with the availability and scarcity of resources, even in the most rich countries. Furthermore, programming is also the way to guarantee the feasibility itself of the choices and decisions, the mitigation of the social abuse of power due to the market power; and the participation of the citizen in the choices themselves. All this is not a secondary aim of any kind of government interested in this matter, and it is also the condition of effective political consensus.

5. The globalisation challenges: towards an internationalisation of the welfare state?

New challenges at the global scale

At the same time, the programming of the use of scarce national resources according to preferred social goals is also a way to resolve new critical problems of the welfare state in respect to its present international challenges and needs.

However, it is time that we realised that the welfare state, beyond its own crisis of development, which we can call “internal” (as described above, which we can define as “classic”), is challenged by some other factors:

• the ageing population in western countries, not followed by a parallel renewal of protection methods for the elderly (as the retirement

\textsuperscript{23} Let me remind you of less recent contributions (like those of Bolan and Nuttall (1975) and Fagence (1977)) and, within the vast literature of “planning theorists” those named “comunicative turn”, like Healey (1997) and Forester (1999).
age increases, for instance) and not even an “open society” policy in respect to immigration of a new labour force to guarantee the needed productive and special dynamism already acquired; and

- the need to give more attention, more means, and more policies (always in the frame of the scarce available resources) to the development of the poor countries, even in relation with the intensification of the economic relations between rich and poor countries and of the need to ensure more national and global security to such relations.

The charge to the national welfare countries to assess things only egotistically, and by that to meet special crises, is not new. Nobody can forget Gunnar Myrdal who, for 40 years, has illustrated and argued the need to go “beyond the welfare state” by means of programming, and at the same time, the need to push it to a globalist vision.24

In fact, the European societies that have implemented the largest formal welfare state coverage have been facilitated in their successful redistributive policies by the fact of being relatively “closed” societies.25

In the Europe of the EU, the crisis of the welfare state could be devastating, just because of change at the structural level of the conditions which allowed it, and which today no more allow it, i.e.:

- a national labour market relatively closed;
- a labour supply for industrial and disqualified jobs no longer existent;

24. Indeed the Myrdal book, *Beyond the Welfare State: Economic Planning in the Welfare State and its International Implications* (1960), seems to me of a surprising foresight. In its perspective, I could not find words more appropriate to describe the present necessity of “internationalisation of the welfare state”.

25. Meanwhile, the more open western societies, which in the last fifty years have registered the highest immigration rates (especially the USA, Australia, Canada, etc.) – rates absolutely incomparable to those of the European countries with stronger immigration (like Germany) – have not reached the European level of welfare state cover (participation rate of public expenditure on the GNP on average is inferior to a third of the European rate: 30–35% compared to 50–55% European). However, that this greater coverage index could correspond to a real greater social performance and to a flatter income distribution curve is yet to be demonstrated. Much depends on the accounting paradigm used. More than that, the “distances” between richest and poorest cannot be taken, without critical sense, as indicators of a greater integration or social welfare. In any social organism what I have once called the “millipede effect” must be taken into account. As far as the millipede marches along the way, so far the head becomes further from the rear; as far as it is steady, so far the head closes in on the rear. Would we be disposed to say that the vitality and social integration is so much stronger as long as the society is steady?
• a ceiling achieved of public expenditure that can no longer be pierced;
• a decline of efficiency in public performance due to rooted habits of untouchable bureaucracy, conservative and parasitic; and finally
• the well-known autochthon demographic aging which makes the system rigidities worse.

This is why the insecurities increase in total.

Paradoxically, the welfare state, rightly celebrated in the industrial society age as a socially advanced acquisition and still worthy in those areas where old and obsolete structures of the changing industrial and capitalist society survive, has become a braking and conservative factor in respect to new and more effective forms of social development and true social and dynamic integration. In this sense, if the European welfare states do not want to produce any more insecurities, and not only in respect to acquired positions and privileges, they should take seriously the passage into welfare societies and its strategical requirements, as designed above.

More programming could mean greater resources to the development of relations not only in economic field but also in social, human, educational and political fields, both with the “in-transition” countries and with the “poor” countries. I think that few of these countries would be able to jump the stage of a development based on industrialisation, of a more developed marketisation, and to assume the profiles of a post-industrial economy any time soon. Therefore, the non-profit and associative organisations are a heritage of the last stage of the most advanced industrialisation. So, I do not think that the same strategic characteristics existing in those countries already advanced and moving toward a post-capitalist society could be implemented in either the “in-transition” or “developing” countries.

However, the non-profit and associative organisations and activities could be a great occasion of integration and push towards development in the poor countries. To be active in the modernisation of such countries could become the preferred field of action for a great number of western youth, European and non-European. And especially, socio-economic programming similar to that of the western countries could be transferred to a world scale, setting up a more extended co-operation between advanced countries with human and capital resources managed under a multilateral responsibility.
Bibliography


Basic Income European Network: see their website at www.basicincome.org.


I. Towards an integrated approach to administration, participation and empowerment of residents: the Berliner experience of “neighbourhood management” in combating urban marginality

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1. The “Social City” programme

a. Why a new programme?

Now that the twentieth century has come to an end, European cities, especially the large metropolises, are again showing an increasing trend towards the separation of municipal functions in urban areas, the regional and social segregation of economically, ethnically, culturally and socially divergent population groups and, as a result, greater regional and social marginalisation of the disadvantaged groups concerned. Society is damaged as a consequence, and, in the cities, districts emerge that are overstretched in many different ways, cut adrift from developments both in the city and in society as a whole, their status and poor services threatening to increase the social inequality and segregation of the people living there. The schools there provide experience of failure, cultural barriers block access to state institutions, addresses lead to stigmatisation, the job market remains closed, ethnic diversity results in communication barriers, purchasing power and loss of status lead to disinvestment in the infrastructure, the living environment and local services, and poverty and isolation result in more ill health and worsen the lack of prospects and feeling of insecurity.

In urban areas, a vicious circle of marginalisation, collective insecurity and loss of prospects has developed.

In the twenty-first century, cities must devote more of their energies to the task of breaking this cycle.

b. Critical remarks and a new approach to the problem

In the knowledge that the urban renewal programmes of the last few decades have, beyond redevelopment and structural refurbishment, made little headway in reducing social tensions, combating violence or
insecurity in public places or integrating disadvantaged districts into the city and disadvantaged population groups into society, the German Government and the Länder (the individual member states of the Federation) launched a joint Social City (Soziale Stadt) initiative in 1999. In an integrated planning and control process (see Appendix 1), and with financial assistance from this programme, urban development schemes are to be both considerably expanded, using measures from other policy areas, and turned into a set of instruments to promote integration. To this end, the Federation and the Länder have agreed on a Manual for the Development of the Joint Social City Initiative. The European Union has also included elements of an integrated urban policy in its strategy for the 2000–2006 assistance period. Berlin has taken advantage of the opportunity provided by the EU’s strategic decision to turn its attention to the problems of cities to supplement its Social City programme with EU funds.

c. The basic ideas of the Social City programme

In a serious attempt to bring about co-operation between the administrative authorities, the business world, institutions and residents, the various, overlapping problems of overstretched neighbourhoods are to be dealt with in an integrated approach, so as to bring about new self-healing processes. The areas concerned face the following problems:

