12 Does all of this really matter – and why should we care?

Explaining policy outcomes

In this chapter we move from theory to the real world of political outcomes. Some of you may have asked yourselves whether all of those issues covered in this book up until this chapter actually matter in terms of explaining variations in policy outcomes. Why would different historical experiences of nation building matter? Does it really matter what kinds of parties a country has or what kind of electoral system there is, how the interest group system is structured, or how active social movements are in a country? Why should we care? For a simple reason: differences in how societies become "modern"; how many and what kinds of political parties we have; the type of electoral system we have; the degree to which the state intervenes in policy-making; whether countries have a presidential or parliamentary system; how influential courts are in overturning laws; whether referenda are allowed or not; the imagined sense of a nation's identity and its political culture – all of these issues directly affect political outcomes such as security, health, education, inequality, justice, gender equality, competitiveness, liberty, and a whole host of other things about which people care about deeply. Importantly, whatever the outcomes are, they are not accidental.

Instead, they are a result of all the things we have covered in the first 11 chapters of this book. Some students may not be that interested in the arcane details of how electoral systems work, but they will want to know how much taxes they will need to pay once they join the workforce, what kind of health care they will get, whether their economy is globally competitive, what happens to them should they become unemployed, what kind of education their children will receive, will there be social security in their old age, will they be riding in high-speed rail systems or on four-lane interstates, the degree of poverty and inequality in their country, the air and water quality, and even how long they are going to live, or even the likelihood of civil war in their own country. Obviously, these are things that everyone wants to know and most of the answers for modern industrialized countries may be found in the first 11 chapters of this book.

This chapter invites students of European politics to more actively explain variations in **policy outcomes** among European democracies and also in comparison with the USA. It starts out with a definition of policy outcomes and then provides **comparative data** on a wide range of such outcomes across many European countries as well as the USA. What explanations can be offered that might shed light the order of the countries? For example, why are taxes higher in Sweden than in Switzerland, or why is poverty higher in the USA than in the Netherlands? There is a wealth of **explanations** for such questions in the political science literature, and there is a lively and vigorous debate about the merits of the various explanations.[1] Students are encouraged to theorize and make **causal connections** in order to explain the order of countries of given policy outcomes.

For possible explanatory variables, students should look at all the previous chapters. Do features of parliamentary election systems, for example, have a causal impact on the level of governmental health expenditures? Do political systems that allow for referenda have lower or higher tax levels?

Even with the casual view of a tourist, it is easy to see differences in policy outcomes from one European country to another. Trains, for example, are more punctual in Switzerland than in Italy. And, because trains are mostly government-run, their punctuality may be considered a governmental policy outcome. One might ask why the Italian government is less able than the Swiss government to make its trains run on time. If tourists become ill on a European vacation, they can compare the quality of health care in the various European countries. Parents moving from one country to another can see where their children get the best education. There are literally thousands of criteria according to which one can evaluate the policy outcomes of a country. A specialist in education may wish to know on a cross-national basis how well students learn to read, whether there is sex discrimination in the educational system, what the social status of teachers is, and so on. An expert in criminology will have a similar multitude of questions regarding crime.

How can **variations** in policy outcomes be explained systematically? The first 11 chapters highlighted many factors that might explain such variation. Does the economic performance of a country, for example, depend on the strength of the various political parties, on the pattern of cabinet formation, or on the level of government centralization? Does it have something to do with the influence of interest groups on the policy-making process? Or, can the differences in policy outcomes even be linked to the different processes of modernization in Europe and the USA?

Whatever the answer, the very assumption is that politics makes a difference. The operative term of almost every political campaign is change, meaning that if enough voters vote for a particular party, some kind of change will occur. This means that the candidates and voters must believe that politicians actually have the **capacity** to effect change. After all, if things could not be changed, why bother to vote in the first place? Unfortunately, it is not that easy. As we have already learned in Chapters 10 and 11 and will revisit in Chapter 15, the degree to which politics can affect particular outcomes has been seriously challenged by globalization, calling into question the sovereignty of states to achieve particular outcomes. Still, the basic proposition of democratic politics is that people have choices, and depending on what is chosen, they will get different outcomes.

This chapter compares various European democracies with the USA across a range of outcomes. In analyzing differences it is important to realize that "change" can occur along two dimensions: across **time** and across **space**. It is important to keep in mind that changes over time *within* one country are qualitatively different as compared to differences *between* countries at one time point. Making comparisons across countries requires an understanding of "systemic effects." For instance, it may be difficult for an American voter to imagine that political parties in Sweden run, and win, on the basis of tax *increases*. Carl Bildt, Conservative challenger to the Social Democrats, campaigned for tax cuts in the 1998 general election campaign. He lost to the Social Democrats, who were running on the basis of tax *increases*. Referring to the 1998 general election campaign, "Talking about tax cuts in this campaign is like swearing in church," said Toivo Sjoren, research director of the Sifo opinion-surveying firm.[2] A similar scenario was present during the 2002 campaign. In the period leading up to the election, the Swedish prime minister, Göran Persson, declared: "Welfare is not free. You have to pay for it, and that is why we say no to the tax cuts."[3] And again the Social Democrats won. In the 2006 elections, however, a coalition of four parties of the Right won with a program of tax cuts (see Chapter 4). The Social Democrats warned that tax cuts would reduce benefits for the needy, but this time they lost. This Swedish example shows that it is not only interesting to make cross-country comparisons but also to compare a country over time. Why did the Social Democrats with a program of no tax cuts win in 1998 and 2002 but lose in 2006?

Comparing outcomes across systems, it is important to know something about the "**systemic**" differences between countries. Systemic means things such as different political institutions, different forms of interest representation, different "cultures," and many of the elements we have highlighted in this book so far in Chapters 1 through 11. What follows are country rankings across many different policy fields. The task for students in this chapter is to draw upon the insights gained from the previous chapters and attempt to analyze and understand why countries occupy particular positions compared to other countries. The comparative position of countries compared to others is not accidental: policy outcomes represent the combined interactions of modernization, political parties, interest groups, the electoral system, social movements, and all the other elements we covered in the earlier chapters. Most graphs include three ex-Communist Eastern European countries, the Czech Republic, Poland, and Hungary. In interpreting their position, it is useful to keep their different history in mind and of course the different history of the USA.

At this point it is useful to discuss the difference between policy **output** and policy **outcome**. Policy output may mean, for example, a political program, or taxes, or particular regulation to achieve a particular outcome. In other words, policy output is not the "result" itself; rather, it is a way to achieve – via political programs, taxes, regulation, and so on – a particular result. Say, for example, that a country wants to reduce air pollution and in doing so produces legislation that forces factories to install so-called scrubbers in their chimneys to clean the air. If, after a particular period of time, all factories have such scrubbers installed, that is an example of policy output. It does not represent the actual result yet. The actual outcome of that policy, it is hoped, would be reduced air pollution.

There are many instances in which a particular policy output fails to achieve the expected policy outcome. One example is immigration policy in Germany. Following the first oil shock in 1973/1974, Germany stopped labor immigration. Yet, the number of immigrants continued to increase as a result of family unification and later as a result of asylum seekers. This incapacity to control the borders led to horrific attacks on immigrants in Germany and is at least partly responsible for the electoral success of radical right-wing parties in the eastern parts of the country. Another example is health policy in the USA. America has by far the most expensive health care system in the world; yet its health outcomes, measured in terms of life expectancy and infant mortality, are below par given that its health care system encompasses one-sixth of the American economy. Other countries achieve much better results with much lower costs.

This chapter is an exercise in "applied political science." In other words, it is an attempt to demonstrate that history, institutions, political structures, and so on matter. They have **systematic**, and sometimes even **predictable**, outcomes. However, connecting outcomes and outputs is sometimes quite difficult because, surprisingly, relatively little research has investigated the determinants of policy outcomes. Not all outcomes are driven only by the factors highlighted in the previous nine chapters. Some outcomes may be explained by individual behavior, others by the natural resource endowment of countries, and still others simply by the geographic location of countries. However, even in the arena of seemingly individual choices, such as whether to smoke, whether to buy guns, or what foods to purchase and eat, the impact of politics is ubiquitous. Thus, public policy affects what appear to be individual choices as well as the provision of public goods, such as the environment. Think of the government's anti-smoking campaigns, for example, or the obligation to wear seat belts in cars, or the fashion in which governments manage public lands and attempt to protect natural resources. Politics enters into all of the policy outcomes and outputs presented in the following section, even though it sometimes seems that the outcomes are a matter of individual behavior. Some outcomes, such as obesity, which is fast becoming a major public health crisis in many developed democracies, at first appears to be simply a matter of individual choice. But is it really? Or is it a matter of "class"? Are obese people generally well-to-do, or are they generally poor? If it is the latter, political explanations are highly relevant in explaining variations in obesity rates across countries because if obesity is indeed a function of poverty then the question becomes: Why do some countries have more poor people than others? In the following section, let us pretend to be policy analysts and go on a creative, and perhaps somewhat speculative, journey to find out whether there is a systematic way of understanding the bewildering variety of policy outcomes. The USA is included in all of the following statistics as a comparison case. However, the USA is a very large and diverse country with tremendous regional and local differences. A comparison between Alabama and France on many of the following indicators would most likely yield different results than between Vermont and France. The federalist character of the USA adds to this diversity.[4] This section is particularly useful as a starting point for more extensive research to delve deeper into the determinants of policy outcomes and outputs, and lends itself ideally to term paper assignments.

Explaining variation in poverty rates

The degree of poverty among a country's residents is a highly relevant policy outcome. Poor people tend to be less educated, encourage education less among their children, live in unhealthy conditions, vote less, and, in general, have fewer "life chances" than the middle class. They tend to be less productive, pay lower taxes, and put higher pressures on social welfare systems.

Poverty is measured as a percentage of people who earn less than 50 percent of the median income. We do not pretend to offer all possible explanations for variations in poverty of populations. However, students should still get a good sense of how such explanations are derived and are encouraged to apply similar approaches to the other figures we show later in the chapter in order to answer the quintessential comparative politics question: How can differences and similarities in policy outcomes be explained?

Figure 12.1 shows two policy outcomes: the percentage of households living in poverty (defined as those living below 50 percent of the median income) and total taxes on income and profits as a percentage of GDP. This is an example of the difference between policy output and policy outcomes. Taxes represent an example of policy output, whereas poverty is an example of policy outcome. Taxes are a "steering instrument" to achieve a particular outcome. The tax dimension indicates the degree of "state interventionism" and highlights to what extent people are willing to tolerate the state extracting funds

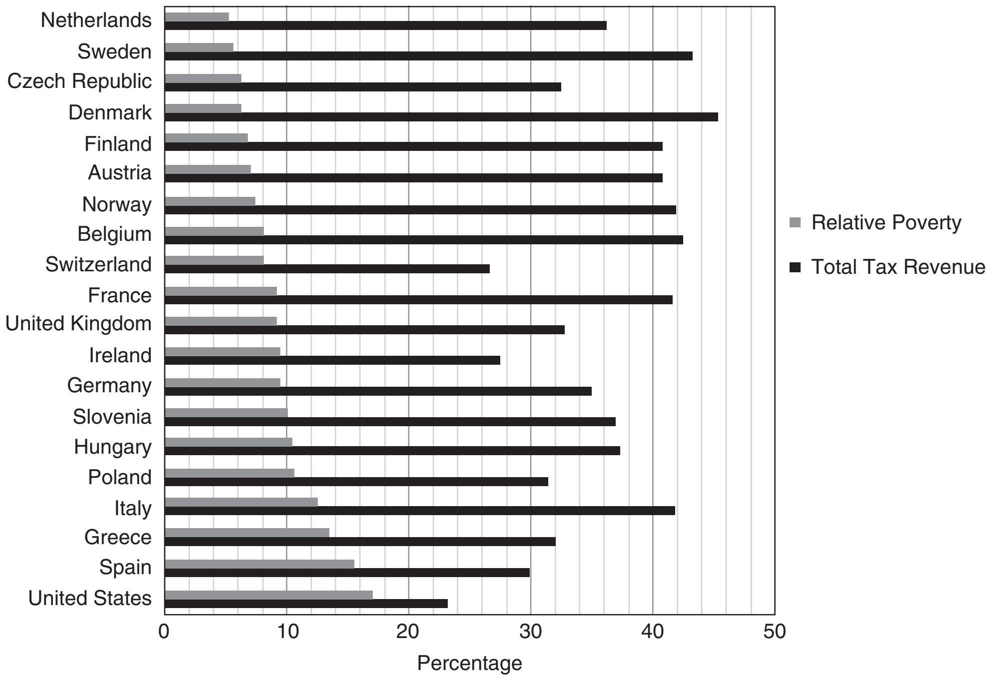

Figure 12.1 Relative poverty for total population in 2008 to 2012 (percentage of households below 50 percent of the median income) ordered from lowest to highest poverty and total tax revenues.

Source: For relative poverty: Luxembourg Income Study, LIS Key Figures; for taxes on average worker in 2010: OECD Factbook, 2016.

from them for redistribution toward specific outcomes such as equalizing life chances or increasing military security.

Figure 12.1 is ordered from lowest to highest poverty, indicating that the USA is at the top of the poverty scale, while the Netherlands, Sweden, the Czech Republic, and Denmark have the lowest poverty levels. Although the USA shows the highest poverty its total taxes are also the lowest. At first glance, it appears that total taxes and relative poverty are inversely related: in a number of European countries people enjoy excellent public transportation systems, national health care plans, free-to-almost-free public education, subsidized housing, and other publicly provided supports at the cost of somewhat higher tax rates. What might account for the varying rates in poverty and total taxes across these modern democracies?

Figure 12.1 also shows taxes on income and profits in tandem with relative poverty rates. Could there be a connection; that is, could relative poverty have something to do with tax levels? If you glance at Figure 12.1 how would you guess that the two are related? A closer look at the relationship shows that the higher the tax level, the lower relative poverty – but why would that be? Political scientists have provided many theories as to what could explain different rates of poverty across a range of countries. We will divide these theories into two groups: institutional and historical.

