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SOCIAL POLICIES**

A European Perspective



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SOCIAL EUROPE: THE DANGERS OF COMPENSATORY SOLIDARITY

Stefano Solari
University of Padova

Introduction: the missing solidarity in the EMU

An argument commonplace in narratives concerning the difficult recovery after the 2008 crisis, the relative backslide of 2011, and the European peripheral debt crisis is that difficulties occurred because European economic integration has been privileged over any form of political solidarity. Consequently, Europe should develop the institutions of solidarity to provide relief of instability and inequality. Maastricht had to lead to political Union and to some form of solidarity, but this aspect always remained vague and was not implemented. What has been implemented after the crisis is an even tougher set of control-oriented institutions that introduce further rigidities in European economies, reducing the degrees of freedom of national economic policy. The aim of this contribution is to argue that the implementation of solidarity schemes in the EU should not be conceived of as a compensatory measure for the costs and damages directly or indirectly caused by the European Monetary Union (EMU) and its rigidities and passiveness, including the inability to curb financial instability. Solidarity schemes should instead be the product of unified programs framed by a genuine constitutional federalism.¹⁶¹

The actual ‘competing federalism’ arrangement of European governance has achieved many relevant results, particularly in the form of a free economic space and common public goods, which are unfortunately difficult to fully appreciate; however, as it is presently organized, this political-institutional arrangement also leads to conflict and to non-collaborative attitudes among countries. Beggar-thy-neighbor policies, from taxes to migration, have become the regular case rather than the exception. Moreover, it further divides national polities rather than promoting unity. The discussion of extending solidarity in this context is simply ranting and raving. Certainly, solidarity may take different forms; some are more visible and likely to be opposed by net-payers, and some are less visible but also often more useful

¹⁶¹ Fabio Masini, *Reconciling demos and kratos: the economics of a multi-layered democracy*, in «Rivista di Studi Politici Internazionali», 86 (1), 2019, pp. 57-68.

and politically feasible. This is the case for general rules and common institutions able to keep the competitive order under the boundaries of virtuous social results, helping the economy to become more social or pro-social. On the contrary, solidarity in the form of redistribution programs, including monetary compensations, that are accounted for on balance sheets and figured as inflows and outflows from national accounts, risk becoming a cause of further fractures as well as of chronicization of painful situations.

A fundamental analytical point in this situation is that an economic analysis cannot be performed separately from the study of political issues, particularly legitimization. Institutions with low legitimation are ineffective in ordering economic processes. To counterbalance disruptive forces, European institution reforms should aim to solve issues of concern for the population of each region. Even if, as in the view of Walter Lippmann, the élites are the only force capable of effectively achieving something akin to the 'public interest,'¹⁶² they are bound by the legitimization process of EU institutions.

In the next section, the predicted and unpredicted economic difficulties caused by the EMU are discussed. Then, the problems of distribution are presented, and the contrasting perspectives of redistribution vs. social economy are briefly discussed. The need for unified institutions to frame the dynamics of conflict and legitimization are analyzed through a classical perspective. Finally, suggestions for solidarity are presented.

1. The unsteady Eurozone's architecture

The euro has been a quite successful construction under many points of view. Prices' information transparency has reached unprecedented levels in Europe. The single currency has eased trade and factors of production mobility. Moreover, the single currency has contributed to developing and to integrating the European financial market, reducing the cost of capital; however, it has also proved to cause a series of evident shortcomings, from the predicted poor response to asymmetric shocks to slow growth. Some scholars believe the EMU is a fault of execution,¹⁶³ and some believe that it

¹⁶² With the term élites, he meant experts and insiders. See Walter Lippmann, *Public Opinion*. New York, Harcourt, Brace, 1922, and Id., *The Phantom Public*, New York, Harcourt, Brace, 1925.