- deficiencies with regard to urban development, the state of repair of buildings, and the environment;
- infrastructure deficiencies;
- economic stagnation at a low level;
- radical change or rapid decline in economic activities, unbalanced population changes;
- high unemployment;
- high degree of dependence on transfer income;

1. A comprehensive description of the reasons for, aims of and conduct of the federal Social City programme as well as a list of the relevant literature on the subject are available at www.sozialestadt.de. German speakers can also refer, in particular, to the following publication by the German Institute for Urban Studies (Deutsches Institut für Urbanistik): Strategien für die Soziale Stadt, Erfahrungen and Perspektiven — Umsetzung des Federation-Länder-programme “Stadtteile mit besonderem Entwicklungsbedarf — die Soziale Stadt”, Berlin, June 2003. We shall therefore dispense here with detailed background information.
• high proportion of migrant population, especially in the case of children and young people;
• high mobility (departure of families, employed people and high-income households in particular); and
• increasing social and cultural segregation and exclusion, rise in crime in public areas.

The programme was launched in 1999, and 214 German towns and localities, with over 300 neighbourhoods, are now participating in it, including 17 neighbourhoods of Berlin. (Berlin as a federal state is divided into 12 administrative districts [Bezirke]. The Social City “neighbourhoods” are parts in the districts, much smaller and have no general administrative boundaries.)

The principles and elements of the Social City programme are described below, using the structure and conduct of the programme in Berlin as an example.

2. Implementation of the Social City programme in Berlin

a. Basic principles and framework conditions

Since 1999, the Social City programme has served in Berlin to help stabilise and promote the further development of 17 neighbourhoods with particular developmental needs. On the basis of a citywide data analysis, areas were selected in which several of the above-mentioned aspects of city development are to be found. Particular weight was given to individual “poverty factors” by reference to Berlin’s “social atlas” and to integration indicators.

In addition to the statistically quantifiable features with above-average values in these areas, there are signs of neglect and a growing willingness to commit violence in public areas, together with a strengthening of residents’ subjective feeling of insecurity. The many different types of problem are concentrated in these areas and are leading to an increasingly negative development as a result.

The areas concerned are inner-city neighbourhoods with a stock of old buildings dating from the late nineteenth to early twentieth century, are already formally designated for redevelopment and have been undergoing refurbishment for some years, as well as big inner-city housing complexes built in the 1960s to 1980s and large housing estates on the edge of the city in which renewal efforts have been under way for many years. The
concentration of these problems is not the result of a particular type of urban planning, and the state of repair of the buildings is not the main reason either. The neighbourhoods have developed into, or are in danger of becoming, areas of social deprivation.

A total of over 240,000 people live in the 17 areas, the populations of which range from 4,000 to 28,000. The proportion of people without a German passport varies from a below-average figure of 4.5% to a maximum of 56.5% (in each case excluding naturalised immigrants). (See also Appendix 1: overview of neighbourhood management schemes in Berlin.)

The programme strategy is characterised in particular by three essential principles:

- The cross-departmental assembling of expertise as well as human and financial resources, both at and between all levels (Concentration);
- The active involvement in the stabilisation process of both the area residents and the local economic and social players, as well as support for strong organisational structures to foster their work to promote civil society and a stable partnership (Partnership); and
- The responsible provision of information by the authorities and of learning and training facilities as a basis for self-determined action, the development of opportunities and the assumption of responsibility by the people concerned (Empowerment).

The changes thus initiated concern both the internal administrative planning and management structures aimed at the establishment of an integrated and integrative organisation and approach and an attempt to turn the relationship between civil society (including the business world) and public administration into a new partnership. With this integrated and comprehensive approach, the Berlin Senate wants to provide new impetus for enabling particularly disadvantaged population groups and city areas, which are characterised by various overlapping social, economic, ethnic and urban development problems, gradually to resume their place in the life of society as a whole.

The intention is to create for all the inhabitants of this city, irrespective of their origin and where they live, an adequate basis to give them a quality of life in keeping with the times and an opportunity to live in collective security.

An ambitious and comprehensive programme like this could not be implemented using traditional structures and procedures, so it is necessary
to change the work organisation and the decision-making structure both within and between the administrative authorities, and to establish a new way of managing the partnership with the players and residents, and for the benefit, of the neighbourhood. Considerable political importance was attached to this in the government programme, and this is proving indispensable for implementing an approach that circumvents traditional administrative structures and administrative action.

b. Obstacles to an integrated approach in the administrative authority: removing the vertical and horizontal barriers

The powers and resources needed for an integrated approach involve the various levels because of the autonomous powers that exist in each case:

a. at the level of the Federation: between the specialised departments;
b. between the Federation and the Länder (individual federal states);
c. at Land level: between the specialised departments;
d. in the Land of Berlin: between the Land and the districts;
e. at district level: between the specialised departments; as well as
f. between the public administrative authorities (central government) and the economic and private players at all levels.

In respect of a and f

The Federation has shown, not only by establishing the framework of the Social City programmes, but also through initiatives for interministerial and interdisciplinary co-operation, how complex problems can be dealt with in a new way. In order to enable local resources from various Federation departments to be concentrated, the programmes and assistance guidelines of various departments (relating to youth work, internal security, the integration of migrants, the promotion of employment, housing, and urban development assistance) have been harmonised at the federal level, and the focus of complementary programmes placed on the areas designated for Social City support. At the level of the Federation, synergetic activities have been agreed with charities, the housing industry, foundations, etc. An interministerial working group is looking at the conceptual integration of intellectual resources specific to the various government departments. Owing to the constitutional division of responsibilities between the Federation, the Länder and the municipalities, in many areas of activity the federal government can do no more than make offers.
In respect of b

The concentration of resources between the Federation and the Länder manifests itself in the joint guidelines on the Social City programme and in the support programme agreed every year between the Federation and the Länder (with instalments of assistance payments extending over several years in each case). A Bund-Länder working group has been set up to monitor the programme, further develop the guidelines, draw up evaluation criteria and supervise a comparative evaluation.

In respect of c

Horizontal integration between the specialised departments must be carried out at the level of the Länder or the municipalities in the same way as it is at the level of the Federation. At the local level, common sense tells us that complex problems must be dealt with by adopting a conceptually holistic approach, but this does not correspond to administrative and political practice. In Berlin, too, the Social City scheme has resulted in a majority of departmental programmes being directed towards the aims of the scheme and the districts in which it provides assistance. An attempt to create an integrated budget into which the specialised departments pay some of their own money has failed for the time being. (An integrated budget would, like integrated working, be a sensible alternative to the time-consuming attempt to try to find and put together funds from different specialised budgets and support programmes.)

In respect of d and e

Public administration in Berlin is split into two tiers, Land (Senate) and municipal (district); and responsibilities are sufficiently clearly defined. There are politically chosen heads of specialised departments at each level, and both have an interest in working as independently as possible. It was decided that the first thing to do was to make this division less rigid in order to be able to implement the programmatic decision to work on an integrated basis.