Let us start with an **institutional approach** in explaining poverty. "Institutional" means that the rules of the game matter; in other words, that different political institutions will yield systematically different political outcomes (see Chapters 2 to 4). In Chapter 2 we introduced the various parties and learned that Socialist or Social Democratic parties are first and foremost concerned with equality. Their major claim is that in order for democracy to function properly, people must first have a minimum of economic security. Such political parties are committed to narrowing the gap between the rich and poor via redistributive means (by taxing wealthy households and redistributing these funds to the poorer segments of society in the form of social assistance, health care, and welfare nets). The effects of subsidized education, public transportation, universal health care, and other government entitlements are that people of lesser means gain access to jobs that they would otherwise not have, enabling them to participate more fully in political life – in short, Socialist or Social Democratic parties strive to equalize the "life chances" of citizens. The cumulative effect of the existence of such left-wing party programs is that poverty is reduced and the playing field is somewhat leveled. Political scientists call this the "parties do matter" hypothesis.

In Chapter 3 we examined electoral systems and discovered that when a country has proportional representation (PR), it also tends to have more parties and the level of "electoral distortion" is smaller. More parties means that more voices are heard (i.e., wider segments of the population, organized in political parties, want a piece of the economic pie). Oftentimes, coalition governments are necessary to secure majorities in the respective national parliaments. This, in turn, leads to a tendency of the government parties to engage in policies that satisfy the desires of their constituencies, culminating in higher spending for public goods such as social security, education, income replacement programs, retraining programs, and so on. Such "consensual" political institutions give access to more political players, resulting in more equality. Ultimately, the effects of such programs are such that fewer people live in poverty. John Huber and G. Bingham Powell have shown that what they called the "proportionate influence systems" (of which proportional representation is a major part) produce policies that are closer to the desires of the electorate than what they termed "majority control systems," which have majoritarian electoral systems as a major part.[5]

In Chapter 4 we introduced parliamentarianism and contrasted it with presidentialism. We learned that parliamentarianism is characterized by the fusion of executive and legislative powers, while presidentialism separates these two powers. How could these different types of executive/legislative relations explain differing poverty levels? One approach may be what in political science is called the "veto point" hypothesis. Institutions may be thought of as "check valves" that control the flow of power. The more valves need to be turned, the more difficult it is to get the water flowing. So it is with policies. The more power is institutionally diffused, the more difficult it is to change the status quo, as is the case for presidential systems. However, the fusion principle allows for quicker policy creation and implementation than separation of powers. A parliamentary system can institute reform relatively quickly, precisely because the legislative and executive powers are fused. Following World War II, when many left-wing parties came to power under a parliamentary system, they instituted generous welfare programs, which ultimately brought about a reduction in poverty levels.

Socialists would argue that such programs do not simply redistribute incomes, but that they level the playing field for poorer people by allowing them to attain education, skills, protecting them from accidents and sickness, and providing for them in old age.

More education and skills will increase opportunities for people who otherwise would not have had a chance to compete in a capitalist society. More education and skills means a lesser chance of becoming poor.

So far we have used what might be called “formal” institutional structures to explain the variation in poverty across different countries. However, in Chapter 11 we discussed in detail the logic of corporatism. One of the most intriguing aspects of corporatism is that the relationships between capital and labor are not specifically anchored in the respective constitutions of most corporatist countries. Thus, we may call corporatist or pluralist forms of interest group representation “informal” political institutions.

Why would more corporatist countries have lower levels of poverty? As we noted in Chapter 11, corporatist bodies – that is, representatives of labor and capital – have come to the conclusion that it is better to accommodate their differences than to compete against one another. Trade unions play a central role in corporatism policymaking and, since they represent workers, their policies are aimed at increasing the wages and working conditions of that segment of society. As a result of highly organized unions, wages tend to be higher, or, if they are lower, workers at least enjoy relative job security, which results in lower poverty rates. Proponents of a more free-market persuasion might argue that corporatist countries are becoming less competitive and will eventually lose in the face of globalization. It is interesting to note that this need not be the case. Figure 12.7 shows the “global competitiveness index” in 2015 and reveals that among the top five most highly competitive Western economies, three are among the most corporatist and welfare-oriented countries in the world: Finland, Germany, and the Netherlands. It appears that capitalist economies can be organized in very different ways from the American model and still be successful.

It is tempting to go back one link in the causal chain and ask: Why are there strong trade unions, Socialist parties, and proportional representation systems in most European countries, but not in the USA? To answer such large **macrostructural** questions it is necessary to delve deeper into the history of nation building, our second major theoretical approach in explaining variations in poverty. We want to caution the reader that the historical explanations offered are meant to be rough sketches, designed solely to demonstrate how large-scale historical forces are affecting contemporary politics.

In Chapter 1 we laid out some of the fundamental differences between American and European politics: the lack of a feudal past and the fact that America was “born modern.” This instilled a strong bourgeois impulse among the country’s settlers, who rejected state intervention and helped establish a strong sense of independence. These sentiments were buttressed by a Puritan religion that placed the individual in a prominent role.

In addition, the very history of American nation building made it very difficult for Socialist parties to gain a foothold among the working population. The constant arrival of waves of immigrants who spoke different languages and followed different religions made it extremely difficult to organize such disparate groups. The sectarian nature of Protestant Socialist organizers prevented the signing up of Catholics among their ranks, thereby excluding large numbers of potential party members who could have given much more thrust to the Socialist movement in America. Finally, Frederick Jackson Turner’s frontier thesis (Chapter 1) is also plausible as an explanation of why Socialist parties failed: The abundance of free land that was there for the taking tempted many to move west and become capitalists themselves instead of working to organize Socialist parties in cities on the Eastern Seaboard. Thus the “social question” that so plagued many European countries in the late nineteenth century never became an equally divisive issue in the USA. In fact, one might argue that "Without this [European] welfare adaptation it is doubtful that capitalism would have survived, or rather, its survival, 'unwelfarized,' would have required a substantial repressive apparatus."[6]

Thus, Americans are not used to looking to the state for help or assistance, something Europeans have no trouble with. Centuries of feudal rule have made Europeans more accepting of such a paternal force. It is of course true that throwing off the yoke of feudalism culminated in some of the bloodiest revolutions in Europe, but, with the establishment of popular sovereignty and democracy, Europeans have come to expect that the state looks out for the welfare of all (*Gemeinwohl*). Class conflict thus led to the establishment of strong trade unions, Socialist parties, and a proactive, paternalist state which ensures that citizens are educated and protected in times of unemployment, accident, sickness, and old age. Such programs culminate ultimately in lower poverty rates but higher taxes than in America.

So, different institutions, cultures, and the fashion in which countries became modern matter a lot. They directly affect where your tax money goes and which type of society you have – whether it is an individualist society centered on freedom with a "weak" state and religion as a strong influence or a communal society centered on equality with a "strong" state and religion as having relatively little influence.

These different "values" are manifested in countries' budgets. For instance, Figure 1.1 shows social expenditures across many modern societies, with Sweden and France spending almost 29 percent of their GDP on social welfare programs such as old-age benefits, health benefits, and family benefits, while the USA is second to last on that list, spending only about 19 percent of its GDP on such programs but grappling with the highest percentage of poverty and income inequality, as shown in Figures 12.1 and 12.4. Students are encouraged to not just *describe* but also *explain* these variations in policy outcomes. This requires a different form of graphic depiction, namely what is called a scattergram, as opposed to a bar chart.

Figure 12.2 contains exactly the same information as Figure 12.1 but it is depicted differently. On the x-axis (the horizontal axis) is plotted the total tax revenues while on the y-axis (the vertical axis) is plotted relative poverty. Depicting the information this way establishes an ***association***, or a *connection* between the two "variables," namely total tax revenues and relative poverty. The trend line in Figure 12.2, also sometimes called a "**regression" line**, captures the relationship between these two variables. Interpretation of this line is straightforward: as total tax revenue increases, relative poverty goes down. Interpreting this graph thus suggests that total tax revenue *may* have a depressing effect on relative poverty, but not necessarily. On such **scattergrams**, the "cause" is always depicted on the x-axis and the "effect" on the y-axis. There are mathematical ways to measure the direction, strength, and statistical significance of this trend but this is beyond the scope of this textbook. However, students are encouraged to explain the following bar graphs in a similar manner: i.e., what could "cause" the variation of countries along different policy outcomes? The point is to suggest potential causes and "empirically" test them by producing simple scattergrams and checking, via simple visual inspection, whether there is a discernible relationship. If the line is a diagonal one, there is a good chance that students have found a connection between two variables; however, if the line is parallel to the x-axis, or what is called "**orthogonal**," this means that changes in the "cause" variable do not affect changes in the "effect" variable; thus, there is no relationship. In reality, policy outcomes such as those discussed

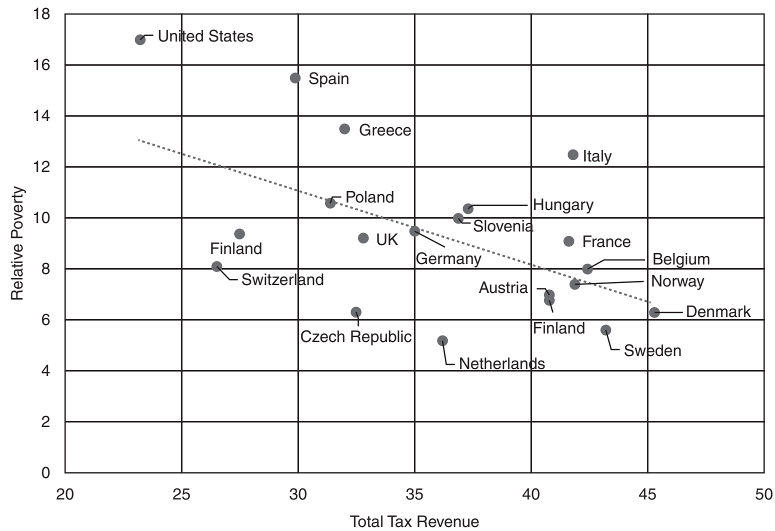

Figure 12.2 Relationship between total tax revenue and relative poverty.
Source: For relative poverty: Luxembourg Income Study, LIS Key Figures; for taxes on average worker in 2010: OECD Factbook, 2016.

in this chapter have complex origins and it requires a strong *theoretical* argument as to why x should be the cause of y. In almost all cases, such policy outcomes are driven by a multitude of factors that are themselves related to each other. However, visual inspection of the trend line is a good start: if it is flat, there is no connection between x and y; if it is diagonal, either from top left to bottom right or reverse, there is a good chance that something systematic is going on.

Explaining further policy outcomes

Now it's your turn. What follow are a number of graphs showing policy outputs as well as policy outcomes. What explains the relative position of some of the countries? Pretend to be a policy analyst. How would you explain, for instance, the position of the USA vis-à-vis many other European countries in the following figures?

Policy outcomes that affect all members of society include the "big three": economic growth, unemployment, and inflation. The state of the economy is traditionally one of the hottest topics during an election campaign. In some regions of eastern Germany, unemployment has reached 15 percent, giving rise to regional radical right-wing parties. Similarly, inflation – which measures the changes in the consumer price index – is a crucial measure of government performance. Inflation appears in the form of rising prices, which can directly affect people's disposable income if their wages do not rise concomitantly with prices. Finally, economic growth, which is generally measured as the annual increase in the value of all goods and services produced (GDP), is the most important measure of the economic well-being of a society. Figure 12.3 shows these three measures across a range of European democracies and also the USA.

What could explain the variation of these three measures across the set of industrial societies? Are there particular reasons to believe that some political parties may favor

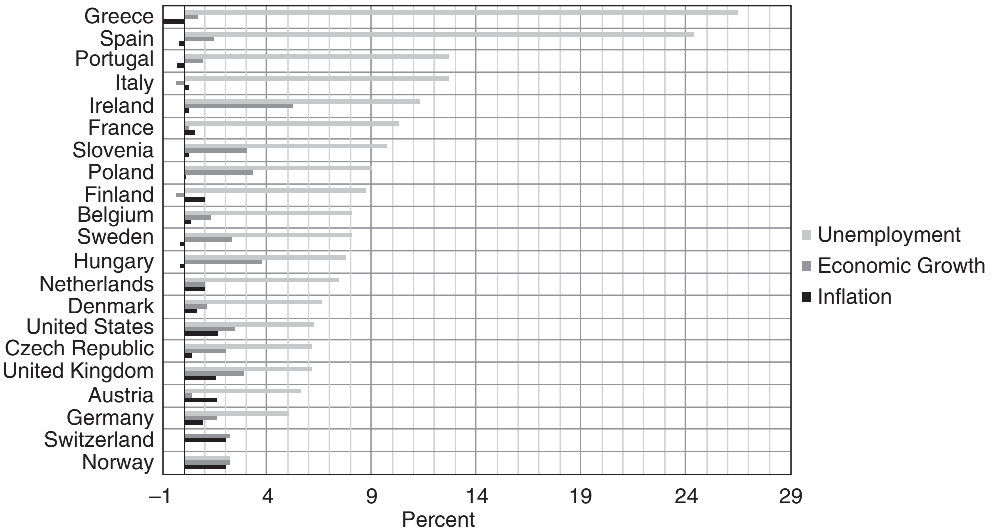

Figure 12.3 Economic growth, inflation, and unemployment ordered from highest to lowest unemployment in 2014.
Source: OECD Economic Outlook, 2016.

more or less unemployment, inflation, or both? Would leftist parties favor policies that produce lower unemployment than inflation or vice versa? Would rightist parties favor economic policies that would create lower inflation than unemployment or vice versa? What about economic growth? Are there reasons to believe that some parties on the political spectrum would not favor economic growth? Or would all political parties favor economic growth? What are the potential "costs" of economic growth, and which political parties' fortunes might be positively affected by highlighting these "costs"? The data in Figure 12.3 are from 2014 which is six years after the Great Meltdown of 2008. How would you explain the dire economic difficulties that Spain and Greece found themselves in in 2014? Or take a look at Ireland. Is it not curious that Ireland can have both, namely the highest economic growth of all the countries in Figure 12.3, and yet, at the same time, a high unemployment rate of over 11 percent? Besides Ireland, the countries with the highest economic growth rates are the East European countries of Poland and Hungary, and the Southeastern European country of Slovenia. What would explain that?

One of the often-cited definitions of politics is Harold Lasswell's: Who gets what, when, and how? Who gets which pieces of the economic pie? A central principle of democracy is equality, where each vote counts the same. But what about the economic system? Is there equality there? How egalitarian are modern societies? Is economic inequality among groups consistent with the idea of democracy? The Greek philosopher Plutarch was very much aware of the corrosive forces of inequality. He declared: "The most fatal ailment of all republics [is] the imbalance between rich and poor."