¹⁶³ Rainer Masera, *EMU: An Italian perspective*, in «PSL Quarterly Review», 72 (288), 2019, pp.27-40; Id. *Eurozone Creation and Possible Exits: Political, Institutional, Monetary and Economic Issues - An Analysis of the Key Stress Points of the Single Currency and Their Interactions*, SSRN, February 13, 2019. Available at

is a conceptual mistake because it includes a too large, heterogeneous, and asymmetric area, leading to deflationary effects in some regions. Some of these problems were expected by (mainly U.S.) economists and were related to the theory of optimal monetary areas¹⁶⁴; however, the unfolding of events has manifested a series of interrelated and nested drawbacks determined by the path of unification and by the policies enacted to control the crisis. Some of the possible difficulties related to the path of unification were discussed in the 1990s,¹⁶⁵ but many issues arose as unintended consequences of policies. The focus here is a series of problematic factors that arose in the last decade.

One evident problem of the EMU is the relenting effect on European growth compared to both European countries that did not adopt the single currency and the US. In part, this is because monetary decisions are made based on aggregate Eurozone data (for prices), and in part, the slowing down is due to the fact that the European Central Bank (ECB) is unable and not allowed to soften regional macroeconomic instability and recessions. Due to (understandable) reciprocal distrust or to odd theories, the Eurozone is a region without effective macroeconomic policy levers. The remaining levers at the local level are less available the more they are needed (in periphery) because they have been sacrificed in favor of controlling public debt. This situation arose because the euro had to be born after the structural convergence of the various economies. The convergence was in fact reached at the level of some aggregate parameter, but the crisis has allowed real structural differences to expand. Insisting on policies focused on keeping aggregate parameters within given limits, deviates the attention from actual structural difficulties. Consequently, adjustments are now based on deflationary 'internal devaluations' that reduce aggregate demand (absorption), which induces a strong deflationary bias in the periphery and in countries suffering from trade deficit. This fact reinforces some center-periphery dynamics, which are magnified by deflationary policies that limit productivity increases in the periphery.¹⁶⁶

SSRN: <https://ssrn.com/abstract=3267211> or <http://dx.doi.org/10.2139/ssrn.3267211>

¹⁶⁴ Fabio Masini, *A history of the theories on Optimum Currency Areas*, in «The European Journal of the History of Economic Thought», 21 (6), 2014, pp.1015-1038.

¹⁶⁵ Fabio Masini, *Tommaso Padoa-Schioppa: EMU as the anchor stone for building a Federal Europe*, in K. Dyson and I. Maes (eds) *Architects of the Euro. Intellectuals in the Making of European Union*, Oxford, Oxford University Press, 2016, pp. 193-211.

¹⁶⁶ Francesca Gambarotto and Stefano Solari, *The Peripheralization of Southern European Capitalism within the EMU*, in «Review of International Political Economy»,

As the EMU is not embedded in a single political-institutional structure, the rapidity of intervention and the effective coercive power of policy institutions is limited. European policy making has particularly developed ‘precautionary rules’ applied to both the states’ budgets (public finances) and financial institutions (capital ratios). Yet, this type of control is indirect and weak compared to the forces of speculation. Other intervention instruments are based on limited ad hoc funds (still to come). The ECB was not geared for acting as a lender of last resort, and in 2012, it self-arrogated a policy of liquidity expansion (OMT and LTRO)¹⁶⁷ to reduce illiquidity risks. This is an instrument focused on large financial institutions, and it has a little effect on the real economy. It could be considered a second-best intervention due to some compromise to keep a balanced effect between different economies. In fact, the purchase of bonds is conceived of as based on proportionality to member states’ GDP instead of acting directly and specifically. These secondary market measures are actually not less distorting than standard measures, and they are less efficient. In fact, OMTs have been performed from Frankfurt and have eased the assets of large investors, and no expansionary effect has occurred for the real economy, particularly in peripheral countries. Therefore, the instrument is good for assuring liquidity to large banks and for stabilizing government bonds markets, also reducing interest rates, but it is not a standard instrument of economic policy.