The “philosophy” behind the programme was explained and the consensual procedure agreed. Establishment and recognition of the consensus proved a very important procedural step, which always had to be repeated when the composition of bodies changed (e.g. following elections). Agreement was reached on establishing the following bodies:
• a steering committee for each support area (neighbourhood). This is made up of all the players, and the Senate department delegates a regional co-ordinator;
• a district interdepartmental working group to support the integrated programme between the administrative bodies; and
• a steering committee at the Mayor’s Office, involving the city councillors and the Senate’s Urban Development Department, responsible for taking decisions on any problems that arise.

c. Employing professional management: the neighbourhood management team and its work

Formation and tasks of the teams

In order to organise the process, the Senate Department set up a “neighbourhood management team” at local level in each designated district and, under a formal agreement, made it responsible for the conduct of the integrated neighbourhood development process, in co-operation with the district co-ordinator and the Senate Department co-ordinator.

Specialists with the following skills, know-how and specific expertise were found by advertising the posts:

• management, facilitation and networking;
• training, skills and job market programmes;
• fundraising, new funding programmes, making applications;
• social skills with regard to specific clients (young people, foreigners, initiatives and projects); and
• small-scale business consultancy.

In areas with large housing companies, a responsible company staff member was integrated into the team.

The neighbourhood management team’s tasks include:

• mobilising residents (encouraging them to participate in the development process in the area);
• neighbourhood co-ordination (networking the various interest groups and local players; development of co-operation between institutions, initiatives, firms, housing companies, etc.); and
• project initiation (provision of assistance for the development of projects in various fields of action – building construction/land use, social, cultural and economic).
Each neighbourhood management team has its own office on the spot for providing information, advice and organisational assistance. The area players all make their own contribution, for example by making rent-free premises available, paying running costs or providing furniture and fittings or working materials. Depending on the local facilities, rooms are also made available for the activities of residents and local initiatives.

**Problem-solving through process control, communication and empowerment**

In all neighbourhood processes, broadly similar working groups and decision-making structures have developed (see Appendix 2).

Every one to three months, the teams conduct public forums with all participants, residents, interested parties, institutions and experts, and the political groups in the district parliament are also invited to attend. These forums are an integral part of a number of different public events on specific subjects or projects, small working groups, elaborate workshops, facilitation and planning procedures, exhibitions and media work. An attempt is also made to reach those who do not, on their own, find access to opportunities to participate. This is done by paying people a visit to give them advice and by organising advice sessions at the local office, monthly meetings at a local pub, market stalls, walking tours of the neighbourhood, activating street interviews with open questions and “reaching-out services”.

In the majority of areas, so-called “planning cells” were set up. Residents were randomly selected from the citizens’ register and, with the help of a facilitation team, dealt for several days in succession with a set theme, in this case the problems and potential of their neighbourhood. They were provided with brief expert input by a consultant and produced working packages, or even proposals for solutions, weighted according to priorities. The results of the planning cell were summarised in a so-called “Citizens’ Report”, which identified in summary form the main areas in which, in the citizens’ opinion, action to develop the neighbourhood was needed in the following years. The planning cell handed this report to the politicians and the district council for them to take the appropriate action.

The neighbourhood management teams included the citizens’ reports, as important working documents, in the strategic work programme for the management area concerned. Success was also achieved in persuading
some participants in the process to become involved in other procedural steps (working groups, etc.).

In all processes, the first two years’ activities essentially consisted of developing and establishing this working and networking structure, motivating the players in the area, developing and implementing initial (quickly realisable) projects with these players and developing and adopting a strategy programme for the area and for the programme period. The strategy programme is updated, i.e. adapted to new developments and insights, every year and reported upon in a set frame of goals and operations with reference to achievement indicators.

The neighbourhood management teams have a community action or small disbursements fund available to them for the realisation of very small projects (e.g. for the support of a street or block party, for the announcement and advertising of a project, for short-term time-limited activities with groups of clients, for a piece of playground apparatus or for a neighbourhood newspaper, etc.). Decisions on the fund’s use are taken by a group of people that differs considerably in its composition from one neighbourhood to the other, but always includes a wide range of participants.

Selected examples of participation and empowerment

The most important concerns for the planning cell in the Sparrplatz neighbourhood were to eliminate anonymity and strengthen the sense of belonging together. The variety of proposals to achieve this ranged from the enlargement of public meeting-places to joint social and cultural projects and events in a variety of different forms.

In the Marzahn-Nord neighbourhood management area, good experience was gained with two neighbourhood conferences with the same objectives. In addition to stating the most important fields of action, they resulted in the setting up of a residents’ advisory committee. These conferences involved not only the residents but also the council officials responsible for dealing with the various subject areas, and they set up tightly-knit networks among them without any official administrative reform being carried out.

In the Helmholtzplatz neighbourhood management area, a different procedure was carried out that involved helping a large group to develop self-organisation skills. The results of a “Search for the future: living neighbourhood” event, held over several days, were published in material sent
to all 13000 households. A follow-up meeting was held and led to the permanent establishment of active groups.

In the Beusselstrasse neighbourhood management area, a “discursive process for the development of new solution approaches” was carried out. Other initiatives were “Planning for Real” and “Open Space”, the purpose of which was to encourage participation and the strengthening of social, cultural, economic and neighbourly ties in the area and to promote a greater sense of responsibility.

Young people, especially from migrant families, cannot always be reached often enough during these intensive processes, so the Kottbusser Tor neighbourhood management team has employed other media for this target group. For example, a professional camera team visited young Turks in their own haunts and made a film with them about their view of Kottbusser Tor, their opportunities in life and their wishes. This film was shown in the main public square during a festival. Whole families could be observed at this event, and young people who had not been seen before took part in it and in discussions.

Schools are beginning to be more involved in integration into the neighbourhood and in co-operation with the neighbourhood management team. For example, in the Boxhagener Platz neighbourhood management area, a new learning module has been developed with a school and tested. This involved a youth service association in the area visiting a school and – instead of “normal” lessons – developing individual ideas with young people for their future careers. The module is now employed at various schools.

The neighbourhood managers go out to wherever people are to be found, for example the weekly market, where they ask the residents both about their wishes and hopes and about the opportunities they see for themselves. This approach is very successful. In particular in areas with a large migrant population, it is easier for the neighbourhood managers with a migrant background to approach women and young girls. In this way “activating” surveys with open questions have been successfully carried out.

In a kind of “snowball” system, in the course of these processes new approaches are continually developed that make it easy for the inhabitants of the neighbourhood to gain their first access to organised and more official decision-making processes, or even simply to find services or opportunities for doing voluntary work.
All these forms of work and participation – which have only been mentioned here as examples – have in the meantime led in each neighbourhood to a new partnership network involving commitment and the assumption of responsibility. This “network” does not, however, manifest itself in an actual organisational structure, but in an interweaving of working groups, projects, time-limited activities and informal communication channels, which have in most cases not yet taken on a life of their own, and need continuous organisational support by the management team.

