

Montesquieu paper, number 4

Identity loss; identity regained?  
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## **Identity loss; identity regained? Recent transitions of the Dutch and German social welfare states in a European perspective.**

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Since the late 1970s, Dutch and German debates about the concept of good governance and of the social welfare state are guided by two questions. Firstly, the size, flexibility, and regulations of European governments came under heavy criticism. Arguments for smaller governments, deregulation, and free trade were widely heard; political debates about these questions often cut right through political parties. Key issue in these debates was social welfare, which, according to a growing criticism, preserved inactivity and dependence, instead of an activating and flexible job market, necessary for economic growth.

Secondly, the debates about the concepts of good governance and of social welfare are guided by questions of sovereignty of the nation-state, of dissolving borders within the European Union, and of the challenges of globalisation. Thanks to an ongoing process of Europeanisation, combined with a global flow of capital, the legitimacy of the nation state, particularly of national politics, came into question. In the 1990s, sovereignty still was an academic issue,<sup>1</sup> but in the years 2000, the topicality of the question was reflected in much broader debates about the negative effects of globalisation, the loss of job security, and growing intolerance, particularly in the Netherlands.<sup>2</sup> Globalisation in general changed the identity of the nation state, which in the 1970s was defined as a social welfare state, but became more and more a security state, defending the safety of the people.<sup>3</sup> Social security became just one of the many concerns within our 'risk societies'. Austerity, integration and immigration, health, crime, and terrorism rose high on the agenda of twenty-first century Dutch and German politicians.

Given this new agenda, one would almost forget how important Dutch and German social welfare has been for the self-image of both states, for the firm opinion that these countries represent capitalism with a human face. For the time being, not many Dutch or Germans want to call this reputation into question. However, the idea that the European welfare states should be reformed to preserve it is widely supported by political parties and business elites. The so called 'crisis of the welfare state' affected not only the course of political parties, but also the appeal of the EU. Since the EU was considered the main force behind liberalisation and the opening of new markets, the

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<sup>1</sup> A. van Staden (ed.) *De nationale staat, onhoudbaar maar onmisbaar? Het perspectief van de Europese integratie en mondialisering* (Assen; Van Gorcum, 1996); Klaus Bloemer, *Abschied vom Nationalstaat, Die Zukunft der deutsch-französischen Union* (Bonn; Bouvier Verlag, 1996).

<sup>2</sup> René Cuperus, 'The Vulnerability of the European Project', in: Anthony Giddens a.o.(ed.), *Global Europe, Social Europe* (Cambridge 2006), 91-105.

<sup>3</sup> See also Zygmunt Bauman, *Europe, An Unfinished Adventure* (Cambridge; Polity, 2004).

integration process was seen by many as a thread instead of a solution to the various problems, caused by the globalisation process.

That the welfare state plays a crucial role in the political dynamics between the member states and the EU, could easily be illustrated by the positions of the eurocritical parties in Germany and the Netherlands. Both the German socialist party Die Linke and its Dutch equal SP, as well as the Dutch popular right wing (or postmodern populist) party PVV present themselves as defenders of the national social welfare state. That the EU is an important player in this field as well, safeguarding social rights, is easily set aside by them. Remarkably, the European public is not aware of what the EU does in this field.

By focusing on the Dutch and German welfare state in a European perspective, I hope to clarify several misconceptions. Most misconceptions are caused by communication, language and translation problems. Since I think the communication within the EU could do better, this article focuses on the translation problems first. Thanks to the complexity of the highly developed Dutch and German welfare state culture, it is very difficult to translate concepts of welfare, or of welfare state reform, from one state to another. I will not elaborate deeply on real existing differences between welfare states, but rather discuss the political dimensions of scholarly debates about these differences. In their analyses, economist, sociologists, and political scientists have been rather normative (to put it mildly).<sup>4</sup> Their concepts of the various welfare states, in terms of models, regimes or systems, do not always do justice to the vulnerability, liquidity, adaptability of the various welfare systems in times of crises. Also, their approaches of the social welfare state are in many aspects at cross-purpose with the public debate. After having discussed the scholarly debate, I will discuss the public images of the social welfare state, often coined in concepts like ‘social market economy’, ‘model Germany’, or the Dutch ‘poldermodel’. Also, these concepts are certainly not free of politics. In this article, I will try to show how public images and self-images of the social welfare state are important for the political identity of states, how social debate about the crisis of the welfare state led to a feeling of identity loss and how this identity could be regained.