For the same reasons, there are no instruments of policy for the next big recession, which risks dissolving not only the Eurozone but the whole EU. Governments and their budgets are viewed as the only ‘villains’ of the situation, and consequently, their hands are tied (their feet, too). The problem is what will occur when the economy falls into the deep waters of the next financial crisis, as no one has ever conceived of cutting the nails of large financial speculators, which are instead surprisingly considered the ‘good guys’ of the situation by the received economic theory.

Actual policy instruments supply little help with speculation, and it may be that the actual rule structure and rigidities even reinforce opportunities for speculators. The definition of sovereign bonds as basically unsafe ‘regional bonds’ (not backed by a specific monetary authority) has raised risks and speculation opportunities. The fact that interest rates are kept artificially low magnifies an incoherent structure of prices in the financial markets but does

22 (4), 2015, pp.788-812; Giuseppe Celi, Andrea Ginzburg, Dario Guarascio, Annamaria Simonazzi, *Crisis in the European Monetary Union: A Core-Periphery Perspective*, Abingdon, Routledge, 2018.

¹⁶⁷ Outright Monetary Transactions and Long-Term Refinancing Operations.

not increase trust or reduce risks. Financial intermediation requires some safe asset to be used as collateral. Presently, German bonds (with negative interests) are preferred, crowding out other governments' debt certificates. Therefore, financial activities in the periphery of Europe are rather unattractive.

The incomplete Banking Union has introduced some supervisory powers at the BCE and the Target2 mechanism to reduce banks' foreign over indebtedness in countries experimenting trade deficits or capital flights. The supervisory powers have been tough with small banks and mild with the largest. ECB tolerance with 'class 3' 'grey' assets of large continental banks is certainly not increasing the confidence of financial markets. Moreover, the Banking Union has proved to be insufficiently able to recognize and manage specificities of actors relatively to their contexts.¹⁶⁸

Target2 has been a compromise institute to smooth the problem of internal financial imbalances; however, if its progressive trend is observed, it is prone to explosion. Can these credits-debts raise indefinitely? The nature of this scheme has been questioned by a variety of economists, and no one is very confident regarding what is evolving from this situation.¹⁶⁹ Moreover, countries accumulating credits experiment with monetary expansion, and those in debit suffer a contraction. Therefore, it is a type of stabilizer, but it inflicts a monetary restriction in deficit countries, increasing their problems, as this policy is not able to curb imports or to raise exports. Therefore, it cannot function properly.

To control these problems, the ECB has been compelled to introduce enormous interventions in the secondary market and to maintain negative interest rates. These measures have nearly exhausted European financial markets, which are now operating with completely false prices, transmitting a certain confusing incentive to private investments. No real benefit has been transmitted to the real economy, and this is symptomatic of an odd financial architecture.

¹⁶⁸ The ECB has shown a strange bias against small banks in the moment of total fragmentation of financial services. A large number of firms is offering online banking services or payment services, so why aggregate some banks and allow their sources of profit to erode?

¹⁶⁹ Aline Schuiling, *Eurozone Watch – Target2 balances a ticking time bomb?*, 18 May 2017, <https://insights.abnamro.nl/en/2017/05/eurozone-watch-target2-balances-a-ticking-time-bomb/>; Hans-Werner Sinn, *Target debate*, 2016, in <http://www.hanswernersinn.de/en/controversies/TargetDebate>.

Naturally, all these difficulties would not be eased by returning to national currencies. Only very abstract and unpractical scholars could imagine an orderly demise of the euro. On the contrary, as for any institutional reform, path-dependency limits the extent of change and determines the effect of reforms. Each further step of reform is determined by the present structure and is progressive in the direction of a unified monetary zone. Any regression cannot be but deflagratory as the fuel exists and is abundant.

