

JCER Commentary

The Future of the European Union: A Critical Trade Union View

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Abstract

This paper offers a radical critique of the current framework of economic policy within the European Union and its negative effect on social cohesion. It defends the aspirations of the “Social Europe” model but suggests this model is now withering on the vine, not least because employers and governments no longer support it and have withdrawn from genuine social partnership. The paper asserts that the undemocratic nature of European policy making institutions is a fundamental bloc to progressive reform of the EU, and criticises the economic philosophy inherent in the Lisbon Agenda and recent controversial European Court of Justice decisions that have expanded that agenda. Lastly, it sketches some alternatives to this direction of travel, drawn from successful models within and outside Europe.

Foreword

THIS PAPER WAS ORIGINALLY PREPARED FOR AN ECONOMIC AND SOCIAL RESEARCH Council (ESRC)/Durham University seminar “The European Social Model – Old vs New Europe” at the Central European University, Budapest, Hungary and delivered on 19 September 2008. The authors are researchers for the UK Public and Commercial Services Union (PCS). As such, the paper is a critical commentary and activist intervention in the European debate, driven by trade union concerns and the experiences of practitioners in the field.

Since the Budapest seminar the EU has plummeted into the deepest and most widespread economic recession in the post-war era. This has presented us with an opportunity to sharpen our critique with an updated foreword. In our view the causes and development of the current economic crisis, and the manner in which the Lisbon Treaty was eventually ratified, supports our original analysis. We do not claim any great prescience in criticising the Lisbon Agenda’s commitment to deregulation and the liberalisation of public services, and its negative impact on European employment, trade union rights and social cohesion. Indeed, in May 2008 no less a group than former German Chancellor Helmut Schmidt, former French Prime Minister’s Michel Rocard and Lionel Jospin, and former head of the European Commission Jacques Delors, issued a statement in which they said:

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The current financial crisis is no accident. It was not, as some top people in finance and politics now claim, impossible to predict. This crisis is a failure of poorly or unregulated markets, and shows us, once more, that the financial market is not capable of self-regulation. (IPO 2008)

The statement was reported in the UK's *Daily Telegraph* (22 May 2008) under the headline "EU-wide super regulator poses threat to City of London". Months later the City begged the UK government to bail it out and save the British economy from the consequences of its own financial mismanagement and folly.

Proponents of the Lisbon Agenda are failing to face up to the new economic reality. In the UK former EU Trade Commissioner Peter Mandelson, (quoted within on the urgent need to make European capital markets even more flexible because "we are all Thatcherities now") has been rewarded for his regulation-lite approach to business by being promoted to Business Secretary and First Secretary of State. Yet the failure of the economic model voraciously championed by Mandelson and the political elite could hardly be more stark. The damage it has done to the wider European project is immense, and its extension into European employment law and social policy through the European Court of Justice (ECJ) rulings in the 'Viking' (2007), 'Laval' (2007) and 'Rüffert' (2008) cases has generated enormous opposition from the peoples of Europe, including the European trade union movement.

British unions have already been adversely affected by the ECJ's ruling in the 'Viking' case that created a potential liability for collective action, an historic step backward for progressive employment relations and a crushing blow to those who argued in the past that the EU had a strong social dimension. The ECJ's ruling in the 'Laval' case, that a Swedish trade union could not take collective action to require a Latvian contractor to observe the terms of Swedish collective agreements in the construction sector, also had negative implications for the right to bargain collectively. Hitherto that right had been safeguarded by the EU Charter of Fundamental Rights, which the ECJ ignored and in effect rescinded. As a result of this and other questionable rulings the "social partners" barely exist today in any meaningful sense.

Unfortunately, the current economic crisis has not prompted a fundamental policy shift within the EU. On the contrary, the May 2009 Prague European Employment Summit – hailed in advance as a golden opportunity to tackle the social and economic impact of the financial downturn across Europe – ended with the ETUC denouncing the summit's conclusions as "inadequate", not surprisingly as the summit limited itself to recommending a vague programme of retraining and enhanced "flexicurity" (which gives employers greater flexibility over employment contracts, in effect a reversion to unrestrained hire and fire).