For several reasons, the concepts of the Dutch and German welfare state came under scrutiny at the turn of the century. The first cause is the ideological debate about the future of social welfare states, which was more or less cloaked in a discourse of deregulation and free market economics. The second cause had to do with the realisation of the single market in 1993 and the monetary union in 1999-2001, which led to new reflections of Germany’s and the Netherlands’ position in Europe, and in the wider world. Both debates resulted in a feeling of identity loss, of a lack of social orientation, of a clear perspective on the future of our social welfare states. There is a lot of uncertainty about the role of member states and of the EU in social welfare, which I hope to clear up here. Also, I will discuss the possible solutions to regain a renewed identity of the Dutch and German social welfare

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<sup>4</sup> For an overview, see: Francis G. Castles, a.o. (ed.), *Oxford handbook of Social Welfare States* (Oxford; Oxford University Press, 2010).

states, while taking the EU social policy into account. I will argue that the solution of this problem is not, as René Cuperus suggests, a more modest EU,<sup>5</sup> but a renewed identification with both the local communities as well as the nation state, and the EU. It is not either or, but and, and, and.

### **Models, regimes, and varieties: approaches of capitalism**

The public debate about the varieties of capitalism is often swayed by the issues of the day. In May 2009, at the height of the credit crunch, *The Economist* published a cover article about the success of the French model.<sup>6</sup> Cause for this positive review of the French economy was the traditionally reserved policy of the French banks, which were not caught up in investments in American subprime mortgages. Before the credit crunch, this hold back policy was in international business circles seen as a sign of weakness, in May 2009 it turned into as a sign of strength. Then, the German economy was on the defensive. The many initiatives of the French, British and American heads of government to react on the crisis with more Europe wide measures and with a bigger budget for stability, were rebuffed by Angela Merkel, who's image turned from 'miss Europe' to 'madam no'. However, in the summer of 2010, the German industry appeared to be back on track. Criticism remained, but the success of the German economy aroused envy, even in the British newspapers, which are traditionally critical, when German solutions of European problems are discussed. In 2012, also Dutch journalists have urgently searched for the reasons behind the German success, since it became clear that the Netherlands entered a double dip.<sup>7</sup> While the German economy is often described as exemplary, and the Dutch economy often as a variant of the German, I will discuss the latter first.

Is the public debate on the varieties of capitalism in my opinion somewhat volatile, depending on the rate of the day, the scholarly discourse shows a harsh perseverance, in which the image of the German economic relations has remained rather constant. In the abundant literature about the social welfare states, Germany functions often as *the* opposite within the western world.<sup>8</sup> The sociologists' images of the German social order have a long past history of dichotomies, of which Ferdinand Tönnies' 1887 concept of *Gemeinschaft* and *Gesellschaft*, of community and society, is an important precursor.<sup>9</sup> Germany fitted very well in the combination of these concepts, with its emphasis on loyalty, social cohesion and embeddedness, and with its reserved and restrained openness for social

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<sup>5</sup> René Cuperus, 'The Vulnerability of the European Project', 103.

<sup>6</sup> 'The French Model: Vive la différence! The French way of doing things looks pretty good—at least in these troubled economic times', *The Economist*, 7 Mai 2009.

<sup>7</sup> Martin Sommer, 'Red ons Angela!', *de Volkskrant*, 31-3 2012

<sup>8</sup> Wolfgang Streeck, *E Pluribus Unum? Varieties and Commonalities of Capitalism*. MPIfG Discussion Paper 10/12, 8, [http://www.mpifg.de/pu/mpifg\\_dp/dp10-12.pdf](http://www.mpifg.de/pu/mpifg_dp/dp10-12.pdf), consulted on 30 March, 2012.

<sup>9</sup> Ferdinand Tönnies, *Gemeinschaft und Gesellschaft, Abhandlung des Communismus und des Socialismus als empirischer Culturformen* (Leipzig; Fucs, 1887).

change. Also, other dualities like collectivism and individualism, state and market and status and contract were often used to describe the differences between the German and the Anglo-Saxon world.

Besides the interwovenness of German business relations, a centre of heavy industry remains the second deep rooted image of the German economy, which always returns in the debates. Since the industrial revolution, this idea was connected to the coal and steel industry in North Rhine-Westphalia. Nowadays the same idea is connected to the flourishing car industry, particularly in the south of Germany. One would almost forget that the German service sector in 2009 composed 73 percent of the GDP, which is on average for industrialised countries (in 1970, this still was 43 percent of GDP).<sup>10</sup>

Over all, at the end of the twentieth century, the images of the German economy had not changed a lot, but were now used to proof the problematic state of affairs in Germany. Besides the positive qualities of the German economy, such as trust, stability, and high standards, increasingly, the lack of competitiveness was stressed by many authors. Shortly after the fall of the Berlin wall, Germany became the example of a stagnant variety of capitalism. In 1990, the Danish sociologist Gøsta Esping-Andersen described the 'corparatist statist' German welfare state regime as "the oddest", in comparison to the liberal and social democratic welfare states of the US and of Sweden. According to Esping – Anderson, nothing much in the way of 'post-industrial' change has happened in Germany: The country approximates a workless world, with ever more housewives, youngsters and elderly excluded from employment and dependent on the welfare state.<sup>11</sup>