The effect of this variety of issues is also indirectly a worsening distribution of income; however, these difficulties of the EMU should be amended and not curbed by compensatory social schemes. It would be particularly startling that some compensatory program would be implemented to reduce the side effects of the present arrangement without some more serious measure to achieve a better monetary architecture and primary distribution of income. The idea that as the euro is performing badly, a bit of the poverty that it produces should be reduced, is absurd. Such reform would produce costs that are to be added to the costs of the precarious arrangement of the euro without producing a viable arrangement. It is not a handout that solves the present problems; this would reduce EU legitimation and drive the Union into further difficulties.

2. A primary distribution problem

Apart from financial instability and uncertainty, the second major issue that should be considered is the poor distribution of income. This odd change is taking place in all Western countries, but it is particularly detrimental for the legitimacy of European institutions. In fact, in most European countries, people are accustomed to the idea of a 'social market economy' or to a state-guaranteed middle class. German-speaking and Southern regions enjoyed a decentralized economy, assuring good profit opportunities for small businesses also in the periphery. The success of social-democracy as well as of social-conservative forces after the Second World War was to have succeeded in enlarging the middle class by inclusion with good opportunities of income from labor and small entrepreneurships. This allowed for expanding the free market without excessive side costs. The present institutional arrangements that magnify hyper-competition from the low-cost of labor countries and that drive a rapid downward social mobility have quickly lost people's confidence. Unfortunately, the EU has not done much to control this changing trend. On the contrary, European institutions are often perceived as an arrangement favorable to businesses and not to the social expectations of Europeans.

Equality is not the aim, but rising inequality is an issue for free-market societies. The middle class is sinking everywhere due to transformations of the economy, particularly due to the phenomenon of centralization triggered by poorly managed globalization. Centralization¹⁷⁰ is characterized by the rise of fix-cost types of productions that suffer from big risks but also enjoy enormous profits in the case of success. This type of business is crowding out the traditional decentralized economy in both production and distribution. The excess flexibilization of labor markets is also reducing the opportunities of stable life and career planning typical of the middle class. Therefore, there is a certain conflict between the old small-bourgeois capitalism and the new globalized economy. The present systems are characterized by a totally different rich/poor ratio. The old European development could be managed by the schemes studied by ‘social liberalism,’ but the present system has apparently no social solution yet.¹⁷¹ The new global economy does not have foreseeable social measures to curb the immiserizing effects of global competition on the Western middle class. This has been amplified by the instability of the financial markets and by the difficulties of the euro (31 million pours in Europe). Maurizio Ferrera¹⁷² has discussed the ‘missing glue’ of the EU, which is solidarity in the form of some institution that relieves some form of misfortune and helps maintain the market form to society; however, this glue is not of a simple conception. It also has a fundamental relationship with the dynamics of the legitimization of institutions.¹⁷³

¹⁷⁰ Centralization is a concept introduced in economics by Marx, meaning a concentration of economic decision making in a few hands, corresponding to large businesses that acquire or merge with small businesses. Wilhelm Röpke also used this notion in his work.

¹⁷¹ It is ‘a 1% society,’ where the 1% is simply well-paid to reduce the income of the remaining 99%. The result is a rapid tendency towards general proletarianization.

¹⁷² Maurizio Ferrera, *The Boundaries of Welfare: European Integration and the New Spatial Politics of Social Protection*, Oxford and New York, Oxford University Press, 2005; Id. *Mission impossible? Reconciling economic and social Europe after the euro crisis and Brexit*, in «European Journal of Political Research», 56 (3), 2017, pp.3-22; Maurizio Ferrera and Alessandro Pellegata, *Can Economic and Social Europe Be Reconciled? Citizen Views on Integration and Solidarity*, in «RESceU Working Paper», 2017; Maurizio Ferrera and Carlo Burelli, *Cross-National Solidarity and Political Sustainability in the EU after the Crisis*, in «Journal of Common Market Studies», 57 (1), 2019, pp. 94-110.