For those who believe the ECT/Lisbon Treaty is an illiberal, anti-democratic instrument that has now encoded free market fundamentalism into the DNA of any future European Union, the final ratification of the Treaty in late 2009 was a disappointing, yet not entirely unexpected, development. In the only valid democratic tests to which the original European Constitutional Treaty (ECT) and the reformed Lisbon Treaty were exposed (in the first case the 2005 French and Dutch referenda, and the second case the 2008 Irish Referendum), their provisions were clearly rejected by those electorates privileged enough to be given a say. That the adoption of the reformed ECT/Lisbon Treaty hinged entirely on the second Irish referendum – in which every major political party, every business and trade union leader, and every major print and electronic media outlet supported the "Yes" vote – was by objective standards a rigged election, and would have been easily identified as such if conducted in, for example, Zimbabwe or North Korea.

There is a collective reluctance within EU policy circles to acknowledge the underlying economic causes of the recession coupled with a lack of political will to construct genuine alternatives. Successful working alternatives do exist – in our paper we only have space to sketch some possible approaches, ranging from Nordic social democracy to the growing Bolivarian Revolution in Latin America. In Venezuela, for example, the poor have seen their incomes soar by 130% since Hugo Chavez came to power and Venezuela's Millennium Development Goals for poverty reduction are years ahead of schedule (information from Datos Information Resources)¹, unlike the more affluent countries of western Europe.

If the structures and policies of the EU are not to further alienate Europe's workers and voters, we believe a similarly ambitious and redistributionist approach is now vital. The neo-liberal policy agenda built into the European Single Market and recent ECJ rulings has been discredited by events, and the evidence of success lies elsewhere. One does not even have to look outside Europe for viable alternatives. As the economist Stuart Holland (2009) explained:

Social democracy succeeded in Scandinavia not only because it managed the level of demand, but because under the pressure of strong and highly political social and trade union movements, it redistributed it through progressive taxation and could fund high-class education, health and welfare services.

A co-ordinated cross-border approach that facilitates a programme of nationalisation and long-term planning for social welfare, within and between Member States, is now overdue. Our paper suggests that if the EU wishes to re-engage its citizens and initiate a progressive vision it needs to democratise its policy making institutions, implement a Europe-wide regulation of financial and capital markets, prioritise strengthening employment rights, and tighten regulation of employers in order to promote and protect social responsibilities and collective agreements. The financial meltdown and the consequent discrediting of free market dogma requires a seismic shift in policy direction, not more of the same.

The following piece reflects our view and opinions as of September 2008, when the piece was first presented.

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¹ summarised at <http://www.venezuelanalysis.com>

Introduction

This paper offers a critique of the current framework of economic policy within the European Union as defined by the Lisbon Agenda and emerging legal decisions that expand that agenda. It defends the past achievements of the “Social Europe” model and suggests a radical revitalisation of that model is necessary if a progressive European project is to have a future. Although it does not criticise the ultimate goal of greater social and political harmonisation of Member States to ensure pan-European affluence and peaceful co-existence, it argues that this goal is increasingly undermined by the EU itself, through the legal application of internal market legislation, and the unresolved issue of its own democratic deficit.

It traces these fault lines to the remit and power of the European Commission to initiate and propose legislation and the relative impotence of the European Parliament, a situation the original draft European Constitutional Treaty (ECT), subsequently the Lisbon Treaty, does little to address. In many respects this relationship completely inverts what is commonly accepted as a healthy democratic polity – i.e. elected representatives with a democratic mandate propose policy which is then refined into statutory law and enforced by an executive and a non-political civil service.

Brief History

The creation of the EU's forerunner, the European Economic Community (EEC), was a necessary and positive act. Following the creation in 1952 of the European Coal and Steel Community (ECSC), the Treaty of Rome (1957) created the EEC along with its core institutional structures. Thus emerged the European Commission, ultimately answerable to a Council of Heads of State, but still the creator and driver of European policy initiatives. The European Court of Justice (ECJ) would rule on the lawful application of those policies. In contrast, the European Parliament was a toothless focus group.