The *Gini coefficient* is the most useful of all measures of income inequality, because it captures inequality across the whole range of incomes. The Gini coefficient was developed by the Italian statistician Corrado Gini in 1912. The range of the coefficient is between 0 and 1. Zero means perfect equality with everyone having the same income, and 1 means perfect inequality; in other words, one person has all the income and nobody else has anything. The issue of inequality has risen to the top of the American political agenda with President Obama describing it in 2013 as "the central challenge of our time."[7] Democratic presidential candidate Bernie Sanders made it the centerpiece of his primary campaign and it became an issue that galvanized millions of mostly young Americans.

In Figure 12.4 countries are ordered from highest to lowest income inequality, with countries like the USA, the United Kingdom, and Greece leading the list and countries like Norway and Denmark indicating the lowest income inequality. How can this be explained? What would explain this variation of income inequality?

It may be possible that some of the outcomes we are trying to explain are a result of political participation of voters. Ultimately, voting is the essence of democracy. In a democracy, people get the government and policies they deserve, or so one would think. It is voters who at least partially determine what kinds of policies are enacted. How do the various countries stack up in political participation vis-à-vis each other? One measure of political participation is voter turnout. People vote for very different reasons. They vote because they feel very strongly about a particular issue, because they are socialized into a particular political milieu that emphasizes voting as a duty of citizens, or out of habit. Figure 12.5 shows that there is quite some variation across modern democracies in terms of voter turnout. The figure shows the percentage of the voting-age population who actually voted as opposed to the percentage of registered voters. Since in most European countries registration is automatic, the numbers would have been similar had they been expressed as percentages of registered voters who actually voted. The USA's registration requirements however are more onerous. Thus, if the voter turnout for the presidential election in 2012 were expressed as a percentage of people registered to vote, the turnout would have increased from 53.6 percent (voting-age population) to

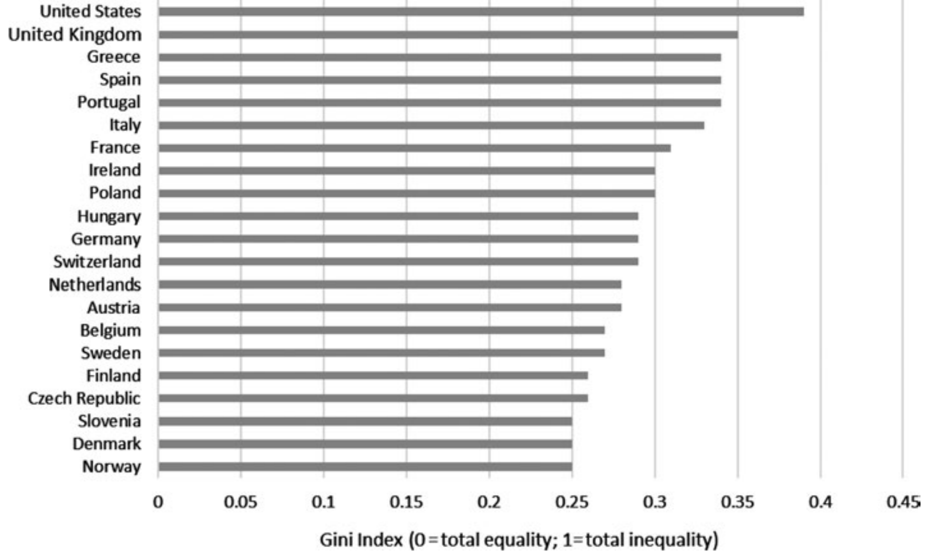

Figure 12.4 Gini coefficients in 2012.
Source: OECD Factbook, 2016.

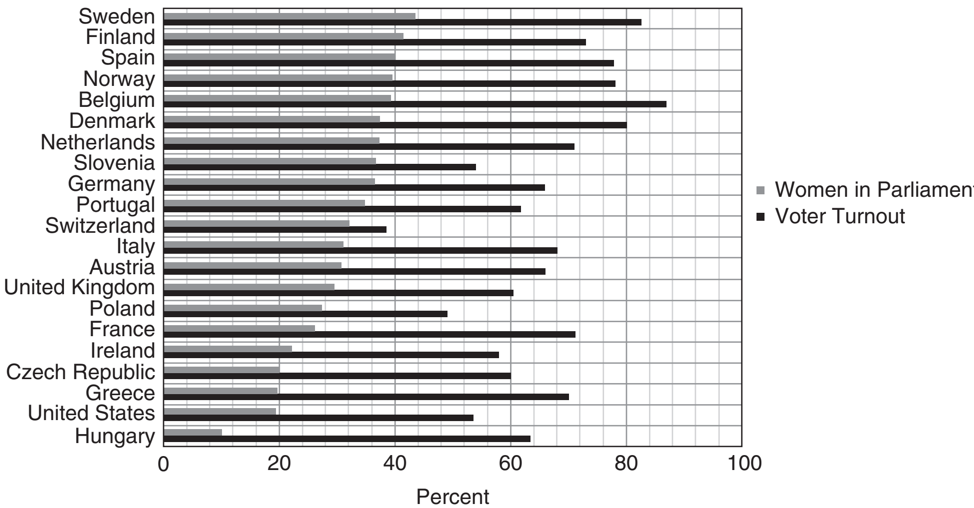

Figure 12.5 Women in parliaments (percentage of women representatives in Lower or Single House, latest elections) ranked from highest to lowest on June 1, 2016 and voter turnout as expressed in percentage of people of voting-age population (VAP) in the most recent parliamentary election (except for France and the USA where the percentage value refers to presidential elections).

Source: For women in parliaments: Inter-Parliamentary Union; voter turnout: Institute for Democracy and Electoral Assistance, Voter Turnout Database, 2016.

66.6 percent turnout of registered voters who actually voted. There are remarkable differences in voter turnout observable: while almost 87 percent of Belgians and almost 83 percent of Swedes go to the polls, not even 50 percent of Poles and 40 percent of Swiss cast their ballots. What might explain this variation?

Another important measure is participation of women in parliaments. Even though both of these measures are included in the same graph for reasons of economy of presentation, this does not suggest that there is necessarily a connection, although there may be. Women, it is argued, have different political interests than do men, and if women were more equally represented in parliaments, policy production would reflect women's interests, such as parental leave, day care, social welfare issues, and others, to a greater degree. Three Scandinavian countries are at the top, having the highest percentage of women in parliaments (lower house), and the USA, the Czech Republic, and Hungary bring up the rear. What can explain the distribution of women in parliaments across these modern democracies?

Staying with the theme of gender, the World Economic Forum has recently established an index called the Gender Gap Index.[8] This is designed to measure the size of the gender gap in four critical areas of inequality between men and women. The first is economic participation and opportunity. This element examines outcomes on salaries, participation levels, and access to highly skilled employment. Second, the Index examines differences in educational attainment, particularly outcomes with regard to basic and higher level education. Third, the Index also includes political empowerment and compares outcomes on representation and decision-making structures. Finally, the Index also includes health and survival issues, particularly with regard to differential outcomes on life expectancy and sex ratio.

A pattern begins to emerge. The Scandinavian countries have the smallest gender gap. May this have something to do with the fact that Scandinavian countries also have the highest percentages of women in their national parliaments? Or does it have to do with the high union density rates, or perhaps with the low poverty rates? If yes, how would these mechanisms work? As shown in Figure 12.6, the USA is in the middle of the field and Greece, Hungary, and the Czech Republic bring up the rear.

Some might say that a highly interventionist state may produce less poverty and help level the playing field among social strata, but that would ultimately undermine economic dynamism and competitiveness. In fact, this is the "classic" trade-off based on the argument that if a country wants to have a highly competitive capitalist economy it will come at the cost of high inequality, poverty, and reduced life chances for those at the bottom of society. On the other hand, if a country wants to have equality of opportunity, with a progressive tax system that redistributes incomes to the lower and middle classes, then economic competitiveness will suffer. The World Economic Forum has also collected data on the competitiveness of nations and presented it in an index called the Global Competitiveness Index.[9]

The Global Competitiveness Index is composed of 12 elements that are critical to economic growth: *Institutions, Infrastructure, Macroeconomic Stability, Health and Primary Education, Higher Education and Training, Goods Market Efficiency, Labor Market Efficiency, Financial Market Sophistication, Technological Readiness, Market Size, Business Sophistication, and Innovation.* The Index ranges from 0, meaning low-growth competitiveness, to 7, meaning maximum-growth competitiveness. Figure 12.7 is ordered from high to low global competitiveness.

Even a cursory glance at Figure 12.7 shows an intriguing result: counting European countries only and the USA for comparison purposes, the leader of the pack is Switzerland, closely followed by the USA in second and the Netherlands in third place. In fact, among the top seven most competitive countries with hardly any major significant

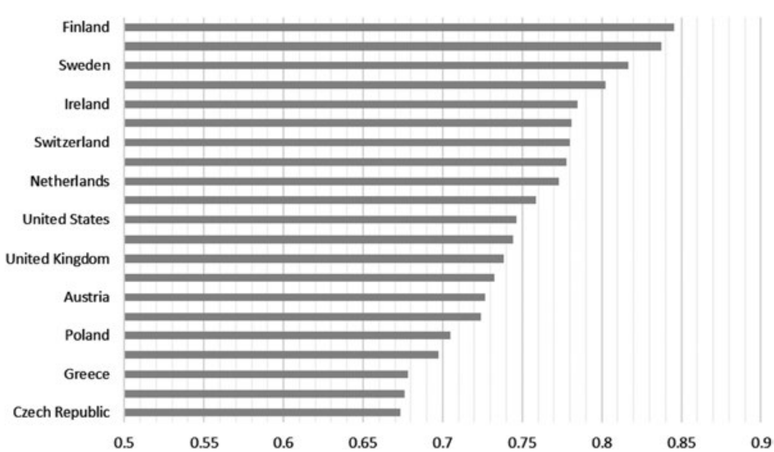

Figure 12.6 Gender Gap Index 2010.
Source: World Economic Forum, Gender Gap Index.

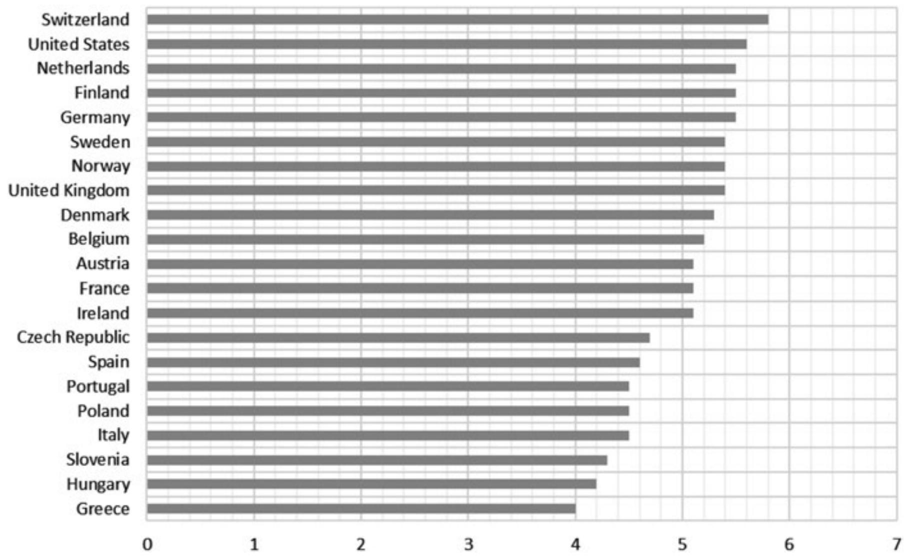

Figure 12.7 Global Competitiveness Index 2015 ranked from highest to lowest (consisting only of European countries and the USA for comparison purposes).
Source: World Economic Forum, Global Competitiveness Index, 2015/2016.

differences in their global competitiveness, there are five (Sweden, Finland, Norway, Germany, and the Netherlands) which follow pro-welfare, redistributionist policies aimed at protecting the most vulnerable members of society. Even the leader of the pack, Switzerland, has a more pro-welfare orientation than the second placed, namely the USA. This is a rather surprising result which suggests that the trade-off between a capitalist market orthodoxy and a pro-redistributionist, equality of opportunity-oriented policy may not exist. Basically on par with the USA in terms of global competitiveness is the Netherlands: a cushy welfare state with much lower relative poverty than the USA and even lower taxes on incomes and profits. This is intriguing insofar as many observers argue that it is not possible to have both: a wealth-creating, dynamic economy and a protective welfare state, as the taxes used to finance the "nanny state" would lead to an inefficient allocation of resources and undermine the capitalist spirit. Poor people in a capitalist society are just the collateral damage to the frictionless unfolding of capitalist accumulation. Figure 12.7 shows that it does not have to be that way: countries like Switzerland, the Netherlands, Germany, Finland, Norway, and Sweden seem to have it both ways. It appears that generous social safety nets with all their attendant advantages (better education, greater life expectancy, less crime, less infant mortality, less poverty, more equal "life chances") do not undermine the economic global competitiveness of these societies. If that is in fact true, what are the implications of these observations for American politics?

One of the most important policy outcomes is health. For a society to be productive, its people have to be healthy. Countries lose billions of dollars per year as a result of workers who are absent from work due to illness. In addition, treating sick people for preventable diseases such as AIDS, lung cancer caused by smoking, or obesity absorbs huge resources that could be employed in other areas. For example, it is estimated that obesity alone created economic costs to the tune of over $215 billion in 2009.[10] In the United Kingdom and continental Europe obesity has increased significantly over the past 20 years. Obesity in the United Kingdom is responsible for an estimated 18 million sick days a year; it shortens people's lives by nine years on average, and its economic costs are an estimated £2 billion a year.[11] National variations of health care systems can also have dramatic economic impacts: for instance, the leading cause of bankruptcies in the USA are medical bills that patients cannot pay!

Figure 12.8 shows two measures: health spending as a percentage of GDP (an output measure), and infant mortality, an outcome measure (deaths per 1,000 live births). The graph is ordered from the highest to the lowest level of infant mortality. Figure 12.8 shows that the USA has the highest infant mortality. What is most surprising is that this less-than-stellar performance is achieved with by far the highest total health expenditures across all countries. Finland, Sweden, and Iceland show the lowest levels of infant mortality achieved with much lower health expenditures than in the USA.