**Monitoring and management control**

In order to ensure the uniform implementation of strategic objectives and co-ordinate the various support programmes that are available to, or can be used by, the Senate departments and the Land’s Employment Office for the development of the districts, information and co-ordination discussions take place at a set time once a month between the district management teams and the specialised departments, under the chairmanship of the Senate’s Urban Development Department. The Employment Office directorates, as well as all the associated research institutes and service companies involved with employment market instruments, are invited to these meetings. Depending on the subject for discussion, other specialised departments and external experts are also invited to attend.

A review of the programme and the working structures introduced has led to the realisation that, although bringing the players of all levels together has resulted in a large number of innovative individual projects, placing the main emphasis on a specific issue also makes it necessary to introduce strategic work phases. For this reason, working groups subject to scientific monitoring are currently being set up to deal with the following issues:

- children; youth; school; education; migration/integration; and
- training; labour market; local economy.

Various experts are invited to attend these working groups, the purpose of which is to bring about closer links between subject-specific action and support measures, and to develop their integrative components by making use of their knowledge of the district. The process of continually evaluating the programme has also led to the joint development of a “strategic goal tree”.
3. Berlin as a “social city”: two pilot projects

In the past three years, it has been possible to make considerable progress on integrated district development in all 17 designated areas. Not only has there been a concentration of programmes, funds and resources, but also, in particular, a networking of structures, the activation and empowerment of residents and the initiation of projects in the various strategic fields of action. As a result of the experience gained, two pilot projects have been developed that have given the processes a new dimension: the district fund for citizens’ juries and an Internet portal for civic commitment known as the “joint network” (das gemeinsame Netz).

a. The district fund for citizens’ juries

The community action or small disbursements funds in the district management areas have encouraged many residents to become active in their neighbourhood themselves and shoulder responsibilities. Developments to date have resulted in a general mood of optimism that is releasing new energy into the neighbourhoods.

Prompted by experience gained in London, the Senator responsible for Urban Development set up a neighbourhood fund in Berlin in the spring of 2001. The sum of DM1 million (about 500 000) was made available in each neighbourhood to a citizens’ jury consisting of local residents, for them to use as they thought fit.

The political brief with regard to this project was that the residents should themselves decide how to spend the money by setting their own priorities for their neighbourhood. In order to persuade them to serve on the juries, over 4 000 inhabitants of the various districts were chosen at random from the citizens’ register and sent a letter asking them to be part of a citizens’ jury and take decisions on the direct use of the DM1 million. Of those contacted, 25% showed an interest in being directly involved in improving their neighbourhood, and 14% did subsequently make themselves available. In order also to take into consideration those who had already played an active part in the district management scheme, additional members were selected from the existing working groups (see Appendix 3).

The citizens’ juries worked on the basis of rules of procedure drawn up with the district management team. These ensured that a decision on a project application could only be made by a qualified majority of the jury members.
The procedure for submitting applications to the jury and the way they were processed are clear from the diagram on the releasing of money by the Neighbourhood Fund (see Appendix 4).

This was the first pilot project in Germany of its kind up to that time, and it led to a considerable response nationally. It also aroused international interest.

The special feature of the project was that the members of the jury took decisions independently, from their own point of view as residents, and without having to worry about bureaucratic obstacles. It also turned out that they were very careful with the money. They discussed the merits of each application at length, very closely examined the estimated costs and considered links with the urban development situation and the provision of services, as well as the history of the district. A refreshing aspect was the way the jurors took it for granted that they should ask for the applicant to make its own contribution and made this the basis for the decision.

A project evaluation shows that a large variety of wishes were met. Although care was taken to ensure an age, ethnic and gender mix when putting the juries together, one area of emphasis emerged on which everyone agreed during the discussions and when measures were approved: projects involving the daily provision of education and leisure and cultural activities for children and young people in their own living environment, as a lasting investment in their security in the broadest sense.

The participants from the administrative authorities and the management teams were surprised at the juries’ perseverance and the extent of their commitment. Their members also said they felt honoured by the responsibility assigned to them, about which they had initially been apprehensive. The fact that they were able to take decisions for their neighbourhood that went beyond mere trivialities was essential for the work to be taken seriously. More than a few of the jurors subsequently became members of advisory committees and working groups in the neighbourhood management scheme.

b. An Internet portal for the participation of civil society in neighbourhood activities: the “joint network”

Every conceivable instrument must be employed to reduce social marginalisation and exclusion and their effects on entire neighbourhoods. The Internet appears to have the capacity to play an important role in this
connection, so work has begun under Berlin’s Social City programme on linking the neighbourhood management processes with Internet activities.

The 17 neighbourhood management areas developed a joint Internet portal (www.quartiersmanagement-berlin.de, also available via www.sozialestadt-berlin.de). This makes it possible to access and advertise the individual domains of these 17 areas and enables the visitor to be informed about the common objective of the neighbourhood programme. The main target group of this new website is the residents of the neighbourhoods themselves.

One aim is for initiatives, groups, business people, businesses and individuals to describe themselves and provide information about others, and another is to enable local players in the areas and residents who have not shown any interest up to now to be reached via the Web. People who are actively involved can benefit from the emerging networks, which are to be extended and expanded.

The site displays all the information about the programme, the individual areas, the players involved there and the participation procedures. Weekly news bulletins from the neighbourhoods provide information on current events in the city’s neighbourhoods, and an events calendar is available for everyone to use and feed in his own information.

In parallel with this, local access points have been set up and “neighbourhood mentors” appointed. They advise the neighbourhood management team on website development and maintenance, speak to population groups and encourage them to busy themselves with the Web, and organise training courses to enable people – whether it be the elderly, children, migrants, women or school pupils – to use the Web. In order to strengthen personal initiative and communication in the neighbourhood, the possibility has been created of allowing visitors to the neighbourhood management page to play an active part in determining its content. Thanks to the easy-to-operate editorial system, they can insert their own contributions (text and pictures) into the community Kieznews’ page from their own homes. The neighbourhood residents can therefore write texts themselves and put them on the website, discuss them in the “Forum” and participate in online discussions via a chatroom. An online voting tool enables them to be actively involved in taking decisions for the neighbourhood. In the “Forum”, they can discuss the strengths and weaknesses of the neighbourhood with one another, let others know their ideas or even establish personal contacts beyond the Internet with
other interested parties, for the purpose of engaging in specific activities. There is also an eminently desirable side effect: the fact that people are taught to use the Internet, the “medium of the future”.

Finding out, learning, having fun participating and developing the ability to become independent – these are the aims of the Berlin neighbourhood management scheme’s Internet use. The residents’ interest in their own neighbourhood is aroused by the provision of information on the opportunities available and the events taking place locally. People who are unaware of what is happening on their own doorstep find it easier to identify with the area where they live, are prepared to make an active contribution to the life of the community and will also find “fellow campaigners”. As a result of the description of its diversity and liveliness, the neighbourhood acquires a “face”. Its attractive aspects and the events taking place are described, as are the weaknesses and necessary changes.

Particular importance is attached to the active involvement of volunteer editors who have been encouraged by the local neighbourhood management offices and community mentors to work in neighbourhood editorial offices, to assist in determining the content of the district’s web page. The strategic goal is to make the homepages keep going on their own: in future the content is not to be handled by an external “community mentor”, but by the residents themselves, as experts on their community and as contact points for their neighbours.