There were, then, two ‘original sins’ at the heart of the process. Firstly, the anti-democracy of the Commission/Parliament relationship was bound to incur the ire of excluded political groupings and national legislatures; secondly, the identification of trade liberalisation as the primary ‘*raison d'être*’ of the EEC gave the project a negative rather than a positive thrust – the new institutions, for all their cross-European potential, were only really authorised to remove perceived obstacles to trade and competition. The prospect of the EEC developing new pan-European social and labour market policies had been considered and rejected at its inception.

The lineaments of what we now call the “Social Europe” model (e.g. formal information and consultation procedures, social partnership at work, progressive employment procedures and health & safety standards, and – occasionally – socially responsible financial institutions) emerged initially within the nation states of Scandinavia and Northern Europe (the UK excepted) and not through EEC institutions. It was not until 1996 that many of these elements were codified by Jacques Delors in the (revised) European Social Charter as fundamental social rights, which he saw as essential if European economic and monetary union was to have a progressive social dimension.

The Turn from Social Europe

Much of Delors' vision is now being eroded. Following the European Single Act (1986), the Maastricht Treaty (1992) and the signing of the Lisbon Agenda (2000), development of the

European Single Market (ESM) is an increasingly one-sided process. Partly this reflects a political shift within some Member States and the European Commission towards fundamentalist free-market doctrine. But this shift itself follows the rise of an aggressive neo-conservative Right in the USA and its influence on EU policy through bodies like the Transatlantic Business Dialogue (TABD), and the consequent mutation of the ESM into a vehicle for financial liberalisation, deregulation and privatisation. In *Forward with Europe: a democratic and progressive reform agenda after the Lisbon Strategy* (2008), Stefan Collignon, Professor for Economic Policy, at S. Anna School of Advanced Studies, Pisa, concluded that "The Barroso Commission took a significant turn to embrace a neo-liberal conservative interpretation of the Lisbon Strategy in 2005" (Collignon 2008).

As a result the essential social elements of European integration have been side-lined. Social dialogue is increasingly a charade. Social partnership is virtually non-existent. In its *A New Deal for Social Policy: the ETUC's contribution to the Preparation of the Renewed Social Agenda* (March 2008) the ETUC concludes "We have moved from a Social Action Programme, with clear objectives, clear measures, clear instruments, to a Social Policy Agenda and finally to a Social Agenda".

Yet we would argue that "Social Europe", for all its faults and regional variations, has proven itself a superior socio-economic model to that of American style capitalism. The latter's propagandists claim that the USA has achieved high employment with low social spending, but this is a narrow view. To make a relevant comparison, until recently the Nordic countries' combination of high employment and high social spending has on the whole avoided the low quality and lack of employee benefits of much US employment, and the social dislocation and high crime rates that has disfigured much of US society.

The justifications for introducing an American style deregulatory, non-unionised capitalism into the economies of Europe do not stand up to rigorous analysis. The OECD, in its *Employment Outlook* (July 2000), found that more comprehensive European employment protections had "little to no effect on overall unemployment" (OECD 2000: 50). Joseph E. Stiglitz (2000), former Chief Economist of the World Bank, contended that a financial system is "impaired rather than improved by deregulation", and that privatisations will fail in the absence of investment in the institutional framework of an economy.

In this context, the economic analyst Will Hutton (2003: 320) believes that: "The lazy charge that European unemployment is the fault of unions, regulation and social charges does not bear serious scrutiny". He also concluded that the constituents of the European Social Model have "produced an array of social outcomes which on every important measure are significantly better than in the US" (Hutton 2003: 344). To take just one example, 18% of children in America live in poverty (U.S Bureau of the Census, Current Population Survey 2008), whilst child poverty in France and Germany is well below 10%, and virtually zero in Nordic countries.

