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# Thinking globally

Reform of the European social model is too focused on Europe and omits to adequately consider the importance of the global framework.



**Henning Meyer**

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In the European year of equal opportunities the reform of the European social model is at the top of the political agenda. Tax dumping, international competitiveness and the right balance between labour market flexibility and social security are the central points of debate. On a general level however, the discussion about the reform of the European Social Model suffers from a structural shortcoming: it is too much focused on Europe itself and thus omits to adequately consider the importance of the global framework.

The diverse appearances of the European social model, with its varied financial concepts and steering mechanisms, make the discussion about its reform very complex. This complexity also causes the introverted character of the discussion. Questions such as whether the UK should emulate more Scandinavian welfare policies or whether "flexicurity" is the silver bullet to combine economic development and social justice are necessary but not sufficient points of discussion. A too introverted debate implicitly accepts external pressures on the European social model whereas the reflection of these pressures needs to be an integral part of the reform itself.

Most questions of the reform debate originate in the issue of economic globalisation. The preservation of welfare systems combined with sustained or even increased competitiveness in the global economy is the objective that determines reform proposals. But this effort is like squaring the circle because the values dimension of the European social model conflicts with the contemporary character of economic globalisation. A social value consensus like the European Social Model is not incorporated in economic globalisation, driven forward by international trade and purely profit-seeking financial markets. On the contrary, welfare policies are too often -

wrongly - considered as economic obstacles and partly undermined, for instance by putting on the pressure for tax competition to attract investments.

More recently however, increasing resistance against the borderless character of economic globalisation has developed. This is because its failures have been more and more revealed. The government's Stern report called the problems of global climate change the "biggest market failure in history". And authors such as Joseph Stiglitz forcefully point to the unkept promises to the developing world. There are also attempts to make unaccountable financial players such as hedge-funds more transparent. And the suspicion of large parts of Europe's population towards economic globalisation has been evident for some time.

In a nutshell, the dislocations of economic globalisation are becoming more and more apparent. Against this backdrop, there are signs of a second phase of globalisation in which the shaping of the process is central. Globalisation as such is welcomed but the political scope of action has to be won back to give societal demands the necessary power of decision.

Under these circumstances, the discussion about the reform of the European social model cannot be led in an isolated and inward looking manner. The too often separated European and global reform debates need to be merged because they determine each other. An idea of "reform" that is only focused on Europe is too short-sighted. Not only is the described influence of the globalisation debate on the European discourse true but also, vice versa, the fact that Europe is important for reforming globalisation.

The European debate is relevant because the European Union, as the most successful supranational governance system, teaches important lessons at the global level and because the concept of "social sustainability", which is the basis of the European social model, must also be applied in the global circumstances if the negative consequences of globalisation are to be contained.

The conflict between the values of the European social model and the current character of economic globalisation as well as their reciprocal meaning have to be understood. If this is done it becomes clear that the reform of the European social model is also a reform of globalisation and vice versa. In order to achieve the compatibility of global economic development and social objectives, "social sustainability" (additionally to environmental sustainability) needs to be introduced to the process of globalisation. A simple adaptation of the imperatives of the current economic globalisation is bound to fail social objectives.

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