The results of the first year of this project are encouraging. A great deal of work had to be done to dispel the doubts of the official players, administrative authorities and, quite often, the neighbourhood managers themselves. It will be interesting when the neighbourhood users “go it alone”.

4. Initial evaluation and future prospects

The joint Federation-Länder Social City programme provides the cities with new opportunities to take up the fight against spatial and social segregation within their boundaries. The characteristic features of the new programme are the interdepartmental concentration of efforts and the involvement of the economic and private players in the areas to form a new partnership (organised top-down) and the shifting of decision-making powers to the people concerned and those responsible on the spot (structured bottom-up). It legitimises and complements on a new
level the cautious, socially-oriented urban renewal policy that has been pursued in Berlin for some time now, and could result in a more general restructuring of public administrative action. It is likely to bring about a new assumption of responsibility and a new partnership between the city residents and administration, and, as a result of the special efforts made to involve marginalised population groups, to release self-healing powers that have up to now gone unused.

In addition to the insecure, sometimes dangerous, always multifarious and not easily comprehensible structures in the neighbourhoods, the media are now beginning to report on the new, already visible developments as positive factors in the locality. The developments that originally led to the overtaxing of the neighbourhoods’ resources and to the spatial segregation and social exclusion of large population groups continue to be relevant. The procedures for stabilising the neighbourhoods and ensuring the comprehensive integration of all population groups into a secure social environment can have a structural impact if it is possible to establish continuity. The timescale of the Federation and the European Union provide a basis for this that should be secured beyond the initial stages.

The experience gained in Berlin shows that a mood of optimism is developing, that communication and trust are increasing, that civic commitment is gaining ground once more and that the recognition of differences and the potential hidden within them is helping to put an end to marginalisation – and all this not only for the benefit of the neighbourhoods that have thus moved into action, but also for the collective and lasting security of the entire city, and its ability to develop.
Appendix 1 – Planning and control process of the development scheme

**Federal Government**
- Coordination between services
- Labour
- Economy
- Environment
- Social aff.
- Youth
- Constr. Urb.
- & others

**Authority:**
- Federal Ministry of Transport, Construction and Housing

**Land (state)**
- Interministerial groups

**Authority:**
- Ministry of Construction and Housing

**Municipality**
- Interdepartment project group

**Authority:**
- Urban renewal department

**German institute of urban development**

**Supra-local actors**

**Local actors**

**Neighbourhood management**

**Implementation at local level**

**ARGEBAU**
- Housing Ministry co-operation

**Federal Structural Fund**
- EU
- CE
- {Structural fund}
Appendix 2 – Organisational structure of the Neighbourhood Management Process in Berlin

**Level of the Federal State (Berlin)**

**Berlin Steering Group “Social City”**
State Secretaries of Departments of Urban Development, Health and Social Affairs and Consumer Protection; Education, Youth and Sports; Economic Affairs and Labour and Women; representatives of the Council of District Mayors; other administrations if needed

Interministerial high level decisions
Cross-sectoral political decisions

**Senate Department for Urban Development: Section “Social City”**
Steering and controlling of NM-Strategy; co-ordination, combination and setting up support programmes; evaluation; controlling, monitoring, preparing the Berlin Steering Group

**Jour Fixé of NM-process**
Senate Department for Urban Development, representatives of all NM-teams, representatives of service providers, labour offices, representatives of other departments, external contributors

Cross-area information
Specifying problems of partnerships
Scientific and administrative advice
Raising high level questions
Planning joint projects

**Level of the Community (District)**

**Steering Committee in a District**
Mayor of the district, concerned aldermen, representative of Department of Urban Development, NM-Team; other representatives of interests (housing association et al)

Confirming strategy plan
Organising interdepartmental co-operation
Reporting to district parliament

**District Administrative Working Group**
Organising interdepartmental co-operation

**Steering Committee in Neighbourhood**
NM-team, area co-ordinator of district administration, representative of Senate Department for Urban Development, representatives of housing companies, representatives of tenants, external appointees

Adopting proposals of management process
Organising cross-sectoral co-operation
Adopting and following up of strategy plan
Proposing higher level decisions

**Management process in a neighbourhood**
Co-ordinating, activating, initiating by NM-team
For, working groups, workshops, mediation and planning practices, seminars, congresses, counseling for groups and individuals, exhibitions, information, building partnerships and networks, drawing up strategy and work plan, back office for advisory committees, preparing steering committee, reporting, documentation
Appendix 3 – The citizens’ jury (Committee for Neighbourhood Fund Attribution)

Representatives of:
- active groups
- initiatives
- local clubs (e.g. sports clubs
- associations (e.g. parishes

Representatives of:
- local residents and interest groups
- youth (schools, pupils)
- family (kindergarten, parents)
- senior citizens (facilities)
- business / trade
- house owners
- housing companies
- tenants (advisory boards)

Local residents (random draft)
min. 51%
max. 100%

Single persons already active within NM

size of jury (total)
for each 1000 inhabitants
- 1 member
- 1 deputy member
min: 15 X 2 = 30 persons
max: 30 X 2 = 60 persons

max. 49%
min. 51%

Local residents
(random draft)

min. 51%
max. 100%
Appendix 4 – Neighbourhood Fund: decision process

**Development of ideas and projects**
- workshops
- citizen’s fora
- planning cells
- analyses/expertise

**Input**
- project ideas
  - proposals for projects
  - individual proposals from the area

**Checking of projects**
- collection of projects

**Decision on projects**
- project ideas
  - proposals for projects
  - individual proposals from the area
- revising (if necessary)
- presentation / PR

**Project authorisation**
- rejection
- return for revision

**Projects**
- project realisation
  - settlement of the project

**Jury office**
- including preparatory group at the neighbourhood management office

**Application via Senate Department to IBB**
- Senate Department for Urban Development
- Berlin Investment Bank (IBB)

**Presentation**
- presentation / PR

**Decision**
- decide
II. Maintaining the principle of universality in social protection: new contracts between citizens and the authorities from a European Union perspective

by Jérôme Vignon, Director, DG Employment and Social Affairs, European Commission, Brussels (Belgium)

I should like to begin this address by describing where I stand in relation to the general theme of the conference, which raises, in an original and timely fashion, the issue of the social contract that binds citizens to one another and to the authorities, with reference to the universalist implications of such a contract and hence its contribution to preserving and fostering social cohesion. The issue is also looked at in connection with the new tensions experienced by European societies as they give priority to public security, to the extent that the latter is used, as it were, as an argument against the very foundations of such a contract.

1. Two preliminary comments concerning the European Union perspective

As the point of view I am going to express will tend to be that of the European Union or, to be more precise, that of one of the EU institutions, namely the European Commission, I think it is worth making two comments whose implications I am not sure I fully understand myself, but which are necessary in order to avoid confusion.

a. Universal social protection as a commitment common to states and the European Community in the early 1950s

My first comment is that, as I see it, the impetus that led to the establishment of the European Union and its institutions just under 50 years ago was the same impetus as prompted its member states to overhaul the entire social protection system and base it on the principle of universality. The European Community venture in the early 1950s coincided with a radical overhaul of national social protection schemes and the establishment of very ambitious schemes in the founder countries, designed to ensure that everyone belonged to the national community forged on the basis of the principles of insurance and solidarity. We therefore had two ambitions, which I see as being twin ambitions as far as the fundamental aim was concerned: one was to put a stop to the sources of violence and instability that had seriously undermined community life and politics in the various countries between the two world wars, by means of proper,
comprehensive social protection systems (based, moreover, on traditions that differed), and the other was to put an end to the sources of conflict between nations and insecurity by means of contracts of a completely new type between those nations.