The Single Market and the ECT

The development of the Single Market began with proposals for financial and labour market deregulation. As the neo-liberal agenda for Europe gathered pace, Article III-116 of the Nice Treaty (2000) specifically subjected European Public Services (or "Services of General Economic Interest") to competition, regardless of whether it would be more beneficial for such services to function for socially responsible and non-profit reasons. Member States were forbidden to pass or keep on the statutes laws contrary to the Treaty's intention.

It is the Commission (i.e. appointed commissioners and unelected civil servants) not the Parliament who decide the application of this article and adopt appropriate European Regulations and decisions. Susan George (2006: 1) summarised this process: "The European Commission is the executor of these policies, with the collusion of the great majority of European member states, all of which are influenced by business and financial elites whose lobbies are omnipresent in Brussels".

The appropriate regulations and decisions were forthcoming, most famously the proposed Directive on Services in the Internal Market, also known as the "Services Directive" with its controversial "country of origin" principle, which, had its initial text been adopted, would have guaranteed, at a stroke, a race to the bottom for labour regulation and employment law. Only a mass-based cross-European campaign led by the ETUC, the PES and others managed to remove the most socially damaging parts of the Directive at the last moment.

This was a welcome, though atypical, reversal of the march of free-market dogma over the protections of Social Europe. More telling has been the contortions necessary to impose the ECT/Lisbon Treaty on unwilling European electorates (to the extent that constituency can be measured, given its only outlet of opinion on the Lisbon Agenda's direction of travel was the French, Dutch and Irish referenda).

It is no co-incidence that the mantra "free and undistorted competition" occurs no less than 24 times in the original draft ECT, leading off in Article I-3 as one of the fundamental objectives of the EU. This would appear to be the first time a constitution of this type has mandated - as a principle in a founding document - not simply an abstract goal such as freedom or equality, but a specific economic model. Surveys of European Public Opinion towards the EU, such as the Commission's "Public Consultation on a Future Single Market Policy: summary of responses" (European Commission 2006) usually assume support for the principle of the Single Market, focusing instead on which specific policies will make it most effective. As such, the question of whether there should in fact be a Single Market guided by "free and undistorted competition" is carefully omitted and does not appear in the final text of the Lisbon Treaty.

Even thus presented, amongst the majority of respondents that broadly support a barrier-free market there is considerable scepticism as to whether the mooted benefits of that market have actually extended beyond the narrow interests of big business. The summary of the feedback, whilst no doubt accurate, tends to highlight this majority "agreement" with the assumed benefits of the Single Market whilst marginalising scepticism as lesser quibbles within a framework of broad endorsement. The overwhelmingly uniform responses of European Trade Unions that the Single Market lacks a social dimension is barely reported at all (see Section European Commission 2006: 13)

For example, in assessing Section II.2 of the "Public Consultation on a Future Single Market Policy" (Priorities for Future Single Market Policy) (European Commission 2006: 14), views on five possible areas of attention are given; these are: (1) fostering market dynamism, (2) better regulation, (3) better enforcement, (4) accounting for the global context, and (5) investing more in information and communication about the benefits of the Single Market. Given that area 2, better regulation, could be construed as less regulation, no respondent therefore has the opportunity to opt specifically for greater control of market mechanisms to ensure citizen and worker collective agreements, social protections etc. Significantly, *the concept of the Single Market itself* is never put to the question, and the extent to which the ECT absolutely precludes that it ever can be is never explained, justified or put out for consultation.

The potentially destructive effects of the Single Market and its instrument, the ECT/Lisbon Treaty, on European Public Services are not yet widely understood. As Susan George (2006: 6) concisely put it:

[ECT] Articles III-166 to 168 literally organise the demise of public services and the right of member states to provide subsidies. These services are made explicitly subject to the rules of competition. If the Commission decides that the aid given by a member state to a public enterprise is incompatible with the rules of the internal market, it can order the guilty state to eliminate or modify the subsidy.

We would argue that any European Trade Union body that, despite this, supported the ECT has been hopelessly compromised by its integration into European “social partnership” and has lost all sense of its original mission.