The lack of German competitiveness is also the implicit message of Peter A. Hall and David Soskice in their widely discussed 2001 *Varieties of Capitalism*. The authors distinguish two types of political economies, the liberal market economies (LME) and the coordinated market economies (CME). While in the LME firms coordinate their activities primarily via hierarchies and competitive market arrangements, in the CME firms rely heavily on non-market relationships and on other actors to coordinate their activities and construct their competences.<sup>12</sup> With this typology, Hall and Soskice explain a wide range of topics, including Germany's and Britain's EU-policy. They explain Germany's reluctance to support new measures of deregulation by its concern to preserve the capacities of network monitoring necessary to make domestic capital available for its firms. However, Britain's efforts to enhance market competition reflect the competitive edge of its own firms, "whose corporate strategies and structures are already appropriate for operating in such environments."<sup>13</sup> The implicit message is that German firms are not compatible enough to be appropriate for operating quickly in the new territories of the globalised world.

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<sup>10</sup> Statistisches Bundesamt, consulted on 30 March 2012,

<https://www.destatis.de/DE/ZahlenFakten/Wirtschaftsbereiche/Dienstleistungen/InfoDienstleistungen.html>

<sup>11</sup> Gøsta Esping-Andersen, *The Three Worlds of Welfare Capitalism* (Cambridge: Polity Press, 1990), 214, 222.

<sup>12</sup> Peter A. Hall, David Soskice (eds.), *Varieties of Capitalism. The Institutional Foundations of Comparative Advantage* (Oxford; Oxford University Press, 2001), 8.

<sup>13</sup> *Ibid.*, 53.

In retrospect, after the miraculous economic revival of Germany since 2010, supported by its 'hidden champions', these images of Germany as the sick patient of Europe seem to be overstated.<sup>14</sup> Willingly or not, much criticism oversaw the structural problems and high costs of Germany's reunification. Often neglected in the comments, are also the heated political battles about the necessary reforms of the social welfare state in Germany itself. After the initial consensus of the reunification years, the period 1995-2004 was a phase of political exhaustion. The structural Hartz IV – reforms of the Red Green government are the final result of harsh struggles, originating in the late 1990s.<sup>15</sup> Not Schroeder – Fischer, but the following Merkel administration reaped the harvest of these reforms.

The problem with the thinking in terms of typologies, models, systems or regimes is that the historic nature of capitalism, its vulnerability, adaptive capacity, and its openness to change is not always recognized. Anton Hemerijck points out how the intense and comprehensive welfare state reforms across the majority of EU member states since the 1990s contradicts with the image of a 'frozen welfare landscape' in academic literature.<sup>16</sup> According to him, the social model debate is inherently static, suggests unjustly a degree of uniformity, and ascribes qualities to politicians which they don't have. However, they are expected to copy 'best practices' of other countries, social reform initiatives are often just the response to economic crises, made possible by specific political conditions.

The most important disadvantage of the concept of prototypical models of capitalism is that the suggestion of scientific explanation of inherent varieties depoliticises the debate about the future of capitalism. An explanation of 'national capitalisms' deprives the political character of the debate. Debates about supposed geographical differences could better be translated as debates about varieties of approaches, such as the institutionalist and the rational functionalist approach.<sup>17</sup> The recent European sovereign debt crisis showed how different rationalities, or epistemologies, led to a complete confusion of tongues. On the one hand, there was the institutionalist approach to the problem, supported by the German and Dutch government, who constantly referred to the 'no bail-out' clause of the Maastricht Treaty, which ensures that EU member-states are not responsible for the public debt of other member-states. Their solution was to be found in the institutional framework of the EU: a strengthened Stability and Growth pact, and the establishment of a European Stability Mechanism (ESM). Contrary to this, the rationalist-functionalist approach, supported by many economists, who were searching for quick solutions in the entire Eurozone. In their search for economic advantage, the rationalist-functionalists view the social order as an economic order.

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<sup>14</sup> Hermann Simon, *Hidden Champions of the 21st Century, Success Strategies of unknown World Market Leaders* (London; Springer, 2009)

<sup>15</sup> Christine Trampusch, *Der erschöpfte Sozialstaat, Transformation eines Politikfeldes* (Frankfurt am Main; Campus Verlag, 2009).

<sup>16</sup> Anton Hemerijck, 'Social Change and Welfare Reform', in: Anthony Giddens a.o.(ed.), *Global Europe, Social Europe* (Cambridge; Polity Press, 2006), 106, 108.

<sup>17</sup> See also Wolfgang Streeck, *E Pluribus Unum?*, 17-23.

Institutions could only hinder economic advancement. Instead, globalisation enforces economic systems to ‘de-institutionalise’, deregulate, and converge towards a unified ‘best practice’ of capitalism.