Implicitly, therefore, there is a close connection between the progress of European integration and the developments and trends experienced and difficulties encountered as social protection was improved in our countries on the basis of very sound principles of universality, equal rights and the enhancement of national solidarity. It is therefore only natural that the fact that national social protection systems, which are designed to ensure that social rights are afforded to all, are now being undermined should be of concern in connection with European integration, as specifically reflected in the European Union and its institutions.

b. Lack of a European Union social policy that is strictly analogous to national policy

Another comment is that I must constantly remind myself that it is going too far to talk of a European Union social policy (and this may come as a surprise) in the same way as one would talk of a national social policy. Social measures are taken at national level. The reminder that elaborate social protection systems were set up in national contexts and reflect specific national identities and histories is, at the same time, an indication of the limitations, in terms of subsidiarity or indeed the sharing of responsibility and power, of the policies that the European Union can, on its own authority, carry out in the field of social protection and in pursuit of the social cohesion that is the ultimate aim of such protection. Social policies, particularly those concerning access to basic social rights for all, are and will continue to represent (even after the debates and disputes within the European Convention) only a modest area in which to wield any of the shared powers and most of the additional powers exercised in support of the direct efforts the nation states make in order to achieve solidarity within their own communities.

c. The central issue and underlying themes of this address

If, therefore, I relate the question raised at this final sitting, namely “What policies to ensure confidence and future social cohesion?”, to the specific task of the European Union and its institutions, it should perhaps be formulated more simply as follows: what contribution is the European Union process (including the enlargement scheduled to take place very
quickly as from 2004) making, but also what impact does it have, now that social protection provisions are being undermined, particularly those designed to ensure the universality of social rights as a key means whereby the state guarantees the equal exercise of civil and political rights?

Moreover, in addressing the subject that concerns us in this specific and, I would stress, modest way we can take account of the European Union as an actual source of the insecurity and decline in social protection about which we are talking. If indeed it seems that the social contract and the universality of rights are being called into question by a number of developments, one of those developments is European integration itself. I intend to begin with this aspect, concentrating both on the effects of the rules governing competition on the social fabric and access to social rights, and on some measures adopted to offset those effects.

I should then like to refer to the most recent attempts to address the insecurity generated by the European Union itself, in particular the open coordination method and the inclusion of a Charter of Fundamental Rights in the draft constitutional treaty. These two recent developments are, to my mind, of considerable importance, in that they reveal a more proactive attitude on the part of the European Union institutions and a more direct commitment to efforts to preserve, in a changing context, the universality of social rights and hence social cohesion.

Thirdly, I should like to look at the prospective enlarged European Union not only as a source of instability and insecurity, which it admittedly is, but also as a radically new response, in terms of relations between peoples, to any conflict between solidarity and the newly emerging insecurity.

2. The impact of the European Union in the light of current insecurity

First of all, as regards the impact of the European Union in the light of the new sources of personal and collective insecurity that are undermining the traditional features of social protection and the legacy of universal rights handed down to us since the second world war, it is worth taking a look at the extent to which the European Union has, as integration proceeds, taken account of the fact that the integration process itself makes for instability of the social fabric of the various countries concerned and tried to take remedial action to offset this.
a. Remedial measures in the large internal market: the example of the European Social Fund

Four fundamental freedoms, relating to the movement of goods, services, capital and people (the last-named causing the most problems in the area that concerns us), are responsible for the imbalance in national communities’ own social protection policies resulting from European integration. From the outset, the European Coal and Steel Community, followed shortly by the Common Market, set up financial instruments such as the European Social Fund to try and stop the social fabric from disintegrating as a result of economic restructuring, which was prompted in turn by the free movement of goods. The idea was to support, by means of social rights, efforts to reintegrate individuals or groups whose lives had been affected by this restructuring (production changes, job changes, the relocation of companies, etc.).

The actual concept of social cohesion emerged from the Single European Act (1987) as a means of extending and promoting this type of solidarity on the part of the European Economic Community of the time towards all regions, towns and local authorities that had been adversely affected by the fiercer competition generated by the large internal market. While it was known that harsher competition was in itself a factor that spontaneously exacerbated inequalities between regions, European structural funds were trebled in the space of ten years, from 1987 to 1997, in order to support all horizontal development schemes and strengthen those economic and social dimensions that were designed, at local level, to restore equal access for everyone to the opportunities created by the Common Market.

Economic and social cohesion of this kind is underpinned by policies involving a great deal of money (30 billion euros a year), which have been crucial in helping such member states as Ireland, Greece and Portugal to catch up in economic terms. It is based on a concept of geographical solidarity that applies throughout the European Union, even in towns and regions in rich countries if they are affected by restructuring and the consequences of fiercer competition resulting from freedom of movement. European Union solidarity operates by means of financial subsidies in support of national, regional and local solidarity. This solidarity, which is now being called into question by budgetary stabilisation and discussions on the financial outlook beyond Agenda 2000, makes the European Union a remarkable amalgamation of nations: I do not know any other in the world that systematically endows itself with the means to offset the
effects of free trade by means of instruments designed to boost trade and restore equal opportunities in disadvantaged regions, areas and towns.

b. Liberalisation of services: striking a balance between competition and access to social rights

It is perhaps in another area that European integration most seriously undermines the national machinery traditionally designed to ensure universal access to fundamental social rights. I now want to look at the effects of the liberalisation of services – services of general economic interest, of course, but more particularly services of general interest, which are designed, in accordance with national traditions and sometimes, as in Italy, even with the Constitution, to ensure that the public can actually exercise such fundamental rights as access to transport, education and health care. Over the last ten years or so, as the large internal market has developed, we have seen networked services, in particular transport, but also such services as health care, thrown open to competition.

While the European Court of Justice considers that freedom to provide health services falls into the commercial domain, the very fact that European integration is being taken a stage further is calling into question the continued prerogatives and, in particular, the status of institutions specified as being in the public interest, particularly hospitals. This brings me to ask how the European Union reacts to the problems European integration has caused by changing the status of universal service providers, in the case of the free movement of transport, and by undermining the managerial independence that ministers of health or social security enjoy in organising social protection, particularly in a sphere as sensitive as health.