A Renewed Social Agenda

In response to criticisms by the ETUC and others that the Social Agenda was withering on the vine, the Commission adopted a package of measures known as the “The Renewed Social Agenda” (*Renewed Social Agenda: Empowering and Enabling Europeans – Opportunities, Access and Solidarity in 21st Century Europe. July 2008*), an initiative that the ETUC was hoping would reassure sceptics that this aspect of the European project was still alive and relevant, despite admitting in its March 2008 Statement “A Single Market for the 21st Century” that “The recent Social Policy Agendas were characterized by their lack of political will and ambition”, and rightly criticised those agendas as a list of “soft law” proposals.

The Renewed Social Agenda (RSA) follows this trend. For example, its central plank is a positive yet non-problematic proposal for a Directive on the application of patients’ rights in cross-border healthcare (non-problematic in that it does not conflict with internal market legislation nor offend the employers’ lobby). The Commission itself concedes that this is unlikely to require much application as all studies show that hardly anyone wishes to avail themselves of cross-border healthcare.

Other elements of the RSA are either proposals that many Member States will have already legislated for, or are exceedingly timid, e.g. a “Proposal to Review Legislation on European Works Councils”, which even if actioned would offer minimal improvements. Neither are the RSA’s Reports as significant as their titles imply – i.e. the “Annual Report on the European Globalisation Adjustment Fund” reports the provision of €18.6 million in support for over 5,000 redundant workers in France, Finland and Germany. Obviously helpful to the individuals concerned, it is a drop in the ocean in the context of Europe-wide recession. The ‘Report on Social Services of General Interest’ (see European Commission 2008) acknowledges in passing a shift from publicly controlled services towards ‘more market based regulation’, but otherwise is free of substance or proposals to address what many trade unions perceive as a major problem.

Even existing social legislation is being revised, delayed or undermined. Immediately after the Irish rejection of the Reform Treaty the ECJ ruled that Luxembourg’s implementation of the Posting of Workers’ Directive, designed to protect the rights of workers temporarily posted to another Member State, was an obstacle to the free provision of cross-border services. The UK’s TUC (2009; see also Keoghane 2008) considers that this judgment “challenges the scope for Member States to secure decent wages for all workers on its territory, demand respect for collective agreements, and devise effective mechanisms for monitoring and enforcing workers rights in the Posting Directive”.

Similarly, the Council of Ministers' agreement of June 10th 2008 on the Working Time Directive provides for continuing individual opt outs from the 48 hour limit, where a Member State wishes this to apply (as in the UK), and also introduced the concept of "active and inactive" on-call time, where previously the ECJ had classified on-call time (and therefore working time) as the time a worker was required to be on an employer's premises. ETUC General Secretary John Monks called these revisions "highly unsatisfactory and unacceptable to the ETUC", and MEP Alejandro Cercas, reporting on the Directive to the European Parliament, said the proposal was "a text more from the 19th than the 21st century".

Working Alternatives

The European Trade Commissioner Peter Mandelson (2002) has claimed "No serious challenge on the Left exists to Third Way thinking anywhere in the world. In the urgent need to remove rigidities and incorporate flexibilities in capital, product and labour markets, we are all Thatcherites now." Mandelson has been a Thatcherite for some time, but he speaks only for a small political and corporate elite who benefit from this model. Within Europe itself, and at the global level, his claim is demonstrably false as there are a plethora of successful working alternatives.

The most prominent European alternative to internal market neo-liberalism is that of Scandinavian Social Democracy, or the "Nordic Model". One of the strengths of this model, which has delivered the highest standard of living and quality of life in Europe for many decades, is that there is a genuine investment in social capital, as Stiglitz recognised was necessary for a whole society to prosper.

Although the effects of market deregulation are now being felt in the Nordic countries, until recently Bank finance of industry was much preferred to Stock Market finance because it provided less chance for irresponsible speculators to mount hostile takeovers and upset the pillars of the economy. Social and environmental regulation is extensive, yet flexible, efficient and socially responsible. None of this is unrelated to high trade union membership figures in the Scandinavian countries – 75% in Norway, 95% in Finland. The mainstreaming of the trade unions in both industry and welfare provision ensures a high degree of popular accountability and democratic legitimacy for these aspects of their societies. The biggest failure of the free-market financial system since the 1930s, and the need for the banking system to be rescued by the public sector demonstrates why the original 'Nordic model' is more durable and relevant to the economic needs of the 21st Century.