It is clear that these two approaches have their ideological origins, which should not be masked but openly discussed. While the historic institutionalist approach suits continental Christian Democratic policy; liberals feel at ease with the more pragmatic rationalist – functionalist approach. But the divide goes often through political parties. It is important to realise that the various approaches are manifest within countries, even within political parties. The whole debate about Germany as the sick patient of Europe led almost to a split within the German social democratic party, the SPD, with a more pragmatist ‘third way’ wing which proposed reform, and a left, some might say conservative wing, which strongly defended the old welfare state regime.

That these debates are political debates is even clearer, when one focuses on the divide of the Anglo Saxon ‘model’ versus a Rhine model of capitalism. The auctor intellectualis of the two models is the French economist Michel Albert, who published his *Capitalism against Capitalism* in 1991, against the background of the rising appeal of American liberal economics, particularly in Eastern European countries, after the implosion of communist regimes. Albert’s book should be read as a comment on the political economy of his own country, of France, which was not in a good shape. The question which direction France should follow was urgent. The book is written as a definite advice for France to choose the German way. The author stressed the strength of the Rhine model of capitalism, which he described as capitalism with a human face, in which collective achievement and public consensus are key values. In striving successfully for social security, equality, and industrial dynamics, it reaches closely the balance of rights and duties. Albert considered this model by far superior to the, what he called neo-American model, based on individual achievement and short-term profit, but with a big social divide, a sick health care system, and huge public and private debt (he warned for the vulnerability of the large US banks).<sup>18</sup> According to Albert, the French debate about social security, hospitals and pensions started way too late. Only the monetary problems have been solved, so he wrote. He considered the American ideas as a threat to France, since they lead to tax reduction and cutbacks in social security. He warns for a situation in which the French pay as less tax as the Americans: the results will be seen concretely. Also, he warns for a massive reorganisation of the French industry after the Anglo-Saxon example by merging and take-over bids, which weakens the capacity and financial stability of French business.

Albert’s vocabulary found receptive ground in the Netherlands. Since the 1960s, in Dutch society, the self-image of a country at the crossroads has been deeply rooted. As a member of parliament, Ayaan Hirsi Ali framed this cleavage as ‘old and new politics’, and prime-minister Mark Rutte framed it as ‘bringing back the Netherlands to the Dutch’. Since the late 1970s, this urgency

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<sup>18</sup> Michel Albert, *Kapitalisme contra Kapitalisme* (Amsterdam; Contact, 1992), 43-61, 214-215.

was particularly felt in the field of social welfare state reform, which was considered necessary to preserve the common features of the welfare state regime. Not many people in the Netherlands wanted to cut down social welfare to the bone in such a way, that it automatically activates those who are dependent of it. Yet, the ruling political parties, both Christian and the Social democratic party, as well as the liberal party, were convinced of the necessity to reform. As in Germany, also in the Netherlands the debate about the future of the social welfare state was particularly topical at the turn of the century. The so called poldermodel stood at the centre of these debates, as it was both highly praised for its successes and criticized for its lack of democratic legitimisation and for its inner dependencies, which made it extremely difficult to reform. While the Dutch debated about the future of the polder, as an export model or as a dead end, the Germans debated about the future of the ‘social market economy’. Both debates were marked by a quest for political orientation, an ideology which could overcome the problems of incremental change.

Also, Dutch firms were very receptive for Anglo Saxon concepts of doing business, not in the least place, since their high potential employees were expected to follow an MBA in the English speaking world. The Rhine ‘model’ of doing business was not considered attractive anymore. Larger firms, such as Philips, Akzo Nobel and KPN, prioritised shareholder value, in stead of stakeholder value. They sold large parts of their companies to enforce new strategies in old products and to expand in new businesses. Again, this doesn’t mean that German business was in retreat, on the contrary, but the appeal of German business was not as high as the appeal of British, and perhaps even of French business. Illustrative for that was the failed merger of Fokker with Daimler Benz in 1992-1996, and the successful merger of KLM with Air France in 2003. Another sign is the relatively modest role of German firms in the directorates of European multinational companies.<sup>19</sup> Yet, nowadays, the innovative power of German firms is uncontested.