¹⁷³ Richard Bellamy and Albert Weale, *Political legitimacy and European monetary union: contracts, constitutionalism and the normative logic of two-level games*, in «Journal of European Public Policy», 22 (2) 2015, pp. 257-274; Vivien A. Schmidt, *The Forgotten Problem of Democratic Legitimacy: ‘Governing by the Rules’ and ‘Ruling by*

The solution prospected by many scholars and some political forces is a state-organized redistribution. Regrettably, in this context, the intervention of re-distribution is distorting and insufficient if the forces that produce inequality are not amended. In this situation, an amount of re-distribution sufficient to balance these tendencies simply represents a too-heavy weight on the middle class and on producers. Moreover, minimal income schemes are expensive and ineffective, leading to dependence. Therefore, intra-state redistribution is not a solution to uncertainty and instability produced by the present European institutional arrangement.

The aim is not making Europe social by redistribution but rather steering the economy in a way to have a ‘social economy,’ that is to say, an economy that is pro-social, that has positive social effects. Positive social effects mean that poverty is reduced by improving labor market inclusion and assuring stable earnings, and it means that businesses should not prevent people from having children or caring for the elderly. Wilhelm Röpke clearly presented the problem of an economy that assures ‘social integration,’ which could not be taken for granted in a competitive globalized economy.¹⁷⁴ A social economy is an economy that does not erode the reproductive ability of society (Italy and Germany have strong negative demographic balances). Social integration should be an end beyond any form of economic efficiency. The latter should be calculated within the boundaries of economic social results. Wilhelm Röpke considered that the decentralization of economic activities helped the social outcomes of the political economy. The preference is therefore for a more horizontal society based on automatically and self-enforcing mechanisms of wealth diffusion and participation to the market before acting with the unavoidable authoritative re-distribution. In the past, with the New Deal, high marginal tax rates have contributed causing inequality to fall to very low levels, but decentralized growth has also helped to achieve a more equal society.

the Numbers’, in Matthijs, M. and Blyth, M. (eds) *The Future of the Euro*, New York, Oxford University Press, 2015, pp. 90–114; Ton Notermans and Simona Piattoni, *Democracy and (Dis)-Integration. The Conditions for a Legitimate and Effective Economic and Political Organization*, in «EUI Working Paper», No. 40, 2017.

¹⁷⁴ Wilhelm Röpke, *International Economic Disintegration*, London, William Hodge, 1942. See also Marcelo Resico and Stefano Solari, *The moral foundations of society and technological progress of the economy in the work of Wilhelm Röpke*, in Patricia Commun and Stefan Kolev (ed.s), *Wilhelm Röpke (1899–1966). A Liberal Political Economist and Conservative Social Philosopher*, Cham, Switzerland, Springer, 2018, pp. 93-108.

3. The need for a single political community

Poul F. Kjaer argues that European institutions have reinforced national states' autonomy relative to societal interests.¹⁷⁵ States have lost some policy opportunities but have increased their authority and at the same time reinforced their role as guarantor of European stability and functioning. Consequently, the EU is reinforcing states rather than substituting for them; however, the EU is limiting states' operations, and these limits may have some negative effect on the distribution of income. Moreover, there are also many forms of clashes of EU institutions with the policy style and institutions of single states. This is in part due to the specific compromise mix of (German) balanced budgets with a (Nordic) focus on flexible labor markets in addition to the monetarist paradigm of ECB, which is not the best form of institution for many countries.¹⁷⁶

The EU is now suffering from a weak legitimization in central-European nations caused by its indulgence with its peripheries and in peripheral countries due to its rigid constraints. Apart from some modifications of the EMU, some other form of legitimization is needed to overcome these loose-loose asymmetries. The areas that have the best possibilities to grant some stability and legitimation to the EU are those in which collective action is difficult and some useful collective goods are endangered by competitive practices. Solidarity is a broad concept, but within it, 'social and environment protection' best fit the present situation. Stable centralized solidarity programs in the form of regulations or the development of standard institutions in the field of solidarity may help achieve a higher solidity and authority of European institutions. It should also be noted that top-down policies, if not immediately achieving an overwhelming success, are unlikely to recover the situation as they are easily the target of nationalistic forces and stimulate political conflict. Therefore, it is suggested that: 1) there is no viable solidarity without a single polity; and 2) representativeness requires taxation (a democratic polity should have its resources directly collected).

