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STATE OF THE UNION

Pavlov's Welfare State

By ANN METTLER
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Today, European social ministers will meet in Brussels, where they will, as usual, pledge to defend the "European social model." Along with many Socialists, Greens, unions and NGOs, they fear the recently relaunched Lisbon Agenda, with its focus on economic growth and jobs, will destroy "social" Europe.

They could not be more wrong. Instead, it is their own near-Pavlovian allegiance to an outdated and ill-defined concept of a welfare state that is impoverishing the very people they claim to defend: working men and women, immigrants, children and the unemployed.

It is stunning that anyone could continue to claim that Europe still sets the global standard for social justice when 19 million people across the EU are unemployed. Instead of facing the reality of globalization, many so-called social leaders prefer to impose an intolerable burden on Europe's young by encouraging governments to run unsustainable budget deficits in the futile hope of a painless Keynesian recovery. These self-styled social missionaries are in fact ideologically bound to the 19th-century industrial age. While there may have been a time when working less, vacationing more, retiring earlier and demanding higher pay irrespective of economic realities was justified, today we urgently need a more contemporary notion of what constitutes good social policy.

More than most people care to admit, Europe has used the term "social" to build a system that unabashedly protects and favors the privileged -- people with jobs -- at the expense of the social outcasts, the unemployed. The system protects economic incumbents at the expense of innovative market entrants. It pampers baby-boomers and retirees at the expense of the young and future generations.

With the exception of middle-aged men -- the only societal group with comparatively normal participation rates -- Europe's sclerotic labor markets have taken an exorbitant toll on the weakest members of our society: the young, women, low-skilled workers and immigrants.

While those inside the system enjoy generous benefits and lifelong job protection, an ever-growing caste of outsiders is deprived of the professional opportunities and economic empowerment every citizen ought to be entitled to, particularly in societies that pride themselves on "social

inclusion." But the fact is that nowhere else in the developed world are there so many groups of people so consistently deprived of the most basic social right: holding a job and earning a living. And while a labor market that is heavily skewed toward middle-aged men may have many qualities, it is certainly neither social nor inclusive.

Or take the liberalization of the European services market. This is a bold and visionary proposal brought forward by the European Commission, which would generate millions of new jobs, benefit consumers by offering better services at lower prices, and reinvigorate the sluggish economy by increasing gross domestic product by 1%-3%, according to some estimates. As soon as the commission made its plans public, an unholy alliance of the usual naysayers -- among them Socialists, unions and NGOs but also some business associations and conservatives -- charged the legislation would lead to "social dumping" and a "race to the bottom."

Nothing could be further from the economic truth. In reality, these voices -- loudest among German and French fonctionnaires -- simply engage in blatant protectionism on behalf of their domestic clientele: they range from construction conglomerates and health-care monopolies to lawyers, real-estate agents and architects.

At a time when Europe suffers from mass unemployment and economic decline, reactionary forces are using their own confused notion of what is "social" to sabotage the only part of the economy that is generating jobs. They are using EU red tape to prevent the most entrepreneurial, successful companies from offering their services outside their home country. Hard to believe that this is the same Europe that once kick-started its economy by opening up its internal market for goods in the 1980s. But who pays attention to economic evidence when one can ride the moral high ground with yesterday's arguments and a populist rhetoric straight off a 19th-century soap box?

The most serious injustice in the name of a "social" Europe is being done to our youngest citizens and to the generations that will follow. At a time when our continent is set to be ravished by a demographic challenge not experienced since the Black Death decimated Europe's population in the Middle Ages, it is impossible to comprehend how people who claim to have a social conscience can defend 35-hour workweeks, early retirement, unreformed pay-as-you-go pension systems and ballooning budget deficits.

The young need the best possible educational and professional infrastructure, one that will help them create and occupy the high value-added jobs that are necessary to sustain their -- and everybody else's -- prosperity and standard of living. Concepts such as "sustainability," which are widely accepted in environmental policy, must urgently be expanded to other areas, such as public finances and social security systems. And above all, young citizens must be encouraged to organize in support of their interests and be given a voice in public discourse.

The vast majority of people who claim to be the defenders of a "social" Europe have never created a single job through honest, hard-working entrepreneurship. At public expense, they have been on generous payrolls and lifelong job protection schemes, shielded from the exorbitant taxes, collapsing pension systems and high unemployment that ordinary people face. Their understanding of "social" is not built on meritocracy and opportunity but rather on the protection of tired, uncompetitive incumbents and of course, their own jobs.

The Lisbon midterm review later this month will present a unique opportunity for our political leaders to present a modern, progressive vision of the European social model. If they miss it, they should be prepared to appear in our history books as the very people who destroyed the two pillars on which all successful social models are built: growth and jobs.

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