### **Self-images of the German and Dutch social welfare state**

The history of the welfare states is also a history of concepts. Remarkably, German social welfare state concepts seem to have a longer history and a wider variety than Dutch concepts of the welfare state. This might not surprise, when one considers that the welfare state as such was a German invention. In German literature, one often refers to a Bismarckian social state. In 1883, chancellor Bismarck introduced a Health Insurance Bill, in 1884 an Accident Insurance Bill and in 1889 an Old Age and Disability Insurance Bill. With these bills, and the development of medical care the outline of Bismarck’s conservative ‘Sozialstaat’ was fulfilled. Often, the continuity of this social state, up until today, is emphasized: “once Bismarck, always Bismarck”, quotes Manfred Schmidt to underline

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<sup>19</sup> Eelke Heemskerk, 'The Rise of the European Corporate Elite: Evidence from the network of Interlocking Directorates in 2005 and 2010,' in: *Economy and Society*, forthcoming.



that the German reforms have been reforms within the system, not of the system.<sup>20</sup> In my view, this is too much honour for the empire's chancellor. It does not do justice to the many innovations after Bismarck's resign, such as the 1927 unemployment insurance act, which guaranteed a compulsory unemployment insurance and established an unemployment agency, the current Bundesagentur für Arbeit, responsible for both job-finding and for the payment of insurances.

A second concept of the German social welfare state came into vogue after the Second World War: the social market economy. This concept is still in use today by politicians, who want to defend the values and power of German economics. Behind this concept lies an ideological framework of Ordoliberalism, a typical German scholarly 'ideology', originating in the Freiburg school of economics, which strived for a free market. The government remains at distance, setting the rules of the game and looking after these rules strictly. Indeed, this could be called a coordinated market, in which the state functions as the guardian, but does neither needlessly interfere in the process of free trade, nor in collective bargaining between employers and employees. The German government 1958 set up a national competition regulator, the Federal Cartel Office (Bundeskartellamt), which combats unfair competition, cartel formations and price agreements. Part of the story of the social market economy is as well connected to the rapid reconstruction of and development of the German economy after the war, the so called *Wirtschaftswunder*, which enabled the German government to further extend the welfare state. Interestingly, the inner area of tension between 'ordoliberalism' and social welfare has always been part of this concept. However, the social market economy is generally associated with Christian democratic values, particularly with the views of the CDU minister of finance Ludwig Erhard, the social market economy is a product of an informal grand coalition of Christian democrats, the liberal party, as well as the Social democrats, which shared power in the two federal parliaments, the Bundestag and Bundesrat.

Yet, a third concept of the German social welfare state was coined by the social democratic party in 1976: Model Germany (Modell Deutschland). After his party has been for 12 years in government, the social democratic chancellor Helmut Schmidt used this slogan on his election bill. The poster consists of a picture of a steelworker, with behind him the German flag, and the text: "Model Germany: through social stability, our strong economy remains on top."<sup>21</sup> With this concept of a German model, a strong economy with an extensive social welfare state is meant, which includes the participation of employees in the supervisory board of directors through a unique system of codetermination (*Mitbestimmung*). Depending on the size of the company, workers elect their representatives, usually trade union members, for half of the supervisory board of directors. It might

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<sup>20</sup> Manfred Schmidt, *Geschichte der Sozialpolitik in Deutschland seit 1945*, 7, (1982-1989) (Baden Baden; Nomos, 2005), 789, see also 347.

<sup>21</sup> My translation from: "Modell Deutschland SPD - Unsere starke Wirtschaft bleibt vorn. Durch soziale Stabilität"

be no surprise that in Germany, thinking in terms of models, German or European, is considered a social democratic praxis.

A last concept of the German economy is Deutschland AG, which usually refers to the entangled German business scene of the directors of banks, insurance companies and industries. Also, the closely interwoven way of financing businesses and industries in Germany was meant. The interwovenness of capital and of members of supervisory boards was typical for the German business relations, where 'house banks' had their representatives in supervisory boards. Indeed, thanks to globalisation and europeanisation this entanglement of German business had broken up. Many times, the waning of Deutschland AG is announced.

Compared with the German self-images, the Dutch concepts of its own social welfare state are definitely less well formulated. There is no such concept as a Van Houten's social state, called after the liberal member of parliament Samuel van Houten who introduced a children's law in 1874. Other than in Germany, the initial Dutch social welfare state developed incremental. From the 1930s onwards, social welfare developed further in faster pace. The German occupation was certainly not a break in this process. In 1941, Nazi Germany introduced a national health insurance fund and child benefit for the third child within a family.<sup>22</sup> However, in Dutch cultural memory, the credits of developing a social welfare state goes usually to 'father Drees', the unpretentious social democratic prime minister (1948 to 1958), under whose governance an unemployment law is introduced in 1949 and a guaranteed state pension in 1956. Interestingly, the concepts used for this Dutch form of capitalism are 'prosperity state' (*welvaartsstaat*; probably a bad translation of welfare state), 'mixed economy', a mixture of market economy and planning, in which both public and private capital are invested, and the 'care state' (*verzorgingsstaat*), a term which is still in use nowadays.<sup>23</sup>

However, already in the 1980s, these concepts of the Dutch social welfare state seemed to be a little outdated. After the oil crisis, government planning became contested, as the term 'mixed economy' was. Following the public debate, the 'care state' was in crisis as well, particularly in the 1980s. Therefore, a new term, which suited well to the Dutch social relations, was very welcome. In 1997, the concept of a *poldermodel* came suddenly in vogue.<sup>24</sup> The concept reflected the deliberative economy, with a consultative body, in which three parties meet: employers and employees' representatives and independent experts, appointed by the government. The SER is a typical Dutch advisory and consultative body, which strives for social consensus and which advises the government on national and international socio-economic issues.