Figure 12.9 examines another central health outcome measure: life expectancy at birth in 2015. There is a surprisingly wide range of variation observable, from a minimum of 76 years in Hungary on average to a maximum of 83.3 years in Switzerland. One might think that only seven years' difference is not that much; however, the efforts for states to undertake to achieve only three more years of average life expectancy would be heroic and would take decades to achieve. Thus, these are real differences, and again, the USA, despite having the most expensive health care system in the world, does not produce commensurate results. Interestingly, the USA is ranked third to last in a group of formerly Eastern European Communist countries: Poland, the Czech Republic, and Hungary.

Why is it that most European countries achieve better health outcomes at a much lower cost than the USA? It is widely believed that the USA has the most advanced medical technology and the most educated physicians. Why is it that health care is so expensive in the USA, yet achieves such comparatively poor results? Would the Affordable Care Act, or "Obamacare," make a difference to these outcome measures in the future?

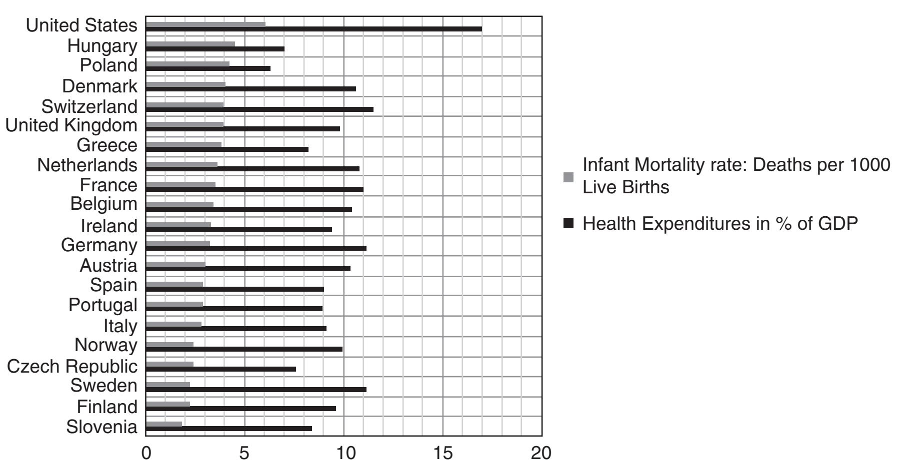

Figure 12.8 Total health expenditures (private and public) as a percentage of GDP, and infant mortality (deaths per 1,000 live births). Data refer to the year 2015.
Source: OECD Health Statistics, 2016.

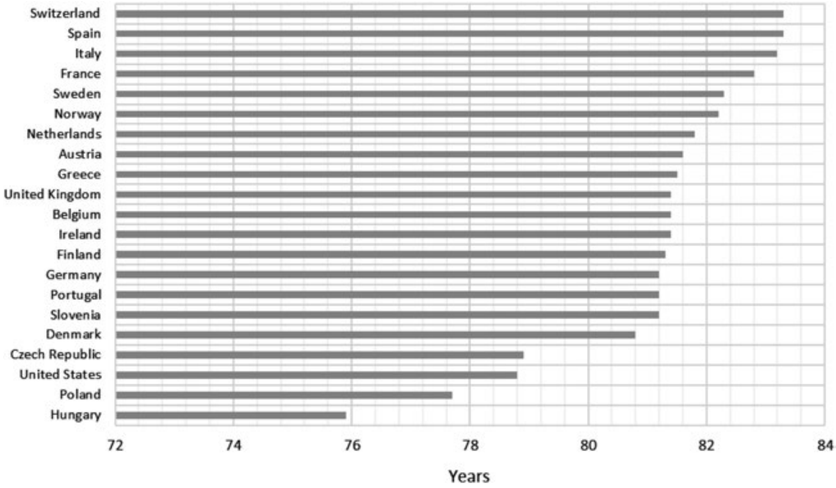

Figure 12.9 Life expectancy at birth in 2015.
Source: OECD Health Statistics, 2016.

Figure 12.10 shows one health outcome (obesity), one measure of personal security (homicide rates), and a measure reflecting the criminal justice system. Figure 12.10 is ranked from highest to lowest murder rates. What becomes immediately obvious in this comparison is that the USA is in a league of its own on all three measures: it has by far the highest homicide rate, the highest prison population, and the highest obesity rates. As far as prison population is concerned, the USA's figure is more than three times

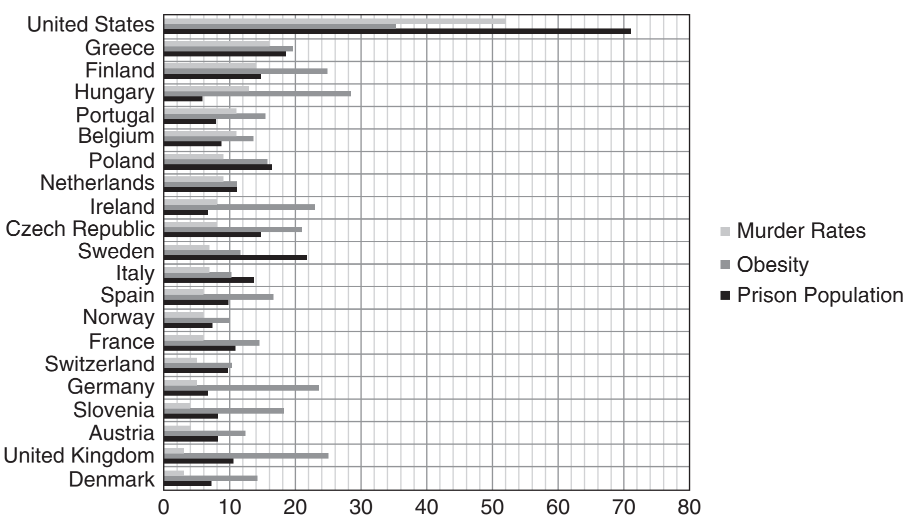

Figure 12.10 Murder rates (per 1 million population) ranked from highest to lowest, prison population per 10,000 population, total obesity (males and females with a body mass index of more than 30) as a percentage of population.
Source: OECD Factbook, 2016. Quality of Life Indicators and for Murder rates: OECD crime statistics, 2016.

bigger than the second-ranked country Sweden, prompting Peter Baldwin to claim that "The murder rate and the number of prisoners in America is both off the European scale."[12] What might explain this huge difference?

Similarly, when it comes to obesity, the USA is leading the pack, followed by the United Kingdom and Iceland. Is obesity simply the result of individual food choices which people make? Does it have a social, or perhaps even a class basis? If yes, what would explain the fact that poorer people tend to be obese? From a policy advisor's perspective, what would you recommend in term of policies combating obesity?

There is hardly a government that does not realize how crucial it is to have an educated citizenry. At a very basic level, democracy itself is not possible without an educated citizenry. But even at more mundane levels, education is crucial in a globalized world in which skills are absolutely essential to succeed, not only for individual companies but also for countries as a whole. In the international competition for foreign direct investments (i.e., private companies that are investing significant resources in a country other than the one in which they are headquartered), a highly educated workforce combined with an excellent infrastructure and political stability may be considered to be the most important reasons why such companies invest their resources. Today, it is understood that "human capital" (i.e., knowledge and education) is as important as investment capital (i.e., land and machinery). In the explanations we offered about the determinants of poverty, we have already highlighted the crucial nature of education.

Figure 12.11 shows three crucial "outcome" measures: mathematics, science, and reading scores. The outcome measure is the so-called PISA measure, which stands for "Program for International Student Assessment," whose purpose it is to "assess how effective school systems are in providing young people with a solid foundation of knowledge and skills that will equip them for life and learning beyond school."[13] The figure shows the mathematics, science, and reading skills of 15-year-olds averaged for boys and girls.

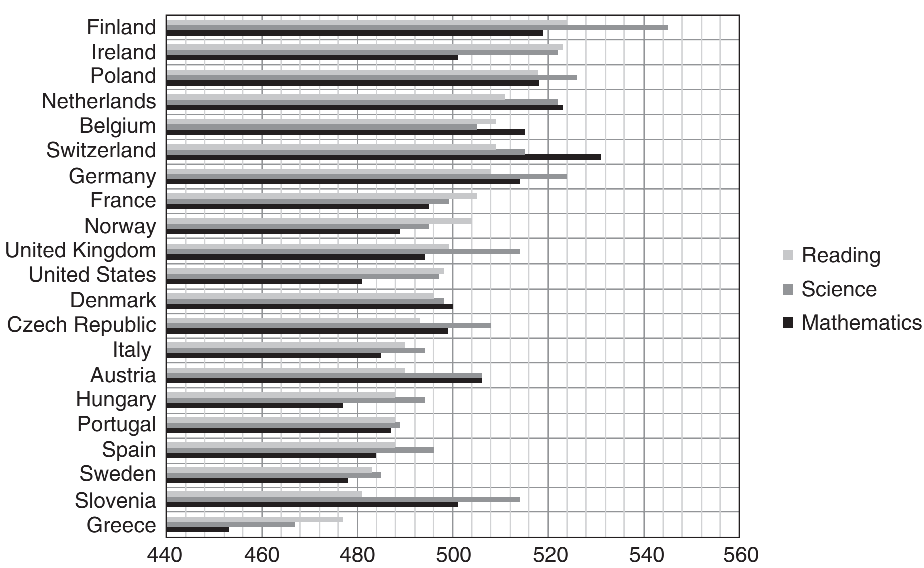

Figure 12.11 Program for International Student Assessment (PISA) scores in mathematics, science, and reading in 2012.

Source: OECD Factbook, 2016.

The graph is ordered from the highest to the lowest reading score with Finland, Ireland, and Poland at the top and Sweden, Slovenia, and Greece bringing up the rear. The low score for Sweden is somewhat unexpected, as the Scandinavian countries are generally doing quite well in these international tests. The USA is in the middle of the field. What could explain the low score of Sweden and the high score of its neighbor, Finland?

A crucial guarantor of democracy is freedom of the press. Competitive media outlets are essential to give voters an opportunity to receive information representing a variety of perspectives on the political issues of the day. Freedom of the press which is a crucial element of the more general concept of freedom of expression, is the central feature of any democracy. In fact, Robert Dahl, in defining democracy, highlights "alternative sources of information" as one of eight institutional guarantors of democracy.[14] Data on the Press Freedom Index (PFI) is published by Reporters Without Borders and consists of two broad elements. The first element is the degree of abuses and violence against media actors, such as camera people and journalists, that is monitored by a team of specialists. The second element is a questionnaire that goes to media professionals, lawyers, and sociologists and poses questions in the following six categories. First, pluralism: the degree to which opinions are represented in the media. Second, the degree to which the media is independent of political, governmental, religious, and business influence. Third, the environment in which news and information providers operate. Fourth, the impact of the legislative framework governing the production of news and information. Fifth, a measure of the transparency of the institutions and procedures that affect the production of news and information. Finally, the quality of the infrastructure that supports the production of news and information.[15]

Figure 12.12 shows a remarkable variation in the degree of the freedom of the press which is rather unexpected given that the countries in this book are all democratic. A familiar pattern begins to emerge. Generally, Scandinavian countries are at the top, with either former Communist, East European countries and Greece, a relatively poor Southern

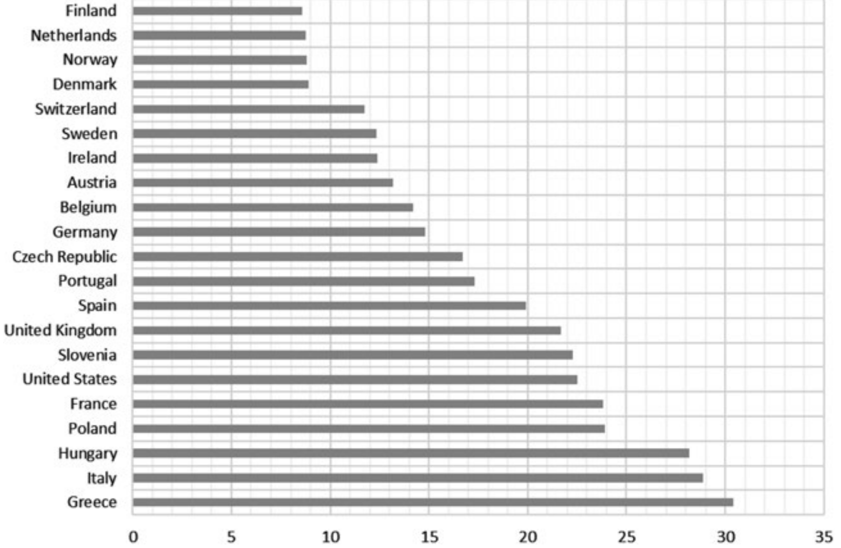

Figure 12.12 Press Freedom Index in 2016.
Source: Reporters without Borders. The lower the number, the higher the Press Freedom Index.

European country, at the low end of the table. The USA is ranked 16 out of 21 countries (this ranking only counts European countries and the USA) which is also somewhat unexpected. Reporters Without Borders explains the relatively low ranking of the USA with the judicial harassment of a *New York Times* reporter and the US "administration's obsessive control of information which manifests itself through the war on whistleblowers and journalists' sources, as well as the lack of government transparency, which reporters have continually criticized."[16] The low ranking of France is explained by the strong influence of business interests on the media industries "where most of the private-sector national media are now owned by a handful of businessmen with interests in areas of the economy unrelated to the media."[17] Greece has the lowest ranking of this sample of countries because of political interference in news reporting, monopolies in Greece's media market, and restrictive legislative changes to the broadcast market.[18]

The state of the environment has become a critical political issue over the past two decades. Figure 12.13 shows greenhouse gas emissions per capita in metric tons. Greenhouse gases are carbon dioxide, methane, ozone, and nitrous oxide. Carbon dioxide is one of the main contributors to global warming and stems mostly from the burning of fossil fuels, such as gasoline and oil, but also from gas flaring and the production of cement. One of the biggest contributors to the production of carbon dioxide is vehicular pollution: burning 1 gallon of gasoline produces 22 pounds of carbon dioxide.[19] Environmental issues have become so pressing that in many European countries during the 1980s, Green parties gained representation in their parliaments, and in some countries at the subnational level have taken on executive authority.