This is an area we are only just beginning to explore, for it is the draft constitutional treaty prepared by the European Convention that will directly and expressly mention, for the first time, services of general economic interest (particularly in Articles II-36, III-6 and III-55) as an area that could in future be covered by European legislation. It would therefore seem conceivable that there should be legislative provision for antidotes to the problems the EU is itself causing through its policies on competition and freedom of movement in the area of services of general economic interest and services of general interest, by analogy with the tools that member states have at their disposal to ensure universal access to certain rights.
Although we are in the early stages, there are certain achievements which should not be underestimated. One example is Regulation 1408/71, one of the oldest European Community regulations, which is designed to ensure that mobile workers throughout the European Union who cross frontiers are not penalised in respect of social rights or compulsory guaranteed social security rights. For nearly two years now, the Council and the European Parliament have been discussing ways of simplifying Regulation 1408/71, and a vote is soon to be taken in the Parliament, since it is a matter for co-decision. I see this review process as a significant response to the potential threat to existing safeguards, in particular national hospital systems in respect of universal access to health care.

The judgments of the Court of Justice, which are based essentially on the application of the principles of freedom to provide services and the free movement of services, have established a number of criteria which seem to restrict the independence of member states and health ministers when it comes to managing the operation of national solidarity in such a way as to allow universal access to health services. The criteria established by the court that, as it were, restrict this national freedom in respect of health care, in particular hospital care, have been incorporated in the legislation provided for in the new Regulation 1408, so that if the regulation is adopted by the Parliament and the Council, mobility in respect of health care Europe-wide will in future no longer depend solely on patients’ freedom of choice. It will be recognised that individual countries may legitimately decide to organise health care institutions according to criteria that continue to be geared to universal access.

Regulation 1408, which is going to reflect the court’s case-law, is based on the premise that it is not only people who move but also social security institutions. The regulation provides these institutions with a framework in which to develop, in accordance with their traditions, the capacity to cope with the consequences of mobility, whereas the application of the articles of the Treaty on European Union, which are merely concerned with the freedom to provide services and the free movement of services, are geared solely to the individual. The new Regulation 1408 thus takes a more balanced approach, taking account both of individuals/patients and their need to choose the best facilities available anywhere in the European Union, and of the responsibility of the institutions themselves for ensuring solidarity, funding and quality access for all to the health service. So if the member states of the European Union were to apply the new, simplified provisions of Regulation 1408/71 proactively and intelligently, the
Court would no longer have to rule in cases where the needs of a particular patient run counter to the way in which the national health service is organised. The provisions would ultimately be used to improve general quality, optimise centres of excellence throughout the EU and address the inequalities in health care facilities across Europe.

The European Commission’s Green Paper on services of general interest has recently given rise to much discussion in this connection. Once the draft constitutional treaty has been approved with due regard for the provisions concerning services of general interest, it will be possible to prepare directives designed to reduce the legal uncertainty that is currently preventing the various institutions concerned with services of general economic interest or services of general interest in numerous fields from knowing whether they are likely to be liable in connection with state aid or competition, in which case their public interest vocation might well be called into question. Directives or guidelines from the European Commission clarifying the tasks of these services of general economic interest or general interest will, I hope, protect them from any ambiguity resulting from the application of existing competition policies in the internal market.

3. Universal access to social rights: the ongoing debate and new political instruments

In any event, a wide-ranging debate has begun. It puts the spotlight, in the European Union and in each of its member states, on the specific public interest function performed by a number of institutions (state monopolies, service sector institutions and private organisations), all of which justify their existence because they help to ensure that social rights are universal. Accordingly, they often have an image, or may even be a real cultural symbol, that the application of competition policies has until recently made it impossible to acknowledge. The principle of universality, as something that needs to be preserved in the context of social protection institutions that are in the process of being modernised or are being undermined, is now taken seriously by the European institutions, not only from the point of view of compensation for the damage the EU does by virtue of its policy on competition or freedom of movement, but as a result of a direct acknowledgement of the principle of universality and the tasks incumbent on institutions ensuring access to social rights.

I should like to refer to two new developments that are in keeping with this new approach: the development, which has speeded up since the
turn of the millennium but was already under way in the 1990s, of the open co-ordination method, and the inclusion in the EU’s draft constitutional treaty, in the form of the second part of the treaty itself, of the European Charter of Fundamental Rights. What interests me here is not to “sell” the Community: I am not seeking to prove, at all costs, that it is making a decisive contribution to solving the difficult problem of preserving universal access to social rights. I am mainly concerned with seeing how the Community system, whose prerogatives in respect of social rights are limited for legitimate reasons stemming from the inherently national nature of those rights, can, even though it has little power, nevertheless do something to preserve this universality.

a. The open co-ordination method

I must humbly admit that what is known as the open co-ordination method was not devised by the European Commission. It is in fact an invention that is mistrusted by those who are really infused with the Community spirit, by which I mean primarily members of the European Parliament, but also the Commission and its legal service. It is the brainchild of the European Council, and is an unorthodox institution within the European Community system, even though the constitutional treaty is to give it stable foundations. I do think, however, that the open co-ordination method is a resourceful and intelligent political innovation. So what is the aim of this method in the social field, and particularly when it comes to combating poverty and social exclusion and modernising pension schemes?

On the one hand we need to be aware that this method was introduced deliberately, and that the results that it produces will have been freely decided on by the member states. And it is precisely for this reason that it is unorthodox, in that it is not based on law, and it is not compulsory under Community law: the commitments that it will engender are merely political ones. On the other hand, it must be appreciated for its purpose, which is at least to put back on the European agenda the issue of unconditional social rights at a time when other political priorities are tending to steal the show. These political priorities are well known: a return to balanced state budgets; increasingly strict enforcement, in the run-up to the accession of the ten new member states, of the rules governing the large internal market in order to avoid unfair competition from the new members; the review of national employment systems on the basis of an approach where the inclination is to replace welfare by workfare and hence to limit the unconditional scope of social rights; and,
finally, the priority afforded to public security in response, *inter alia*, to what are seen as the harmful effects of immigration.

Ultimately, these political priorities all tend to cause fundamental social rights to be relegated to second place, almost as if the countries concerned should first be put back on the road to healthy growth with no financial deficit and public confidence should be restored by keeping at bay anything among ethnic or other minorities that might create a feeling of strangeness – as if it were first necessary to improve the climate in this respect before indulging in the luxury of going a stage further with integration and social rights. In political terms, the open co-ordination method, when applied, for instance, to the problems of pensions or poverty, is based on exactly the opposite view, namely that social rights are not conditional, regardless of certain other economic and social emergencies.

There is indeed one absolute priority, according to the heads of state and government: they have undertaken to make a decisive contribution by 2010 to wiping out poverty. Europe cannot be the economy with the most competitive intelligence in the world (to refer to the well-known concept put forward at the Lisbon Council meeting) if, at the same time, it continues to accept the growing number of situations of social exclusion and poverty. It seems to me that the open co-ordination method has the advantage, or at any rate the aim, of giving weight to this political affirmation in a climate which is unfavourable in financial and social terms. The method is designed to overcome the problem caused by the fact that specific social protection provisions are not, for good reason, the responsibility of the European Community.