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<sup>22</sup> Ton Kappelhof, 'Omdat het historisch gegroeid is, De Londense commissie Van Rhijn en de ontwikkeling van de sociale verzekeringen in Nederland (1937-1952)', *Tijdschrift voor sociale en economische Geschiedenis* 1 (2004) 2, 71-91.

<sup>23</sup> Herman van der Wee, *Prosperity and Upheaval, The world economy 1945-1980* (University of California Press 1986), and C.J.M. Schuyt, *Op zoek naar het hart van de verzorgingsstaat* (Leiden; Stenfert Kroese, 1991).

<sup>24</sup> Henk te Velde, *Van regentenmentaliteit tot populisme, Politieke tradities in Nederland* (Amsterdam; Bert Bakker 2010).

Interestingly, the concept of a poldermodel does not include an economic or social theory (such as the German social market economy does) but a pragmatic way of consensus finding between employers, employees and the government. Also, the concept has a remarkable short history, leading back to a 1982 meeting at the house of the chair of the employers' organisation, where consensus was reached about wage restraint in return for new policies to diminish unemployment, such as reductions of working hours and the growth of part-time jobs. The success of this so called Agreement of Wassenaar had an international appeal. The moderation of wage claims finally led to a strong economic growth and a quick reduction in unemployment. It certainly was an important example for Gerhard Schroeder, which inspired him to the German grand scale reform of the German social welfare state in the years 2002-2004.

The success story of the Dutch miracle, of job growth and welfare reform made possible by Dutch corporatism, was short-lived but extensive. In 1997, at the G8 summit, the Dutch prime-minister Wim Kok was invited by Bill Clinton to explain the success of the Dutch approach, while praising him as one of the pioneers of the third way. In the same year, the Bertelsmann Foundation awarded the Dutch Labour Foundation (Stichting van de Arbeid) a prize for its cooperation. Especially for this occasion, the Dutch journalist Frank van Empel wrote a booklet called: *Model Holland, the power of deliberation*.<sup>25</sup> Interestingly then, the term poldermodel was not yet accepted as the common concept. The Dutch minister for economic affairs Hans Weijers proposed to call it the Delta model, since he thought the polder model was too static: "We do not want a Polder Model in which the levels remain low, but we want a Delta model in which, by adapting, we can find our way up."<sup>26</sup> But brightly promoted by the social democratic minister of social affairs Ad Melkert, at the end of the year the Dutch economic relations were coined as Polder model. It even became a cultural concept, traced back to the Middle Ages, when the Dutch were combating the water by building dikes. In these rough regions, there was no place for hierarchies. The Dutch literary historian Herman Pleij confirmed: "Whoever is against the poldermodel, is against the Netherlands."<sup>27</sup>

After the turn of the century, the Dutch government awoke from the dream. The idea of a national harmony in the polder bust apart. In 2001, the Dutch consultant and columnist Pim Fortuyn became active in politics. He directly attacked the Dutch polder, by which he meant the clique of politicians, who undemocratically shared power. In his eyes, Dutch government was inefficient. Particularly social welfare had produced a monster. He proposed a drastic shrinkage of welfare provisions. His rage against the political elite was not limited to the Netherlands. Particularly the EU-bureaucracy was his *bête noire*. According to Fortuyn, the cause of the public lack of interest in the EU is the natural aversion to megalomania, large scale plans, bureaucracy, and interference, and that

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<sup>25</sup> Frank van Empel, *Model Holland, de kracht van overleg* (Den Haag, Stichting van de Arbeid, 1997).

<sup>26</sup> Quoted by L. Karsten, K. van Veen en A. Van Wulfften Palthe, 'What happened to the popularity of the Polder Model? Emergence and disappearance of a political fashion', *International Sociology*, 23, 1, 48.

<sup>27</sup> Herman Pleij, *Erasmus en het Poldermodel – een essay* (Amsterdam; Bakker 2005), and Wilma Kieskamp, 'Herman Pleij, wie tegen het poldermodel is, is tegen Nederland', *Trouw*, 15 augustus 1995.

is what the EU stands for. He calls himself a generous proponent of Europe, but the maintenances of the own identity, as well as the country's sovereignty should be preserved: "First Dutchman, than European, and than world citizen, thus in this order".<sup>28</sup> Fortuyn successfully played the identity card, and linked this to the European Union.