The comparison of two time points, namely 2000 and 2012, shows a somewhat optimistic picture. With the exception of Poland, each country reduced the emission of

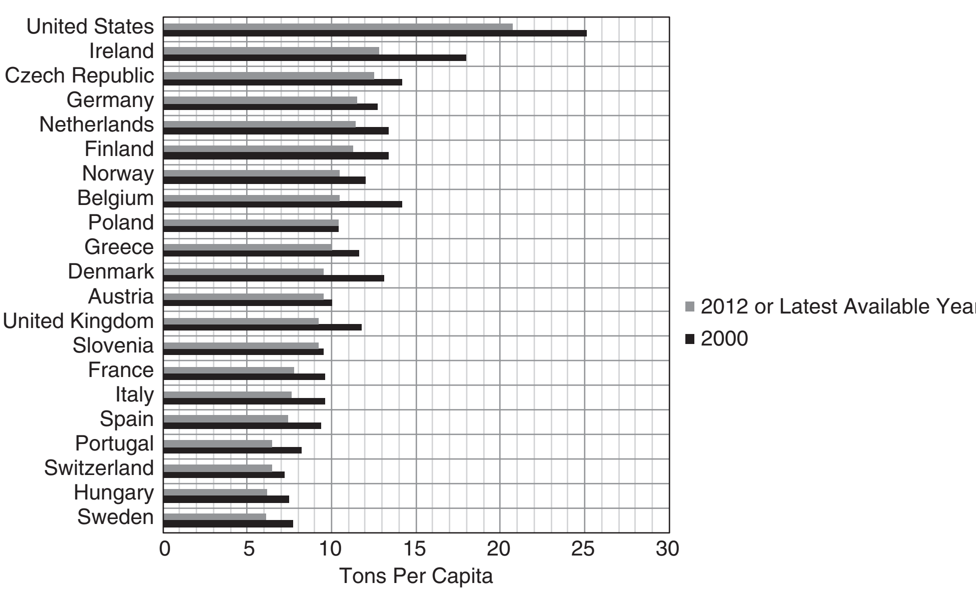

Figure 12.13 Greenhouse gas emissions per capita in 2000 and 2012 (or most recent data available) measured in metric tons per capita.

Source: OECD Factbook, 2015–2016.

greenhouse gases. The USA indicates the highest per capita greenhouse gas emissions in 2000 and 2012 with over 21 metric tons per person. The next biggest emitters following at some distance are Ireland, the Czech Republic, and Germany. Switzerland, Hungary, and Sweden are the lowest producers of greenhouse gases per capita with Sweden producing around 6 tons of greenhouse gases per capita.

These are intriguing results. Some of these outcomes are a function of the size of the country, its geographic location, and its specific resource endowment, although these outcomes are all mediated by politics. How would you explain such outcomes? Does a country's climate play a role? In our explanations offered previously, we highlighted the role of the system of interest group representation, called *corporatism*, and its opposite, *pluralism*. Is it possible that the pluralist form of interest group representation in the USA has something to do with the results in Figure 12.13? For example, in the USA until very recently, sports utility vehicles (SUVs) were exempt from the federal CAFE (corporate average fuel economy) standards, allowing such cars to become bigger and heavier without having to conform to fuel efficiency guidelines. Does the variation shown in Figure 12.13 have something to do with energy production in various countries? How is France's energy production different from that of the USA?

Perhaps we should also examine a more encompassing measure – one that captures the capacity for "environmental sustainability"; that is, the capacity of a country to produce goods and services without unduly damaging the environment. Fortunately, such an index, called the Environmental Performance Index, is available for the year 2016. The Index is published by the Yale Center for Environmental Law & Policy together with the Center for International Earth Science Information Network at Columbia University in collaboration with the Samuel Family Foundation, the McCall MacBain, and the World Economic Forum. It is shown in Figure 12.14.

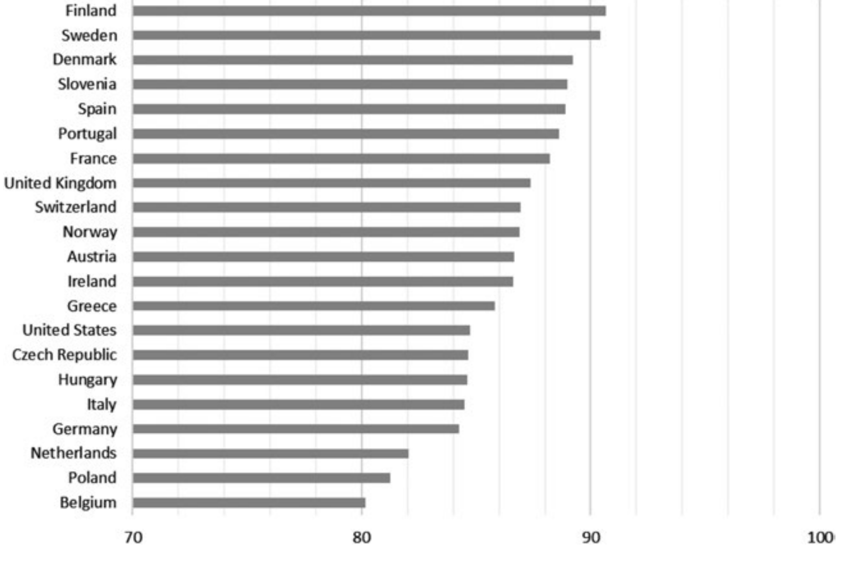

Figure 12.14 Environmental Performance Index 2016.

Source: Yale Center for Environmental Law and Policy together with the Center for International Earth Science Information Network at Columbia University in collaboration with the Samuel Family Foundation, the McCall MacBain, and the World Economic Forum.

The Index consists of 20 indicators covering nine environmental issues. These are: *Environmental Health Impacts* (environmental risk exposure)*; Air Quality* (such as household air quality, levels of air pollution)*; Water and Sanitation* (unsafe drinking water and unsafe sanitation)*; Water Resources* (wastewater treatment)*; Agriculture* (nitrogen use efficiency)*; Forests* (tree cover loss)*; Fisheries* (the size of fish stocks)*; Biodiversity and Habitat* (such as species protection and size of protected areas)*, and Climate and Energy* (such as trends in carbon intensity).[20]

According to this Index, which ranges from 0 to 100, the countries that rank the highest are Finland, Sweden, and Denmark, and those that rank the lowest (within the group of European countries and also including the USA for comparison purposes) are the Netherlands, Belgium, and Poland. What is somewhat surprising is Germany's relatively low ranking – the fourth lowest of 21 countries. Given the presence of a Green Party and a general pro-environmental stance of even the established parties, the poor ranking of Germany is somewhat unexpected. What might explain these rankings?

Finally, to what extent are developed nations willing to support development in less developed countries? One measure of that commitment is called "official development assistance (ODA)." The United Nations has a long-standing goal that developed nations should commit 0.7 percent of their gross national income to official development assistance. The OECD defines official development assistance as:

> Flows of official financing administered with the promotion of the economic development and welfare of developing countries as the main objective, and which are concessional in character with a grant element of at least 25 percent. By convention, ODA flows comprise contributions of donor government agencies, at all levels, to developing countries and to multilateral institutions.[21]

Aid includes grants, "soft loans" (where the grant element is at least 25 percent), and the provision of technical assistance. A significant proportion of development assistance is aimed at promoting sustainable development in poorer countries, environmental protection, and population programs.

Official development assistance is often taken as a measure of "compassion" of the rich countries toward the plight of the poor countries. No developed country wants to appear "stingy," yet the statistics speak louder than politicians' talk. This was highlighted when a UN official, in the wake of the horrific tsunami in Southeast Asia on Boxing Day (December 26) in 2004, complained about the fact that "The foreign assistance of many countries now is 0.1 or 0.2 percent of the gross national income. I think that is stingy, really."[22] It was mostly the USA that felt offended by this statement, although, as measured in terms of a percentage of GNI, the USA is not alone among rich countries in missing the UN goal of 0.7 percent. In terms of GNI per capita, the USA contributes only around 0.18 percent of its GNI toward official development assistance, while the most generous countries such as Denmark, Norway, and Sweden voluntarily exceed the 0.7 percent mark by contributing 0.86 percent, 1 percent, and 1.09 percent of their GNI, respectively, in 2014. At the bottom of the ranking are Greece (0.11%), the Czech Republic (0.11%), and Poland, contributing .09 percent of their GNI to official development aid (Figure 12.15).

It is important to realize that in terms of actual money, 0.18 percent of American GNI (approximately $33 billion) is significantly higher than 1.09 percent of Sweden's GNI (around $6.2 billion) in 2014. That is of course a function of the much larger US economy

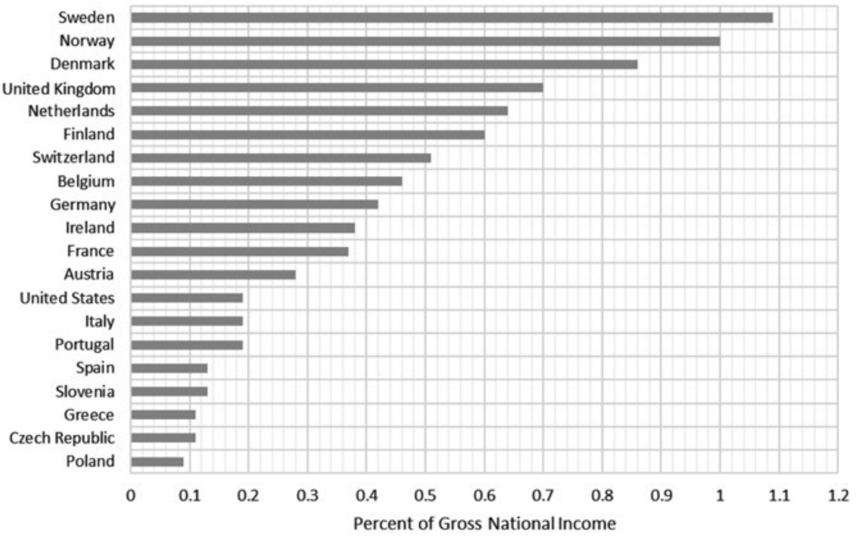

Figure 12.15 Official Development Assistance in 2014 (ODA) in percent of GNI.
Source: OECD, Official Development Aid Statistics, 2016.

than Sweden's. Yet, it is true also that most American development assistance, much of it of a military nature, goes to Israel and Egypt, two major allies of the USA in the Middle East, and Afghanistan and Iraq, two major theaters of recent wars. Perhaps another measure might capture the concept of "generosity" even better. The USA is widely considered to be a very generous country ready to help with significant contributions when natural disasters strike. On the other hand, its official development assistance is relatively modest. How would you explain why the Nordic countries are leading this pack while countries like Greece, Poland, and the Czech Republic are at the bottom of the table?

There are many more policy outcomes that could be analyzed; for instance, gun ownership, government deficits, subsidies, the production of crucial strategic goods such as coal and steel, migration levels, labor productivity, trade, savings rates, children born out of wedlock, and foreign direct investment. The important lesson of this chapter is that most, if not all, of these policy outcomes and outputs are a direct result of many of the factors we discussed in the first 11 chapters of this book. The questions posed in this chapter should make for some exciting writing projects, since they highlight the connection between political parties, electoral systems, social movements, different histories in terms of modernization, and the actual political outcomes that affect us all. Perhaps the most important lesson of this chapter is that politics matters. This is worth remembering when the next election comes around and we citizens are asked to vote. After all, is it not true that in democratic systems people get the policy outcomes they deserve?

Key terms

association
capacity
causal connections
comparative data
explanations
institutional approach

macrostructural
orthogonal
outcome
output
policy outcomes
predictable
"regression" line
scattergrams
space
systematic
systemic
time
variations

Discussion questions

1. Previously, we cautioned students to distinguish between "policy outcomes" and "policy outputs." What is the difference between the two?
2. What could turn the most well-intentioned policy output into a failure (i.e., an unintended policy outcome)?
3. In Chapter 9, we learned that globalization affects the political economics of all nations. How is this so? Would globalization make it easier or harder for governments to achieve the intended policy outcomes? Why?

Notes

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15 Globalization and European democracies

In the first 14 chapters of this book, the central assumption is that countries are **sovereign** policy-makers. Particularly in Chapter 12 on policy outcomes, we have argued that a whole host of outcomes, among them unemployment, economic growth, health, education, and environmental, are the result of idiosyncratic types of election systems, political parties, the processes of cabinet formation, the role of interest groups, and the specific historical experiences of modernization.

In Chapter 10 on the European Union (EU), however, we highlighted the central trade-off that comes with joining the Union. In order to take advantage of a common market encompassing about 500 million consumers, the sovereignty of nations becomes **restricted**. How does joining the EU restrict sovereignty? If people can travel across intra-EU borders without any border controls; if goods, capital, and services can freely cross borders without the capacity of states to impose duties; if nations cannot shape exchange rate policies anymore because they all share the same currency (except the United Kingdom, Denmark, Sweden, and most of the new accession countries); if they are limited in the way in which they can engage in economic policy because they are not supposed to exceed budget deficits of 3 percent; if the quality of products must correspond to certain "harmonized" standards; if there are EU-wide regulations ranging from the environment to how to treat farm animals to labor regulation; if the setting of interest rates is performed by a European-wide central bank; if EU law takes precedence over national law in increasing measure – if these and many other effects of the EU apply, one might say that the capacity of a country to engage in its "own" policies is restricted. These are just a few examples of how the EU limits the sovereignty of countries to engage in their own policy-making. This does not negate our claims in Chapter 12 that policy outcomes do reflect national idiosyncrasies; however, there is no doubt that the maneuvering room for national policy-making is becoming more tightly circumscribed.

But what does "Europeanization" have to do with "globalization"? Both of these concepts are in fact very much related, insofar as they both mean a reduction of the sovereignty of nations. However, from the examples given above and from the information in the chapter on the European Union, it is clear that Europeanization goes much further and deeper than globalization ever could, at least in the foreseeable future. The difference between Europeanization and globalization is that the former is driven by clearly defined procedures, under the auspices of national elites, and ultimately, at least ideally, by the citizens of the various countries. Through referenda, a democratic process, they vote on whether or not to join the EU, notwithstanding widespread observations that the EU suffers from a "democratic deficit." In addition, many other decisions are made by the people's representatives in the various nations' parliaments. What makes the EU a unique historical process is precisely the fact that it unfolds against a detailed set of regulations, the so-called "**acquis communautaire**," a document that today encompasses about 170,000 pages.[1] Once the people of a country have, through the democratic process of a referendum, decided that they want to join the EU, this means that they are then obliged to accept and implement the "acquis," as it is known in short. The acquis, this common body of EU law, covers everything from free movement of people, to competition policy, to environmental issues, to the collection and use of statistics, to external relations, social policy and employment, and many other policy areas.

