

EMU and Social Cohesion: can they co-exist?

By Steve Coulter, LSE

The Eurozone crisis has exposed a dramatic set of fault lines between Europe's nation-states and the supranational institutions of the European Union which purport to unite them. These fissures have already produced a political earthquake in the form of big votes for xenophobic and/or anti-EU parties in recent European elections.



But if EU leaders can't demonstrate that their version of the market-state is compatible with social cohesion it will not be the last. This was the stark warning of the Dutch political scientist, Anton Hemerijck, when he spoke at the LSE recently.

Professor Hemerijck, a leading theorist of European welfare states, told his audience that EMU is unsustainable without social convergence, as many national social safety nets are unable to cope with the consequences of the crisis. Publicising his latest book, [Changing Welfare States](#), he argued that the fault lines of EMU – the export-led North co-existing uneasily with the debt-fuelled Southern periphery – are embedded in the economic strategies and interests of key states and so are unlikely to change.

As a consequence, the social deprivation and widening inequality induced by Austerity programmes are unlikely to be relaxed in a hurry. Moreover, the default solution of many reformers – tasking welfare systems with building 'Competitive States' geared towards enhancing competitiveness – is also not the answer, he argues. They do often do not work and they allow inequalities to continue to fester.

Despite its pretensions towards building a European Social Model to counter these tendencies the EU is largely impotent in these areas and welfare remains the exclusive purview of national governments with very different visions of the good society, according to Hemerijck.

To combat this, the EU needs to get its act together to stop the drift. Hemerijck argues that social investment should be prioritised and anchored in EU macroeconomic and budgetary governance. He demands, somewhat optimistically, that collective action at the supranational level should reinstate social investment as an essential part of a demand-led solution to Europe's problems. Having already demonstrably failed, EMU must itself be re-created politically with these imperatives built-in. Otherwise, it will never again enjoy support.

An optimistic vision indeed, although it's possible that the May 2014 elections will scare centrist parties so much that they finally take action.