In Germany, harsh debates were hold about the state of being of the German economy. The German economy was not doing well and it was not expected to do better in the near future. Intellectuals wrote about the sick patient of Europe, particularly about the inflexibility of the social welfare state.<sup>29</sup> Yet, other than in the Netherlands, these debates were not so closely linked to EU-politics. However, also in Germany EU-enlargement was considered by many a threat to job security. Bit still, many Germans saw in the EU a substituting nation. Perhaps, the Germans, living in a federal state, were already used to a form of multilevel governance. Also, the Germans have a bigger say in European affairs. Still, it is interesting how the Dutch and German political landscape drifted apart in 2001, after 9 / 11, before the introduction of the Euro. Does the EU social policy have to do anything with this? Since there exists a lot of misunderstanding about the role of the EU in social welfare, I will discuss the EU social welfare policy in the next paragraph.

### **European social policy**

In 2008, Anthony Giddens stated that the social welfare states of the European Union are regarded 'the jewel in the crown'; they are the main features that give European societies their special qualities.<sup>30</sup> He considers the 'European social model' (ESM) a fundamental part of what Europe stands for. To confirm this idea, he pointed out that ESM as a cue in Google delivers 11,200,000 items. Ironically, only four years later, the abbreviation ESM stands for another European challenge: the European Stability Mechanism, the permanent rescue funding programme to combat the European sovereign-debt crisis. Also Giddens questions, whether the European Social Model is strictly European, wholly social, a unitary concept, or even a model. However, he sees it as a mixture of values, such as sharing risks among society, containing inequalities, cultivating consultation, and providing social and economic citizen rights for the population as a whole.

Crown jewel or not, there is a lot of uncertainty about the role of the European Union in national social welfare state regimes. What does the EU have to do with this anyway? As I will show:

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<sup>28</sup> Pim Fortuyn, *De puinhopen van acht jaar paars* (Uithoorn, karakter; 2002), 178-181.

<sup>29</sup> Hans-Werner Sinn, *Ist Deutschland noch zu retten?* (München; Econ, 2003), Werner Abelshauser, *Kulturkampf, Der deutsche Weg in die neue Wirtschaft und die amerikanische Herausforderung* (Berlin; Kulturverlag Kadmos, 2003).

<sup>30</sup> Anthony Giddens, 'A Social Model for Europe?', in: *ibid.*, a.o., *Global Europe, Social Europe* (Cambridge 2006), 14-15.

a lot. Then, why does the EU not get the credits for its concern for social justice? For various reasons, not everyone is happy about Brussels' interference in the internal social relations.

EU social policy has developed initially rather slowly. For the founding fathers of the EU, freedom, social justice, and economic development were key values necessary to overcome past evil. Only well developed social welfare states could guarantee a peaceful future for the Western-European democracies. Point of departure was (and still is) that economic growth and social progress go hand in hand. At the time of the 1951 Treaty of Paris, to set up the European Coal and Steel Community (ECSC), social security was job related. The European Social Fund was created to help employees to find another job, when coal or steel plants were closed or relocated, due to the creation of a common market. On average, the founding fathers decided to leave active social policy to its member states. Traditionally, the trade unions considered it their responsibility to negotiate with employers over wages, working hours and conditions of employment. So, in the general agreements of the 1957 Treaties of Rome to establish a European Economic Community, one finds predominantly good intentions:<sup>31</sup> "Member States agree upon the need to promote improved working conditions and an improved standard of living for workers, so as to make possible their harmonisation while the improvement is being maintained" (article 117 EC). Yet, the value of these words was certainly of importance: a certain prospect for the future was formulated.

Already in the Treaty of Rome the principle that men and women should receive equal pay for equal work was laid down. In the 1970s and 1980s this became a concrete policy issue: equal rights of men and women were extended to excess to other areas such as the job market, training and career possibilities, and social security. The second EU social policy issue, which led to concrete actions, was health and safety on the job floor. In 1986, the Single European Act was signed, with the objective to establish a common market in 1992. From then onwards, a qualified majority voting was allowed for proposals which encouraged health and safety improvements in the working environment.

The idea to establish a common market changed the EU social policy irrevocable. High principles turned into action programmes. The Social Policy Protocol, added to the Treaty of Maastricht, proposed a radical change in the EU legislative procedures concerning social policy. This led to new EU directives on European Works Councils (1994), parental leave (1996), part-time work (1997) and later also services (2004), also known as the Bolkestein Directive (2004).

At the turn of the century, entering the monetary union in 1999-2001, several new important initiatives were taken, which led to a whole new dynamics of European social policy. Firstly, the 2000 Lisbon Strategy was the start of a new policy to become "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion." However, these goals are not at all realized, they laid a fundamental basis for its successor Europe 2020 programme, which set new objectives on employment, innovation,

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<sup>31</sup> See: Peter Lange, 'Maastricht and the social protocol: Why did they do it?', *Politics & Society*, 21 (March 93), 5 – 36; very informative website is the site of Eurofound: <http://www.eurofound.europa.eu>

education, social inclusion and climate/energy. Questionable is why the EU set these goals anyway, complete with exact targets and flagship initiatives. One would think that the road towards full employment is much more important than the unpredictable results. When the targets appear unfeasible, the successes of the strategy will be covered up. As a matter of fact, this was already the case with the Lisbon Strategy, successful as it was with its student exchange programmes and scientific cooperation.