Thus, the difference between Europeanization and globalization is twofold. First, Europeanization is based, at least ideally, on a **democratic process** that involves either the citizens directly or their representatives. Second, it spells out in detail what it means for a country to join the EU. Globalization has no democratic impetus, and there is no document comparable to the acquis that regulates in such detail every aspect of cross-border relations. Rather, globalization is a process that is "anarchic"; that is, it is market driven without any regulation or oversight. Europeanization is driven by **governments**, whereas globalization is driven by **markets**.

What is globalization?

Globalization is a process whose origins are directly related to advances in **technology**, particularly transportation technologies. Globalization may be described as the "obliteration of distance" as a result of the development of seagoing ships; the invention of the locomotive, the airplane, and automobiles; the development of other transportation technologies such as the invention of the compass; and the utilization of motorways and containerization. In addition, large-scale transportation projects such as the opening of the Suez Canal and the completion of the Union Pacific Railroad in 1869 – and, in more recent times, the Channel Tunnel connecting the United Kingdom with France – aid in the unfolding of globalization. Modern information technologies such as the World Wide Web, high-speed computers, and even social media have revolutionized the way in which people and businesses communicate with one another.

There is a certain "hype" surrounding globalization, and the media portray it as if it were a recent phenomenon. "Separate individuals have become more and more enslaved under a power alien to them … a power which has become more and more enormous and, in the last instance, turns out to be world market." This quote could have been gleaned from the sign of any anti-globalization protester who demonstrated at the latest G8 meeting. Yet, these words were uttered over 150 years ago by Karl Marx when he penned *The German Ideology* in 1845/1846![2]

In fact, in 1913, shortly before World War I, world merchandise exports as a percentage of GDP had reached such impressive levels that, after significant drops in the interwar period and also after 1950, it took the Organization for Economic Cooperation and Development (OECD) until the late 1970s to reach similar levels of world trade. Trade, measured as the average of exports and imports as a percentage of gross domestic product (GDP), was 27.7 percent in the United Kingdom in 1913; this level dropped to 13.1 percent in 1950, increased to 16.6 percent in 1970, and reached 21.1 percent in 1987, significantly short of the 27.7 percent the United Kingdom had achieved in 1913.[3] Thus, globalization is an uneven process marked by periods of rapid expansion of trade followed by contractions during the interwar years when many countries, but particularly the USA, adopted an isolationist stance, and also during the immediate years after World War II.

It is true that the process of globalization has accelerated in more recent years with the development of information and communication technologies. The consulting firm McKinsey Global Institute reports that the flow of data and information generates more value than the global goods trade. They find that "the amount of cross border bandwidth that is used has grown 45 times larger since 2005."[4] This interconnected world makes it easier for start-ups to advertise their products, to have access to a global market and for large companies to run their operations much more efficiently. Over the past decade the data and information flows have added 10.1 percent to the World's GDP.[5] Advances in telecommunications, digital systems, satellite technology, fiber optics, and the internet have dramatically reduced **transportation** and **transaction costs**, making products and services that were hitherto not tradeable ready to be exchanged in the global marketplace. Such products include perishable and seasonal fashion items, as well as the production and interpretation of information itself, such as management consultancy, films, television news, and others. A prime example of how globalization obliterates distance is today's capacity to **outsource** customer service for high-tech products to India, or the Indian physician who interprets via the internet a patient's X-ray taken in the USA or Europe. These technological advances are complemented by international organizations, such as the International Monetary Fund (IMF), the World Bank, and particularly the World Trade Organization (WTO), the last of which works zealously toward a reduction of tariff and non-tariff barriers in order to let the world market deal its "invisible hand" even more effectively.

The consequences of these technological developments and the impact of the WTO upon the world economy are staggering. International trade has been growing at a much larger rate than economic output. Between 1950 and 2004, global economic growth increased by a factor of six while trade increased by a factor of 25. The value of global merchandise exports in 2006 was almost 200 times greater than the value of global merchandise exports in 1950 (expressed in US dollars at current prices). One of the most direct effects of technological development on globalization is the capacity of capital markets to move international capital. Cross-border transactions of bonds and equities have grown by a factor of between 50 to 100 from 1980 to 1996, to the tune of over $1 trillion a day.[6]

However, it is also true that the 2008 financial crisis has paused the process of globalization. *The Economist* reports that trade as a percentage of World GDP "rose steadily from 1986 to 2008 but has been flat since. Global capital flows, which in 2007 topped $11 trillion, amounted to barely a third of that figure [in 2012]. Cross-border direct investment is also well down on its 2007 peak."[7] The 2008 financial crisis put a kink in the unbridled optimism of those who believed that globalization is an irreversible process. In addition, there is a healthy skepticism developing both in the USA, as well as in Europe, that previous trade agreements have not delivered the expected effects such as more jobs, higher wages, and lower income inequality. The appetite and belief in the economic magic of trade agreements appears to be waning. During his campaign, presidential candidate in the USA Donald Trump has been vilifying the North American Free Trade Agreement (NAFTA) making it responsible for, in his view, the dire economic situation in the USA. Many Europeans have grown skeptical of the EU, arguing that "migrants" from other EU countries, most famously the "Polish plumber," take away high-paying jobs of their own citizens. It looks unlikely that the Transatlantic

Trade and Investment Partnership (T-TIP) will ever be signed, as Germany and France strongly resist it. The current *Zeitgeist* in Europe is one of nativism, protectionism, and a healthy dose of skepticism toward free trade arrangments as countries seem to pull up the drawbridges.

However, globalization not only has an economic dimension but it also has a cultural one as international "cultural products" such as music, films, television, and others penetrate into hitherto local areas. In this respect, given the tremendous flow of data and information, cultural products cross borders uninhibited. For example, in 2014, *Breaking Bad* was the most widely viewed TV show.[8] The factual show *Top Gear* was watched by more people in the world than any other factual show in 2013.[9] In 2001, the share of US films as a percentage of all films in Germany was 77 percent, and this share is 74 percent in the United Kingdom, 62 percent in Spain, 60 percent in Italy, and 47 percent in France. In all countries, except the United Kingdom, this percentage grew steadily between 1984 and 2001.[10] Overall, 60 percent of television programs watched in Europe in 2015 were produced outside of Europe, in most cases in the USA.[11]

Another form of cultural globalization may be observed in the various American traditions that have gained popularity in continental European countries, such as Halloween. Halloween originated with the Celts, is pagan in tradition, and was transferred with Irish immigrants to the USA. It has only very recently been celebrated in continental European countries such as Austria, with the same trappings of jack-o-lanterns and kids disguising themselves as ghosts, witches, or imps and demanding treats – except that in Austria children do not say "trick or treat" but rather "süss oder sauer" (sweet or sour). An Irish tradition was thus transported via migration to the USA, where it became widespread. Today, this tradition is making the trip back to Europe via satellite beams directly into the households of Europeans, who eagerly absorb American popular culture.

This little vignette demonstrates that along with technological development and cultural adaptation, **migration** is also a central element of globalization. Since the late 1950s, countries such as Germany and Austria have actively recruited so-called guest workers, first from Italy, then from the former Yugoslavia and Turkey, to help in the reconstruction of their countries following World War II and during the years of the economic miracle of the 1960s and early 1970s. After the quadrupling of oil prices in 1973/1974, however, labor immigration was curbed as economic activity came to a sudden stop. Nevertheless, incentives given to guest workers to return home did not have the desired effects. In fact, despite a stop on labor migration, immigration into European countries continued on the basis of family reunification – the guest workers brought in their wives and extended families, increasing the percentage of the foreign population.[12] Figure 8.1 in chapter 8 shows the percentage of foreign-born populations across various European democracies, indicating that in most countries this percentage has increased over time. Switzerland has by far the highest percentage of foreign population among its ranks, which is partly explained by the difficulty of becoming Swiss. It is important to distinguish between *foreign population* and *foreign-born population*. The latter tends to generate higher percentages of the total resident population because it also includes subjects who are foreign born but have attained national citizenship. The OECD defines *foreign-born population* as follows: "The foreign-born population can be viewed as representing first-generation migrants, and may consist of both foreign and national citizens."[13]

A second major development that led to further increases of migration from the East toward Western Europe was the fall of the **Soviet Union**. This unleashed waves of immigrants into Germany, both asylum seekers and migrants, who, on the basis of their "ethnic German" status, were immediately granted German citizenship. Germany is one of the few countries, besides Israel, that allows its citizens who have emigrated to return to their homeland. People with papers indicating their German ethnic origins – regardless of how many generations they lived outside of Germany in Russia, or Kazakhstan, or other parts of Central and Eastern Europe – made use of their privilege and immigrated to Germany. Between 1988 and 2004, over three million ethnic Germans immigrated to Germany, many of them ill-prepared in terms of the culture shock and lack of language and other skills. Ironically, the "ethnic Germans" prove to be much more difficult to integrate than the Turks and their descendants. The Turks have lived in Germany for decades, usually speak fluent German, mostly have jobs, and are relatively well integrated, but yet have not been able to become Germans until recently.[14]

Third, as already discussed in Chapter 8, the unprecedented refugee crisis starting in 2014 has brought millions of people from the Middle East to Europe, fleeing from the civil war and persecution in Syria and the horrific and inhuman treatment the so-called Islamic State imposes upon its enemies in Syria, Iraq, and Afghanistan. Even refugees from North and West Africa have made their way to Europe. In total, more than two million refugees have made their way into the EU since 2014.

The clearest example of globalization, or, in other words, increasing interdependence, is probably the **environment**. For instance, while particular lifestyles are territorially bound (e.g., driving gas-guzzling vehicles in the USA or producing steel in Eastern Europe in the 1970s and early 1980s with coal-fired power plants), the effects of such behaviors or policies are not. The carbon dioxide from fuel-inefficient vehicles traps heat and adds to the greenhouse effect, leading to global warming, while the sulfur emitted in the Czechoslovak steel mills came down as acid rain in Finland, destroying the aquatic life in thousands of Finnish lakes in addition to adding to the greenhouse effect. Polluted air does not recognize borders and will drift freely wherever the winds carry it. Similarly, when the Chinese push forward with no-holds-barred economic development, this will manifest itself in a corresponding demand for oil; people all around the world will feel the effects of Chinese development in the form of higher oil prices and, again, of increased pollution. As another example, the ancient tradition of cockfighting in Indonesia has led to the transfer of the avian flu virus from birds to humans. Although the avian flu virus has not mutated to the degree that it can be transmitted from human to human, if this does occur, modern transportation methods such as airliners will aid in the rapid dissemination of the virus, as they did in the case of AIDS and the Zika virus. Meanwhile, the already-infected birds take flight along their migration routes, carrying the bird flu virus with them to any country in which they eventually settle.

These examples highlight a central feature of both globalization and the environment: the **interconnectedness** of individuals and their lifestyles, regional and national policies, poverty, political development, diseases, wars, environmental outcomes, and many other aspects. Such interconnectedness decreases the capacity of nation states to tackle such issues on their own while at the same time increasing the importance of international organizations, leading some proponents of globalization to proclaim that national borders are becoming obsolete, while others decry this as "globaloney."

Globalization, then, may best be understood as a continuing process of integration and increasing interdependence among countries. In more practical terms, it means that more people worldwide:

- are most likely wearing a shirt made in China or Vietnam, or Cambodia;
- have traveled abroad;
- are driving a foreign car and watching more foreign films;
- have jobs with international connections;
- are more aware of events abroad;
- count people from other countries among their friends;
- perhaps think of moving to another country;
- use modern communications technologies such as e-mail and the internet;
- are affected by environmental outcomes not produced in their country;
- know more about other countries and cultures;
- are concerned about faraway diseases reaching their own country;
- work for an international company;
- are aware of other countries' traditions;
- consume products made abroad;
- invest in companies abroad;
- are affected by economic developments in countries far away from their own;
- talk to people on the telephone or the internet in another country;
- use services generated in another country, or both.

It is precisely this global interconnection and interdependence that explains why the economic crisis of 2008, which originated in the USA, made its way so quickly around the world: As advantageous globalization may be in good times, it can be just as disastrous in bad times. As we have seen in Chapter 11, reactions to the global downturn differ between Europe and the USA. Despite our arguments about the increasing sovereignty of the EU, when it comes to dealing with the economic crisis, each European nation went its own way. When it comes to fiscal and monetary policy, there is very little cooperation across European countries.

How should globalization be measured?

There is no one perfect measure to capture the elusive concept of globalization, but our discussion thus far has highlighted various dimensions of globalization, such as economic, cultural, technological, and political dimensions. The so-called KOF Index of Globalization captures three elements of globalization: economic, political, and social globalization.[15] The first part, economic globalization, consists of trade flows, foreign direct investments, portfolio investments, but also barriers to globalization, such as hidden import barriers and tariff barriers, among others. The political dimension consists of elements such as the number of embassies in the country, membership in international organizations, and the number of international treaties a country has signed. Finally, the social dimension of globalization is captured, among other things, by telephone traffic, internet users, the number of McDonald's restaurants per capita, and the number of Ikeas per capita (Figure 15.1).