¹⁷⁵ Poul F. Kjaer, *Context Construction through Competition: The Prerogative of Public Power, Intermediary Institutions and the Expansion of Statehood through Competition*, in «Distinktion», 16, (2), 2015, pp. 146–66; Id. *European Crises of Legally-Constituted Public Power: From the 'Law of Corporatism' to the 'Law of Governance'*, in «European Law Journal», 23 (5), 2017, pp. 417–30;

¹⁷⁶ Poul F. Kjaer, *The Transnational Constitution of Europe's Social Market Economies: A Question of Constitutional Imbalances?*, in «Journal of Common Market Studies», 57 (1), 2019, pp. 143-158.

Solidarity in the form of redistribution is viewed with suspicion in many countries, particularly those in the North, which are sure to be net contributors. Thus far, it has been particularly difficult to implement any form of solidarity due to the political asymmetry related to the fragmented national embeddedness and self-referentiality of the political communities. To increase their consensus, many political parties act strategically to accuse foreign countries or foreigners of living on other countries' expenses. This is possible for the reason that there is no single political community in Europe. There is no single space of confrontation or political discussion in which actors can help to allow reasonable evaluations to emerge. It would be difficult to produce some single European institution managing solidarity without a single political communication space in which conflict can be smoothed.¹⁷⁷ Presently, only traditional media are able to supply this service; however, they should be unified in the European space—at least a newspaper and a television station (which should not be ‘the voice of the Commission’). Moreover, some single European political party is needed to represent political values in the European space. The present-day elections of the European Parliament are a good example of an unsustainability of country-referential fragmentation. Therefore, the first step is to develop a single polity in Europe.

4. The solidarity required

The most effective characteristic of solidarity institutions is that of protecting from hazards or constituting a barrier to competitive practices that erode valuable social assets (such as the family).

Since the times of Bismarck, the state's legitimization effect of social insurances, particularly risk-reducing or poverty relief schemes, has been well-known. Recent investigations have revealed a strong preference with interventions related to unemployment and labor market uncertainties.¹⁷⁸ These institutions display a strong telic legitimization,¹⁷⁹ simply for the sake of framing a needed common space of action and providing it a welcome set

¹⁷⁷ Richard Bellamy and Albert Weale, 2015, cit.; Albert Weale, *European environmental policy by stealth: the dysfunctionality of functionalism?*, in «Environment and Planning C: Government and Policy», 17, 1999, pp. 37-51, in particular p.49.

¹⁷⁸ See Maurizio Ferrera and Alessandro Pellegata, 2017, op.cit.

¹⁷⁹ Andrea Sangiovanni, *Debating the EU's raison d'être. On the relation between legitimacy and justice*, «Journal of Common Market Studies», 57 (1), 2019, pp.13-27.

of resources or a substantial reduction of uncertainty. The latter, in particular, helps efficiently frame individual action plans.¹⁸⁰

It is difficult to supply services connected to labor in a context of fragmented labor institutions and legislation. Welfare institutions are also deeply differently structured; however, if social insurances can keep a certain differentiation of form and entity in Europe, the differentiation of social protection determines a non-homogeneity of social rights. A minimal social protection regime could be the first step to reach some uniformity between countries, introducing some single scheme of taxation and expenditure. It should be considered that this variety of protection systems may even be an obstacle to the further integration of markets. Regulations should preserve the same goods in all the EU, and the implementation and surveillance is best defined centrally. The *European Social Card* could be a good platform on which to base a series of services. What it now contains is disappointingly heterogeneous and fragmented, which cannot improve the sentiment toward EU in the periphery.