In the circumstances, I should simply like to point out that the mere fact of setting common objectives, for example deciding that the 15, and soon-to-be 25, member states (since the ten new members are already involved in the open co-ordination method) will work together in pursuit of the fundamental objectives of combating poverty and social exclusion, also implies an important commitment to addressing the root causes of social exclusion and not only its consequences, and indeed a determination to ensure access to all essential services (health care, education, housing, etc.). Where pensions are concerned, this approach would, for instance, provide an incentive to modernise the system not only in order to make it financially more viable but also to ensure that pension schemes are adequate, that is to say that the pensions provided are sufficient to prevent poverty over the age of 55 and any regression in this respect, and to
back this up with criteria based on common indicators. It seems to me that there is something here that helps to consolidate the consensus within member states that social rights are unconditional and universal, regardless of specific political choices or trends.

b. The Charter of Fundamental Rights

The EU Charter of Fundamental Rights is, to my mind, an important step forward in European integration when it comes to the question of universal access to social rights and to social cohesion issues in general. Firstly, the wording reflects all the work embodied in the earlier Nice Convention: the Charter incorporates, along with political and civil rights, fairly comprehensive social rights directly derived from the general principles of dignity, equity and solidarity – the same principles as the Council of Europe has always upheld and those which, moreover, appear at the beginning of the “Guide to the Development of Social Cohesion Indicators” that it is currently drafting to enable all human communities, regardless of their size, to devise policies that are in keeping with these principles.

The social rights provided for in the Charter are quite substantial: in addition to the rights afforded to workers, they include the main achievements reflected in the case-law of our various countries. Admittedly, these rights apply only to the institutions of the European Union and the member states, insofar as they are applying policies prescribed by the EU. The Charter does not in itself enhance the European Union’s powers but it does, for the first time, provide an explicit framework for all the policies. EU policies, of whatever type, including economic policies and those concerning competition and freedom of movement, may not undermine the exercise of these fundamental social rights in our countries.

This needs to be qualified, however. The Charter will be directly legally enforceable when it sets out rights. It will be indirectly enforceable when it sets out principles, which is the case in the social field in particular. In any event, it clarifies citizens’ possibilities of appeal to the EU or to their own governmental authorities when they consider that the application of EU policies hampers the exercise of those rights. Europe’s identity has therefore clearly been enhanced as a result of the fact that it has directly subscribed to a laudable tradition whereby the universality of fundamental rights is seen as a prime source of social cohesion.
4. The issues raised by enlargement, ranging from solidarity to new forms of insecurity

Having addressed the conflict between insecurity and social cohesion from the angle of social protection machinery and its effectiveness in ensuring that rights are universal, I should like to consider the European Union not only as a union of citizens but also as a union of nations, for it is in fact both. I should therefore like to transpose the analysis to the scale of the group of nations that make up the EU and the group that will form the enlarged European Union, including first the ten candidate countries and then, in the near future, other countries that are already emerging as prospective candidates.

The questions raised by such an approach are these: has European integration really contributed to greater mutual trust between peoples? Has it enhanced the degree of acceptance of ethnic, cultural and linguistic differences? Has the legal principle of non-discrimination on grounds of nationality actually permeated the minds of European Union citizens? Have we succeeded in forging a “European citizen” who is more open than was the case 50 years ago to the presence of other nations, other languages and other cultures?

Here again, the picture is bound to be uneven, if only because of some very modest observations. André Sapir, the author of a report on European growth which caused a great stir, reminds us that while we were able, not so long ago, to criticise the United States for the fact that the unemployment rate in the black community was twice that in the white community, at all ages, we now find ourselves in a similar situation in the European Union – the unemployment rate is twice as high at all ages among nationals of third countries as among EU citizens. So we have by no means sorted out our relations with foreigners in the European Union, even though one of our fundamental principles has been, and remains, non-discrimination, not least on grounds of nationality.

Similar remarks can be made about the agenda of the European Council meeting in Tampere in 1999, the highly ambitious aim of which was to forge a European area of freedom and security, by analogy with the programme of the large internal market. It has to be said that, in the deliberations and decisions of the Council of Ministers, measures concerning security took precedence by far over aspects concerning freedom, and particularly over the idea that such security should also be established for nationals of third countries lawfully residing in the European Union.
Indeed, we regularly find that the Council of Ministers comes out in favour of security rather than freedom and integration, as it did at its meeting on 16 and 17 October 2003 on the basis of a communication from the Commission presenting immigration and integration as twin themes. Observing that, in the years to come, the European Union would need to take in more immigrants than it was currently doing, the communication advocated acknowledging this need by means of positive immigration policies, matched by genuine integration policies, including social policies. In response to these remarks, the European Council reacted largely by confining itself to the security aspect.

Although these many signs do not plead in our favour, I should like to make two points in my conclusions. The first concerns the legal approach founded on a law-based community. The European Union has always progressed with the help of supranational legislation (directives and regulations), and if I myself made an exception to the rule a short while ago by talking of the open co-ordination method, it was because it seems to me to be preparing for future law. If we take another look at Regulation 1408/71, we can see clearly that it has had a rapidly growing impact, because of the general nature of the principle of non-discrimination on grounds of nationality. Similarly, it has proved impossible to confine this principle of non-discrimination to nationals of member states: the case-law of the Court has extended all the benefits and rights conferred by Regulation 1408 from families of European citizens to families of nationals of third countries lawfully resident in the European Union. This gradual extension of rights, modelled entirely on “European citizenship”, is the result of an approach based on law and the general and coherent application of the principle of non-discrimination.

I should also like to say that the enlargement process itself should perhaps be regarded in a more favourable light than that in which it has been possible to present it. Did it not have the merit of reassuring our fellow-citizens in the countries of the existing European Union by offering the prospect of economic development and full integration to the candidate countries? Did it not, to some extent, prevent their suffering, in turn, from instability, one of the consequences of which would have been waves of immigration much more difficult to control than those that we are currently having to regulate?

By means of enlargement, the European Union has, without giving the matter too much thought and shilly-shallying for too long, proposed establishing its own model of stability in eastern Europe, and it will soon
be doing so in south-east Europe. And what about the proposal that Turkey should now be a viable candidate for EU membership, which has overridden doubts as to the advisability, in cultural and religious terms, of Turkey’s belonging to the EU? I can see from this that the European Union defines itself in terms of secular values, the principles of democracy and respect for human rights, and that this allows it to consider welcoming Turkey into the fold without breaking with tradition. Is this not a political contribution of great value, given our contemporaries’ concern about the very possibility of considering universal rights for all, without discrimination on grounds of religion and ethnic origin?

The obvious weaknesses of the European Union machinery when it comes to addressing all the issues I have discussed should not be allowed to conceal the key fact that whether the European Union opts for one approach or another, or even resolutely commits itself to universal, unconditional social rights, depends largely on the force of the ideas put forward in debate. I am increasingly aware that a particular directive or proposal has no chance of being adopted unless the idea of unconditional rights genuinely prevails in the European public arena. And I should like, in this connection, to highlight both the role of the Council of Europe, as a point of reference providing standards by which to measure the progress and coherency of our policies and, of course, the fundamental role of the European Parliament. I think it is very fortunate that numerous subjects connected with fundamental rights, particularly freedom of movement and inter-judicial matters, now fall within the realm of co-decision. Indeed, it is probably the Parliament that can most effectively provide political support for the principle that social rights are fundamental and envisage frameworks within which they can be debated, defended and ultimately obtained in daily life.