All of the dimensions have been standardized to 100 meaning complete globalization and 0 no globalization at all. As may be seen, a number of large, influential countries were actually less globalized in 2015 than they were in 2000, such as the USA, Germany,

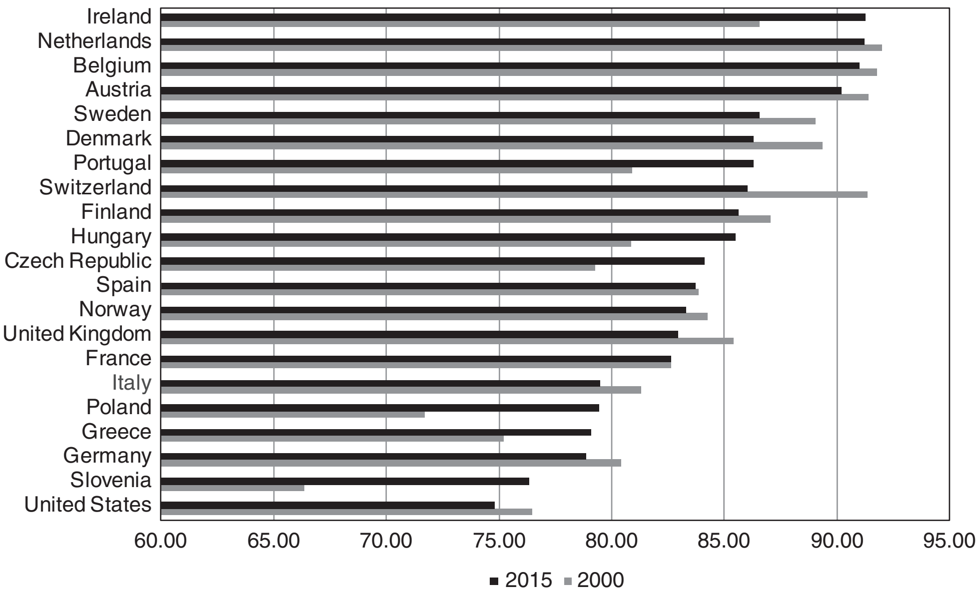

Figure 15.1 KOF Index of Globalization.
Source: Axel Dreher. Available at http://globalization.kof.ethz.ch/.

the UK, Italy, Sweden, Denmark, and Switzerland, while relatively poorer EU countries have increased their exposure to globalization, such as Slovenia, Greece, Portugal, and Ireland. This is a function of the 2008 global financial crisis. The more open, dynamic, and globalized countries in 2008 the more they were hit by the economic crisis. Conversely, the less globalized they were in 2008 the less they were hit and could become globalized faster once the crisis receded. This means that highly globalized countries reap the benefits of their international involvement; however, if the economy turns sour, they are also the ones most affected by international economic downturns.

A central predictor for the degree to which a country is "globalized" is simply its size. For example, trade expressed as imports and exports as a percentage of GDP in Luxembourg was 391 in 2015, whereas in the USA that percentage was 28.[16] This means that Luxembourg trades almost four times as much as it produces, while the USA trades less than 30% of what it produces. The difference, of course, is that the USA has a gigantic internal market, whereas Luxembourg, a very small country, is extremely exposed to the vagaries of international business cycles. Thus, by definition, the smaller a country is, the more "globalized" it has to be, at least in economic terms. This means that the smaller a country is, the more its sovereignty is circumscribed by the forces of globalization. It is this fact, which some consider troublesome, to which we now turn.

The challenges of globalization for European democracies

If it is true that globalization is driven by the logic of markets, many central elements of European politics should be affected. As a general rule, it is safe to say that governments are more interventionist in European democracies than in the USA and should thus be more affected by the results of globalization. In addition, Europeans generally favor equality over liberty, again highlighting the central role of the state in achieving equality. For these reasons, European countries should be particularly affected by the process of globalization.

How do citizens feel about globalization? Globalization usually enters the headlines when there are violent street protests, as was the case with the "Battle in Seattle" in 1999 at the Ministerial World Conference of the World Trade Organization, or during G7 meetings, when the leaders of the richest, most powerful nations come together. In the most recent G7 meeting in the picturesque German town of Garmisch-Partenkirchen in 2015, protestors faced off with riot police who used tear gas and pepper spray to subdue rioters. The protests were centered on preventing T-TIP, highlighting what protestors considered war-mongering of the wealthy countries to enrich themselves via supplying weapons to conflict zones and the control by banks of the capitalist system.

Public opinion surveys indicate that attitudes about globalization are not as negative as some of the headline-grabbing protests suggest. In 2013, Eurobarometer asked citizens the following question: "Could you please tell me whether the term 'globalization' brings to mind something very positive, fairly positive, fairly negative or very negative."

The graph in Figure 15.2 is ordered from the highest to lowest percentage of the sum of respondents in those countries which believe that globalization "brings to mind something very or fairly negative" and reveals that the biggest globalization skeptics are the Greeks, French, Hungarians, and Slovenians. As already discussed in Chapter 11, Greece has been particularly adversely affected by the global financial crisis of 2008. France is a country with a long history of jealously protecting its cultural heritage from American "cultural imperialism," with mixed success, however. In 1999 the infamous attack on a McDonald's restaurant under construction with a bulldozer by a French sheep farmer, José Bové, found great resonance in France. Seventeen years later, the tables, so to speak, have turned: today, McDonald's most profitable country, apart from the USA, is France!

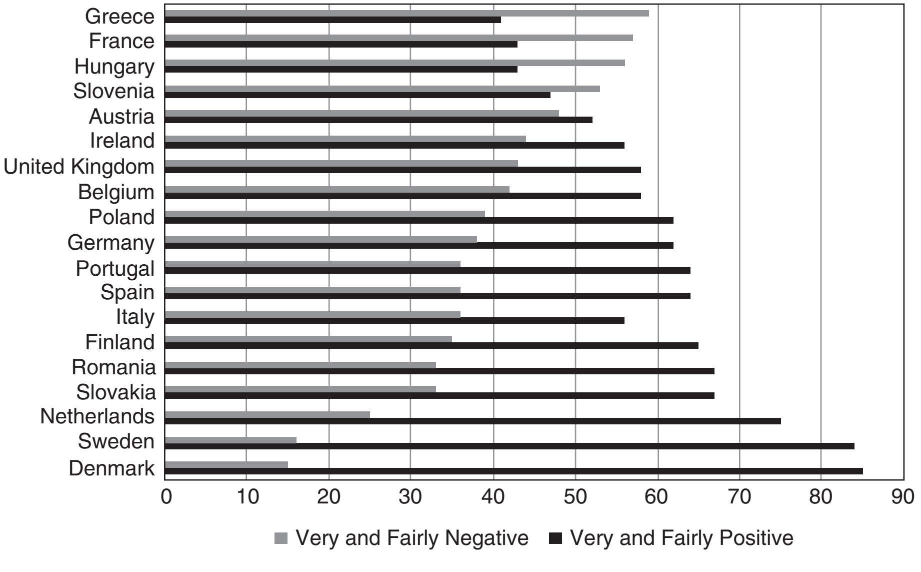

Figure 15.2 Percentage of sum of respondents who indicated that globalization brings to mind something "very negative" and "fairly negative" and those who said it brings to mind something "very positive" and "fairly positive."

Source: *Eurobarometer*, 2013 (72.4).

However, in all of the other 15 countries in our sample more respondents believe that globalization brings something very positive or fairly positive to mind as opposed to something very or fairly negative. The Danes, Swedes, and the Dutch have particularly positive attitudes toward globalization. These are all rather small countries that depend on exports for economic growth. At the same time, they have political institutions, such as various levels of corporatism that cushion them from external economic shocks, allowing them to have the best of both worlds: economic dynamism and protection from the vagaries of global capitalist markets.

We now look at three challenges to European democracies that directly arise as a result of globalization: first, maintaining the generous European **welfare state**; second, the unprecedented levels of **immigration** into many of the "old" European countries; and third, the sense of loss of "**community**" across many of the same countries.

The welfare state and globalization

Globalization's biggest challenge to national governments is dealing with the loss of control over domestic politics. As globalization unfolds and erodes the coveted principle of national sovereignty, who will address the demands of marginalized and dislocated citizens? Where is the locus of legitimate government if that very government is hamstrung by international market forces? To whom do citizens turn when there is mass unemployment, when they become sick, when there is an economic depression, when they get injured on the job, or when they lose their possessions in a natural catastrophe? Will they turn to their elected government for help, or will they turn to the "world market"?

The world market has no address to which concerned citizens could send their petitions. There is no substitute for local politics, which can address the concerns of citizens. Nowhere is this more clearly visible than in the extent to which many European democracies have invested in social insurance schemes to ensure social harmony, provide equal opportunity, and offer protection from unemployment or illness (see Figure 1.1). France, for example, spends almost 33 percent of its GDP on such social expenditures, whereas the USA spends about 20 percent.

In Chapter 1, we highlighted the presence of extensive welfare states as one of the distinguishing features of European democracies. Many observers, however, are concerned that globalization will undermine the capacity of European democracies to maintain their social protection schemes. What is the logic of their argument? In order to fund national health care, public pensions, stipends, unemployment insurance, and many other public programs, modern welfare states rely on **tax revenues**. Tax revenues depend largely on a vibrant business sector that invests in the domestic economy, thereby generating corporate taxes as well as personal taxes as a result of people being employed by the company. These taxes, generated as a result of domestic economic activity, enable welfare states to fund their programs.

However, as we have noted, as a result of modern production and transportation technologies, many companies today have an "exit" opportunity; that is, an opportunity to leave their home country and produce in parts of the world where taxes are lower, wages are lower, and regulations such as environmental regulations are less stringent. Such "mobile asset holders" (mobile assets include capital, production facilities, and also highly qualified white-collar workers) will become "footloose," or able move to wherever the possibilities for higher profit are more promising, a process called **business process outsourcing**.

It bears repeating that "outsourcing" is not a new phenomenon. It occurred already in the 1970s when the production of relatively simple products such as textiles, shoes, or assembly processes were moved offshore.[17] The point of offshoring is to protect the company's "assets" by "mitigating" tax payments.

What is "new" is that nowadays, even services, such as financial services, customer services, and software production and support, are moved offshore – these activities were previously believed to be very difficult to outsource. For example, New York parking tickets are sorted in Ghana; the data on unemployed New Jersey welfare recipients are handled in India.[18] This does not mean that more traditional forms of outsourcing have stopped. In a most ironic case, the uniforms of American border control agents are manufactured in Mexico.[19]

Nevertheless, the business sector that today shows a strong tendency for outsourcing is the information technology (IT) sector. In the summer of 2003, the board of the German high-tech giant Siemens announced that its software development division, which encompassed a workforce of 30,000, would no longer be able to keep these jobs in "expensive business locations" such as Germany, and was considering moving software development to India and China. Deloitte Consulting estimates that across Europe, 700,000 IT jobs will be moved to cheaper locations in the coming years. The situation is similar in the USA. According to Forrester Research, the American service sector will have lost 3.3 million jobs by 2015. One out of four of the 500 biggest US companies are outsourcing jobs offshore.[20]

Capital appears to have a great advantage in this globalized world, for two reasons, First, the owners of capital can put significant pressures on governments to provide **inducements** to the companies to stay by promising them lower taxes, fewer social services for their workers, and even help in reducing the influence of unions. Incumbents' re-election chances are seriously reduced if unemployment increases as a result of companies closing their doors and moving to another country. This puts governments in the worst possible position, insofar as they have to deal with rising unemployment on the one hand, and at the same time face a reduced capacity to pay for unemployment benefits as a result of the shrinking tax base on the other. Consequently, incumbents have strong incentives to ensure that capital stays put by giving corporations tax breaks, by reducing the share of labor costs paid for by the employer, and through other economic incentives. For example, in many European democracies such as Germany, Austria, Belgium, and Finland, employers' contribution to social insurance is almost as high as the actual wage they pay their workers. The total labor costs per hour for an average American steelworker in 2005 comprised about $19 for pay and $5 for social insurance, whereas in Germany the share of a steelworker's pay is almost the same as in America, around $19, but the social insurance element, in German called *Lohnnebenkosten,* comes out to about $15, comprising an hourly total of $34.[21]

The second major advantage which owners of mobile assets have is when it comes to choosing a new **location** for production. For example, large multinational corporations will often play off one location against another, engaging the governments in a bidding war against each other. Governments will thus be compelled to offer better conditions than their competitor in terms of, again, lower taxes; less onerous regulation; and no costs for such facilities as roads, sewage systems, bridges, and so on that the company needs for production. This will lead to a continuous undercutting by countries of each other's bids to the point where companies will locate in the country with the lowest wages, the least regulation, and oftentimes unsafe working conditions, and where they have to pay the least amount of social services, a process known as the "**race to the bottom**." In the minds of many observers, these developments threaten the viability of the welfare state. If the tax base shrinks as a result of concessions given to holders of mobile capital to either stay put or to attract more of them, it is questionable whether the welfare state can continue to exist. These are legitimate concerns; yet, empirically, scholars have not been able to find a clear-cut connection between outsourcing and a reduction in the generosity of the welfare state.[22] Others have actually found that the more globalization is taking place, the more prominent the welfare state becomes, exactly the opposite of what the proponents of the globalization thesis assert. How can this be explained? The argument goes something like this. If it is true that modern Western nations cannot compete on the basis of price with less developed societies, they must compete on the basis of quality. Producing high-quality products requires an extremely well-educated populace, which, in turn, can only be achieved through increased public investment into education (human capital) and infrastructure (physical capital). In other words, the more globalization proceeds, the more the welfare state is needed to counteract the adverse effects of globalization.[23]

Despite all these advantages which CEOs of large global companies enjoy, globalization has hit the brakes since the 2008 global financial crisis. This may be just a pause in globalization, or perhaps structural changes have taken place that make it less profitable to outsource. If the latter is the case, then the challenges to welfare states are less severe. Nevertheless, there is no doubt that outsourcing is affecting the daily lives of millions of Europeans.

Immigration and globalization

The second challenge to European democracies arises with increased immigration into Europe. The nineteenth century saw significant emigration *from* Europe, but since the early 1960s, Europe has become a destination for immigrants. As mentioned above, particularly Germany, but also Austria, aggressively recruited so-called guest workers from Turkey and the former Yugoslavia to help in the reconstruction of their war-ravaged countries and during the economic boom, the so-called *Wirtschaftswunder* (economic miracle) that unfolded in the late 1950s until 1973/1974. In addition, as explained earlier, with the fall of the Berlin Wall, millions of asylum seekers and ethnic Germans returned to Germany from far-flung corners of Central and Eastern Europe and Russia during the 1990s and the 2015 civil war in Syria, political instability in the Middle East, and the creation of the so-called Islamic State has unleashed one of the largest refugee streams in history into Europe.

The guest workers and the ethnic Germans were, of course, legal immigrants. However, over the past decade, Europe has been experiencing increasing illegal immigration, in the form of **human trafficking** organized by groups such as the Chinese "snakeheads" and the Italian and Russian Mafia in combination with poorly paid, corrupt border guards whose job is to supposedly secure the eastern borders of the EU. Countries with long sea borders such as Greece and Italy find it exceptionally difficult to patrol their waters, and oftentimes, if they do encounter a ship smuggling illegal immigrants, they are forced to aid the women and children who were thrown overboard by the smugglers in order to escape. A second route of illegal immigration is from North Africa. Recently, the Italian government forcibly returned over 2,000 African migrants who had gathered on the small island of Lampedusa, Italy, and who planned to continue their journey further north. They were returned in military aircraft to Libya, which has become a major staging ground for human traffickers wishing to smuggle Africans into

Europe.[24] It is estimated that about 500,000 illegal immigrants make their way into Europe per year.[25] The challenge for Frontex, the EU's border agency, is to determine who is a "genuine" political refugee and who is an "economic refugee," i.e., people whose lives are not in danger but who are exploiting the massive dislocation and desperation of "real" refugees to make their way into Europe incognito.