One study affirms that Europeans are in favor of programs to reduce poverty and to fund unemployment.¹⁸¹ All countries in the EU have some form of this type of social protection. Nonetheless, there would be a great benefit from moving towards a homogeneous type of social assistance institution. Moreover, stopping the downgrading of welfare standards due to competition could be a major opportunity for the EU to rediscover its 'social economy' foundations. These programs should be managed by a centralized bureaucracy, avoiding an explicit redistribution of resources between states. Moreover, a single and centralized bureaucracy is needed to grant a standard of efficacy and control.

Currently, there are other types of uncertainties related to economic externalities on the environment. Such externalities are not only a distortion to efficient prices but also a concrete menace to survival. Plastic wastes and chemical leakages into the sea is rapidly transforming the environment and menacing the ecological equilibria. Carbon emissions are leading to a highly uncertain climate result.

¹⁸⁰ As concerns the form of welfare, it is time to acknowledge, contrary to the tendencies of the last 30 years, that status-preserving programs have a much more effective impact on individual uncertainty. The latter are certainly indispensable, but the former help labor mobility and upgrading as well as ease the investment in human capital.

¹⁸¹ Jürgen Gerhards, Holger Lengfeld, Zsafia Ignácz, Florian K. Kley and Maximilian Priem, *How Strong Is European Solidarity?* In «BSSE Working Paper», No. 37, 2018.

Institutions that check and contain competitive pressures on nature and on society are best defined at the European level (in many cases they would be best defined globally, but no such opportunity presently exists). There is no rationale for national or regional differentiation on these issues. Less-developed regions should not improve their economic competitiveness by degrading standards.¹⁸² Reducing wastes and pollution can have relatively neutral effects on the competitive order if the regulations are general and uniformly respected. One of the rationales of a single European institution is that it is good to have some uniform and distant power with ‘organizing’ virtues far from local interests and local political strategies. Therefore, a good institution shapes the action space of individuals in a reliable and uniform way. The benefits supplied by this institution have the form of valuable public goods but should be perceived as an effective service responding to individual needs.¹⁸³ Any single institution managed by inter-governmental agreements, leading to sub-optimal compromises, would lack the necessary legitimization and therefore would supply no relevant benefit to the European construction.¹⁸⁴

Conclusion: Towards a more integrated and social Europe

The implementation of solidarity schemes in the EU should not be conceived of as a compensatory measure for the worse economic effects caused by the EMU. The flaws of the euro can be repaired by more integration and by developing appropriate policy levers. Solidarity should not be compensative, and it is not an additive element to European institutions. The best way to conceive of solidarity is to understand it through the lenses of the ‘social economy.’ That is to say, the economy should have cohesive outcomes, not disgregating side effects. Competition is well-framed by institutions when it assures social integration.

Nonetheless, a good institutional framework able to achieve socially valuable results should produce uniform rules, rights, and duties. Solidarity schemes provide the best results when they are the product of unified programs framed by a genuine constitutional federalism. The development of some form of unified solidarity-oriented institution is therefore a

¹⁸² Marco Rangone and Stefano Solari, *Southern European’ capitalism and the social costs of business enterprise*, in «Studi e Note di Economia» XVI (1) pp.3-28.

¹⁸³ Andrea Sangiovanni, *Solidarity in the European Union*, «Oxford Journal of Legal Studies», 33 (2), 2013, pp. 213–41.

¹⁸⁴ Damian Chalmers, Markus Jachtenfuchs and Christian Joerges, *The End of the Eurocrats’ Dream: Adjusting to European Diversity*, Cambridge, Cambridge University Press, 2016.

necessary step to the best European integration; however, no progress can be made without the preliminary step of a single polity with a common political communication space. In this context, the development of solidarity is possible. Some sort of what Kojève foresaw as the ‘end of history’ for Europe is needed. That is to say, some ‘universal and homogeneous state’ to be achieved by integration between states and a supranational constitutional order informed and unified by a single, definitive concept of justice is needed. The *telos* of right is this universal state.¹⁸⁵

¹⁸⁵ Alexandre Kojève, *Outline of a Phenomenology of Right*, Lanham, Rowman and Littlefield, 1982/2000 (or. 1943).