Globally, New Zealand was the first social democratic government to embrace a free-market programme of wholesale privatisation, liberalisation and deregulation. Named after New Zealand Labour Party's then finance minister Roger Douglas, "Rogernomics" finally imploded amidst a litany of social and economic failures: stagnation, unemployment, bankruptcies, rising crime and rampant inequality. Two decades on, another New Zealand government, this time a more progressive Labour coalition headed by Helen Clark, is again at the forefront of political change - leading the revival of public ownership.

Clark's government renationalised the country's railways and ferry services, privatised in the early 90s and subsequently run down and asset-stripped by the Australian owners. Launching the new, publicly owned KiwiRail, finance minister Michael Cullen declared that privatisation had "been a painful lesson for New Zealand" (AP 2008). Nor is this the first

renationalisation by the Clark government, which took over Air New Zealand after it nearly collapsed in 2001, and has also built up a successful state-owned retail bank.

Clark has championed the public takeover of rail as vital if New Zealand is to have a modern, environmentally sustainable transport network. Against a background of global warming and rising fuel prices, she believes that public rail is a "central part of 21st-century economic infrastructure" (Clark 2008). The UK's privatised railway system, by contrast, remains a byword for fragmentation, unreliability, overcrowding, delays and exorbitant cost - which has only now completed a high-speed link to the Channel Tunnel, 15 years after its state-owned French counterpart.

Although facing problems on a different scale to many European countries, Venezuela's experiments in local developmentalism, public ownership and popular participation also offer examples of what can be achieved when an economy frees itself from the rigidities of the "Washington Consensus".

The nationalization programme in Venezuela is comprehensive with the Chavez government's 2007 stated policy of "renationalising all that was privatised". The government renationalised one of Latin America's most significant steel companies in April 2008 and then nationalised a number of oil fields, electricity companies and a major telecommunications company. The drive to take key industries out of corporate hands is part of a strategy of promoting national development to overcome poverty and social exclusion: a policy designed to put the national resources of Venezuela at the service of Venezuelans and not transnational corporations (not incidentally providing cheap oil to developing nations, and in Haiti's case supplying oil for free).

Unfortunately EU policy making institutions (although not all European *governments*, as evidenced by Sweden's recent moratorium on future privatisations and France's re-nationalisation of the privatized Paris water utilities) are still in the grip of a discredited ideology that sees privatisation as the only way to 'reform' public services, and nationalisation as a throwback to be avoided at all costs - except, as we have seen with the ailing Northern Rock and RBS Banks in the UK, when the stability of the financial system itself is at risk. However, as global economic conditions increasingly undermine the credibility of free-market economics, other strategies are gaining traction. The revival of public ownership in countries as diverse as New Zealand, Belarus, Ecuador, Bolivia, Brazil, Sweden and Venezuela reflects a pervasive disillusionment with the top-down neo-liberal experience of the past three decades.

These are merely a snapshot of contemporary alternatives to the neo-liberal agenda. In our view they form the basis for serious, sustained criticism of that framework and arm the wide coalition of groups campaigning for rejection of the ECT with positive alternatives to draw upon.

Lessons To Be Learned

If democracy were the issue, the initial Irish rejection of the Lisbon Treaty would have meant the Treaty - in any form - was dead. It is possible that were other Member States given the choice, they would also have voted 'No'. Under the EU's own rules, non-ratification by one Member State should automatically derail the process. However, democracy is not the issue. Other Member States will not be given a vote, and we predict the EU's rules will be ignored. This will be a stark indication of the true nature of the neo-liberal project in Europe - an economic framework imposed by political elites without democratic legitimacy.