A large number of the illegal immigrants who make it into Europe are unskilled, do not speak the national language, and find it extremely difficult to adjust to the local culture. A large percentage of women are forced into prostitution in order to pay the smugglers who brought them into Europe. It is estimated that the business of human trafficking is second only to drug smuggling. Human trafficking is big business, with $7 billion generated by prostitution alone.[26]

European democracies face two separate yet related challenges: first, the political ramifications of legal and illegal immigration; and second, how to integrate those who have been given legal status in a European country. Immigration into relatively homogeneous European societies is fueling resentment by natives – because the immigrants are "different" in race or religion, or they take jobs away from natives, or because natives believe they have come to exploit the welfare state. These motives make for a volatile mix. Racial prejudices fueled the appalling attacks in 1992 and 1993 that involved the firebombing of Turkish families, Vietnamese foreign laborers, and asylum seekers from Kosovo in the towns of Mölln, Hoyerswerda, Solingen, and Rostock.

People with such resentments are fodder for leaders of the radical Right, who transform these sentiments of **xenophobia** into political support for their parties. Xenophobia has been an explosive political issue, and explains the electoral successes of Marine Le Pen in France, Geert Wilders in the Netherlands, Hans Christian Strache in Austria, and in a number of other countries covered in Chapter 2.

The second challenge which immigration presents is the integration of newcomers. Even if they have arrived legally, either as immigrants or asylum seekers, newcomers are often pushed to the margins of society, living in separate worlds, oftentimes referred to as "parallel societies." They tend to gravitate toward larger cities and form ethnic enclaves such as in the Swedish city of Malmø, where almost 40 percent of the town of 250,000 is foreign born. Integration of newcomers who are racially, religiously, and ethnically "different" into the hitherto largely homogeneous European population is challenging enough, but it is made even more difficult if "otherness" is reinforced by poverty; in other words, when almost all the poor are minorities and almost all the minorities are poor.

This toxic brew of discrimination, bad schools, prejudice, lack of opportunity, poor housing in ethnic ghettos, poverty, and hopelessness exploded across France during November 2005, when nightly riots occurred involving the burning of cars and property, perpetrated mostly by second- or third-generation Muslim immigrants of North or West African origin, who constitute about 10 percent of the French population. One of the factors behind these riots was youth unemployment, which had reached a staggering 40 percent in those ethnic enclaves.[27] The riots revealed a wide chasm between the white, well-to-do French citizens and the marginalized citizens. In 2016, refugees in the "jungle camp" in Calais, France purposefully dropped large objects from bridges onto streets to create accidents which led to traffic jams, allowing refugees to climb onto trucks headed for the UK as stowaways.

Although economic deprivation was certainly a major contributor to the French riots, the riots also point out the failings of the French **Republican model** of integration.

This model essentially says that all French citizens have the same cultural identity, namely French. In fact, being French is the only acceptable identity. Everyone is supposed to be equal in this model insofar as all French citizens are the same "children of the Republic," as then president Jacques Chirac declared at the height of the riots.[28] The French model of integration is an **assimilationist** model requiring that everyone speak the same official language and go through a common curriculum in school. This model does not allow for any other forms of identity, such as wearing the Muslim headscarf, because such outward symbols would threaten the identity of the nation. The *l'affaire du foulard*, the headscarf debate, has plagued France since 1989, when two schoolgirls, wearing the traditional Muslim headscarf (*hijab*), were expelled from a public school. On March 15, 2004, Chirac signed a law banning the wearing of conspicuous religious symbols in schools, on the basis that such symbols would undermine the separation of Church and state (*laïcité*) and national cohesion. Another element of the French Republican model is that the government does not keep official statistics on ethnicity, religion, or social class, as this would "violate the Republican tenet that France is 'one and indivisible'."[29]

In the summer of 2016 a debate arose about Muslim women's beach wear, the so-called "burkini," a swim-suit which fully covers the body. After some Muslim women were forced to remove their burkinis at some local beaches in France, the local court decided that France did not have the right to force Muslim women to shed their burkinis, as it would conflict with the principle of freedom of religion. Indeed, the burkini ban was lifted, prompting presidential hopeful for the upcoming French election in late November 2016, Nicolas Sarkozy, to declare that "I'll change the French constitution to ban the burkini if elected".[30]

It is a bitter irony that this very model, intended to create a sense of French identity based on common Republican principles, did exactly the opposite: namely reveal dramatic differences in life chances between two classes of citizens – the "native" French with French-sounding names, with addresses in the swanky city centers, and with white skin color; and the second- or third-generation French citizens with dark skin, Muslim-sounding names, and addresses in the dilapidated suburbs.

The second strategy of incorporating new citizens is called **multiculturalism**, which represents the opposite of assimilation. The Netherlands has practiced multiculturalism for the past three decades, but this approach has also been found deficient. Multiculturalism means that the state recognizes the cultural differences of immigrants and actively assists them in maintaining their language – setting up schools for their children with a customized curriculum, exemptions from dress codes, affirmative action policies, or allowing dual citizenship.

The most drastic failure of integration is of course when visible minorities, even if they are citizens of a European country, use violence in the name of a different ideology or religion. Three of the four suicide bombers who killed 56 people and injured 700 others in London on July 7, 2005 were of Pakistani descent and one was of Jamaican descent, but they were all British citizens. In the wake of these bombings, carried out by radical Muslims, then prime minister Tony Blair proposed strict **anti-terror** measures, including surveillance of mosques, extremist websites, and bookstores, and deportation of radical Islamic leaders who incite anti-Western feelings among impressionable Muslim youths. Blair used strong language to defend his controversial deportation policy:

> The rules of the game are changing. … We are angry. We are angry about extremism and about what they are doing to our country, angry about their abuse of our

good nature. … We welcome people here *who share our values and our way of life*. But don't meddle in extremism because if you meddle in it … you are going back out again [emphasis added].[31]

This declaration is not consistent with British multiculturalism policies, and it is likely that political support for such policies is waning in the wake of radical Muslim bombings. In addition to Britain, other nations have also engaged in the deportation of radical Muslim leaders. In the summer of 2005, Italy deported eight radical Palestinian imams, and France ejected 12 so-called Islamic preachers of hate.[32] The latest German immigration law includes explicit deportation measures for those who preach hatred, holy war, or violence (*geistige Brandstifter*).

A particular challenge for European governments are the so-called "home-grown terrorists"; i.e., either Belgian, French, or German citizens with Middle Eastern ancestry. As citizens, they are fully protected by their country's constitution. It is even more difficult if they are "self-radicalized" and engage in "lone-wolf" attacks. This self-radicalization is immeasurably aided by social media and the internet. Lone-wolf attacks are basically impossible to prevent in open, democratic societies without establishing a repressive state apparatus that leaves no room for privacy for its citizens. For instance, the November 2015 attack in France which killed 130 people was perpetrated by nine assailants, all of whom were EU citizens and at least five were French.

These episodes demonstrate that the incorporation of immigrants, particularly those of Middle Eastern descent, is a significant challenge for European democracies, even if such immigrants have become citizens. There is no doubt that "Islamophobia" is spreading in European democracies. Europe, as opposed to the USA, does not have a "melting-pot" identity. In fact, just the opposite is true. As we have seen in the French case, identity is connected to abstract Republican principles. In the case of Germany, until recently, German identity was connected to blood relationships (*jus sanguinis*). These rigid forms of identity make it much more difficult for immigrants to find acceptance and equal life chances among their European host societies as compared to the USA, where upward social mobility among immigrants is more vigorous. **Integration** of immigrants is one of the biggest challenges European democracies will face in the near future because it raises a fundamental question: Who are we?

Nothing illustrates the political and cultural incompatibility between the West and Muslim countries more than the "cartoon controversy," which erupted in January 2006. A Danish newspaper had published cartoons depicting the prophet Mohammed in September 2005. One cartoon showed Mohammed wearing a bomb-shaped turban, the fuse of which was on fire. Muslims around the world reacted angrily against these depictions and organized massive street demonstrations in Egypt, Pakistan, Malaysia, Thailand, Algeria, Afghanistan, and other Muslim countries as well as in many Western nations with significant Muslim immigrants. They attacked the Danish, Norwegian, Italian, and other Western embassies in many Muslim nations either by burning them down or by damaging them. Many Western nations recalled their ambassadors from Muslim countries for fear of their lives.

Muslims consider depictions of Mohammed blasphemous, and they were particularly offended by the degrading context in which their prophet was shown. Since the riots over the cartoon broke out, over 130 people have lost their lives because of it. The West reacted with claims that such depictions are protected by fundamental rights such as freedom of expression, which finds its origin in Western thought. Muslims, on the other hand, argue that with the right of freedom of expression comes responsibility. This cartoon controversy highlighted that the nature of the conflict between Muslims and the West is **cultural**. While globalization facilitates contact with members of other cultures, it also highlights the differences among peoples, often with dire consequences. And yet, as long as immigration of Muslims into Western countries continues, integration policies will be the only means to increase understanding between two potentially hostile groups of people.

Globalization and the fragility of community

The previous section has highlighted challenges to community that are driven by people in motion. But globalization can affect communities even without "others" impinging upon host societies. This is particularly an issue when economic interests clash with local cultures or traditions. The competitive pressures of globalization are often described as "inevitable," "natural," or "logical," and it is a common belief that one can do very little against the imperatives of the world market. The central claim here is that economic rationality clashes with deeply held moral or religious principles, and that, "inevitably," the "logic" of the market will undermine these moral and religious tenets, thereby destroying the very sense of community and **identity** of particular groups.

Food is a case in point. In August 1999, José Bové, a French farmer educated at the University of California, Berkeley, together with some accomplices, wrecked a half-built McDonald's in the small French town of Millau, catapulting Bové to instant celebrity status. Bové is a sheep farmer who makes the famous French Roquefort cheese. The USA placed a tariff on Roquefort in retaliation for the French banning American hormone-treated beef. Bové's intent was to show how multinational agricultural companies standardize the production of agricultural products, impose standardized "taste," and, with the help of the World Trade Organization (WTO), undermine small, local agriculture based on "natural" production methods. Food for the French is not only an issue of sustenance; it is a way of life, a manifestation of culture. McDonald's stands for the opposite of culture; it stands for homogeneity; standardization; sameness; and loss of color, texture, and local identity – at least in the eyes of globalization critics.

The French take "culture" seriously. There is such a thing called *l'exception culturelle française* (French cultural exception), which means that "culture" is not something that can be bought and sold, that it is not a commodity. For the French, culture is not primarily entertainment; it is an artistic expression of what it means to be French. Given this widespread perception, it follows that culture in all its forms, but mostly in terms of films, music, fiction, and food, needs to be protected from outside competition, particularly from the influence of Hollywood filmmakers, who often pander to the lowest of human instincts. French elites believe that the market should not decide what becomes most popular – art needs to be supported for its own sake. Indeed, since the mid-1990s regulations in effect state that 40 percent of all films shown must be of French origin. In addition, for every ticket sold on a foreign film, a certain percentage goes toward **subsidizing** the French film industry. As a result, the French film industry is rather vibrant as compared to that of other European countries.

Is globalization a threat or an opportunity for European democracies?

Europe is "ready" for globalization, for the simple reason that Europeanization has already integrated almost all of Europe to a remarkable extent – with free and open borders and unlimited exchange of goods, people, capital, and services. Europeanization is a process that goes much further and deeper than globalization. A thought experiment will help make the case. Take, for example, CAFTA, the Central American Free Trade Agreement. There are no "four freedoms" (free movement of people, commodities, services, and capital) between the USA and Central America. For example, there are no laws governed by CAFTA that take precedence over national laws; there is no common currency across CAFTA; there are no environmental, labor, or social regulations that apply to all CAFTA countries equally; there are no political institutions that give representation to the member states of CAFTA; there is no CAFTA passport; and so on. In fact, such developments seem unthinkable. Thus, what the EU has achieved in integrating 28 countries goes far beyond what even the most convinced proponent of globalization could hope for.

At the same time, globalization challenges the European welfare state, as noted earlier. This is clearly a threat, but also an opportunity. Because European democracies will not be able to compete on the basis of price, they will have to compete on the basis of quality. In order to produce high-quality products, Europe will need a highly educated workforce. Thus, globalization puts tremendous pressure on European education systems to be on the cutting edge. In addition, the welfare state may in fact function like a cushion, protecting the countries from the ups and downs of the international business cycle. It may even be the case that welfare states, for that very reason, will be able to better weather the challenges of globalization than less developed welfare states. It is quite instructive that the populations of Sweden, Denmark, and the Netherlands, who embrace globalization the most, are also protected the most by very generous welfare states (see Figure 15.2).

Immigration and integration of newcomers represents another threat, but, again, another opportunity as well. Europe must open its borders for newcomers and integrate them in such a way that they have equal chances for social mobility. This will force European countries to move away from their parochial conceptions of identity based on Republican or ethnic principles. Europe is rapidly aging and will need the influx of newcomers to bolster its population and maintain its social security systems. Germany understood these challenges and, in a historic act, changed its immigration law from *jus sanguinis* (where citizenship is based on blood relations) to *jus soli* (territorially based citizenship) in 2000.

It is ironic. Precisely because of the process of EU integration, each EU member country has a better chance to weather the assault of globalization than if they were exposed to it individually. This is possible for two reasons. First, EU integration is not anarchic. People and their representatives in the member countries do have a say about the most critical decisions which the EU makes, despite claims about the elitist character of the EU. Second, the EU represents a mighty economic superpower that can impose itself and withstand pressures from other economic superpowers much more effectively than any individual EU country ever could, without the fear of retaliation. This may be seen most clearly in the recent decision by the EU to prevent Chinese textiles from flooding European markets by holding the shipments at European borders. Since January 1, 2005, Chinese textile products have saturated world markets as a WTO restriction on quotas expired. The EU launched an investigation and concluded that certain types of Chinese imports need to be curbed to protect the European textile industry. It may very well be that in the future, the European Union will be able to shield Europeans from the less desirable consequences of globalization while taking advantage of its benefits.