In this context, it is instructive to consider the history of the proposed Multi-lateral Agreement on Investment (MAI) in the 1990s. The MAI, in its original form, provided unprecedented power to international corporations, while restraining the right of national governments to regulate them, allowing foreign corporations to sue national governments for damages if they took any action – such as social and environmental regulation – to “restrain enjoyment” of an investment. It would have also banned new legislation that was “non-confirming” to the MAI, and mandated “rollback” of existing non-confirming legislation.

The MAI was ready for ratification (without the US Government informing the US Congress, as it was legally obliged to) when the full text got into the hands of NGOs and trade unions, and mass campaigns against it were organised. These popular protests seeped into the media and energised local political groupings to subject the text to fuller scrutiny. In the end, massive public opposition defeated a treaty that its proponents had initially assumed would be implemented under a veil of institutional obscurity and technical jargon. *The Economist* (March 21st, 1998) noted with annoyance that it was becoming harder to ignore those who “want high standards written in for how foreign investors treat workers and protect the environment”.

For those wishing to publicise the negative effects of EU Internal Market policy, and replace that policy with a more socially responsible alternative, the successful mass campaign against the MAI offers both inspiration and guidance.

A Future for the EU?

It will not be easy to offset the erosion of the Social Europe model. In the short term, the least that is necessary is the automatic inclusion of the so-called “Monti Clause” in all internal market legislation to ensure that implementing the four “fundamental freedoms” of the single market does not destroy collective bargaining rights and the right to strike as defined by national legislation. In the longer term, the European labour movement needs a more extensive and radical vision of European reform than tinkering at the edges of the dominant neo-liberal policy framework.

This must involve revising the powers of the European Parliament so that it can initiate legislation, and putting the European Central Bank back under democratic control. In tandem, the operating rules of the ESM would need to be radically reformed to allow a democratic European governing body to borrow and invest in Europe-wide public services, services which would be responsive to local and regional bodies of service users and trade unions. Clearly such a thorough overhaul of the ESM would require equally radical political change within Member States, to propel the process.

There is also an urgent need for greater oversight of the political activities of corporations, for tight corporate lobbyist registration systems, and mandatory transparency of financial donations to political groups. Currently there is scant transparency around these activities, and transnational companies are unlikely to voluntarily inform the public about their lobbying operations within EU institutions. Establishing genuine democratic control over finance and capital must be a central feature of a more progressive EU.

This would go some way to addressing the democratic deficit implicit in EU policy making institutions. Joana Cruz (2006) concludes that: “...it is difficult to deny the legitimizing impact of introducing an institutional structure into the European Union that allows for more political competition and direct participation by citizens”. There are a number of

ways this could be achieved. Certainly the European Parliament should have legislative powers, and the key posts in the EU emerging from the ECT process should be subject to direct election by European electorates. Until these minimal democratic reforms are actioned, political, trade union and community campaigners for publicly owned and socially responsible public services should not concede the EU's authority to legislate on those services.

Catherine Needham and Alisdair Murray (2005: 3) of Catalyst and the Centre for European Reform assert in the Unison/Ver.di discussion document 'The Future of Public Services in Europe': "Public Services need to be understood in the broadest sense: as expressions of collective purpose, governed by shared principles such as equality of access and social solidarity, and oriented towards a common good". This is the basis of our own analysis, but we must recognise that such a vision is a frontal challenge to the economic philosophy espoused by free-market advocates such as the TABD and Peter Mandelson.

This vision of public services advocates, for example, that free universal health care is not provided to make or to save money but to treat illness and extend life; that the maintenance of a national network of Post Offices should be driven by social, not commercial considerations; that free high quality education to post-graduate level should be valued because it is fundamental to a civilised society, not because it may add to a nation's GDP; and that collective bargaining agreements are a vital social good, raising the quality of life for the vast majority of ordinary citizens.

We believe these policies could form the basis of an alternative to the current economic paradigm within the EU, and re-animate the concept of Social Europe. It may still be possible to chart a course towards a future EU with more democratised institutions and sustainable societies, underpinned by high social and environmental standards. We hope this paper aids the development of that alternative.

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