A second initiative, in line with Lisbon, has been the ‘Open method of coordination’, a new toolbox to help member states to converge towards common objectives in areas such as employment, economic reform and social cohesion. Since the member states did not want to transfer more power in the field of social policy to the EU, but were aware of the necessity to converge in a common market, this form of ‘soft law’ was introduced, in which monitoring and evaluation reports, bench marks and best practices played an important role. When introduced, it was not yet clear if these measures were innovative or a talking shop.<sup>32</sup> Nowadays, this kind of monitoring has become even more important, since it came out that the American bank Goldman Sachs had helped Greece to lower its reported budget deficit by hiding debt through a currency swap.

But the most important renewal is the completion of the legal framework by adopting social rights in the Charter of Fundamental Rights of the European Union, proclaimed by the heads of government already in 2000, and confirmed as part of the Treaty of Lisbon in 2007. This means that the European Court of Justice has the power to settle social disputes, which it did in the well-known 2007 Viking and Laval case about the extend to which trade unions may use collective action against social dumping within the EU. Among the fundamental rights, social rights have a specific quality. In contrast to the other fundamental rights, such as dignity, freedoms and citizens’ rights, social rights often require positive state action. The EU-protection of fundamental social rights obligates its member states to adopt new measures.

This rearrangement of accountabilities has led to a reshuffle of the European social landscape. The trade unions, which were not very well known for their EU-mindedness, discovered Europe as an important playing field. The need to coordinate cross-border collective bargaining was felt by the Doorn group, called after a Dutch village, of trade union representatives from Belgium, Germany, Luxembourg and the Netherlands, who met to prevent a cross border downward competition in wages and working conditions.<sup>33</sup> The group agreed to inform each other regularly on bargaining policy, which became a fruitful basis for information exchange. Thanks to this group, it became clear how extremely difficult it was to achieve collective cross border bargaining settlements which included non-wage provisions in the various countries, such as working time, early retirement schemes, stress

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<sup>32</sup> Kirsty Hughes, ‘The “open method of co-ordination”: Innovation or talking shop?’, *Centre for European Reform Bulletin*, 1 December 2000.

<sup>33</sup> ‘Doorn group’, Eurofound, last consulted on 30 March 2012; <http://www.eurofound.europa.eu/areas/industrialrelations/dictionary/definitions/doorngroup.htm>

reduction, training, lifelong learning and balancing work and private life. Yet the Doorn group stimulated sectoral cross-border cooperation, for example by the European Metalworkers' Federation, one of the largest European unions, and stimulated cross-border bargaining coordination in other regions of the EU as well.

The EU social policy also led to a rearrangement of the political landscape. While the German Greens in early 1990s still were rather reserved about EU hegemonic policy, at the end they were convinced Europeans, who had discovered the value of EU-politics, protecting social rights and stimulating environmental sustainability. On the other side of the political spectrum are those, for whom the internal market was the final goal, and who distanced themselves from further integration, convinced as they are that the EU should not interfere in national politics when member states can solve the problems themselves (already a concern of Fortuyn). In a joint 2010 article, the Dutch former European commissioner Frits Bolkestein, the former president of Germany Roman Herzog and the economist Lüder Gerken wrote a critical article on the active policies of the EU, which has interfered in areas in which it has no place at all.<sup>34</sup> If the EU wants to regain the acceptance it once had amongst many citizens it should restore the principle of subsidiarity, which means that the EU only may take action if an issue cannot be tackled appropriate on a national level but solely at the European level. The authors underline that this subsidiarity principle gives precedence to the member states over the EU in all areas of concurrent legislation, of "shared competences". For example: they see no legal basis for an EU directive granting self-employed women the right to claim state-benefit. Instead, they consider this an illegal intrusion into national social services schemes.

One may ask if the distinguished authors, despite their wide experience, understood the European legislation well. Since social rights are part of the fundamental rights of the EU it is definitely clear that this precedence of national governments belongs to the past. Since the European Union is preliminary a community of rights which acts by law-making it seems to be hardly impossible to draw back to its essentials, to the preservation of a free market. And the growing dependencies during the European sovereign debt crises have made clear that there is no way back, and no opt-out, not for the Dutch, nor for the Germans. Yet, how could the European Union regain the acceptance it once had amongst its citizens; through more or less social policy? Or is it still a communication problem?

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<sup>34</sup> Roman Herzog, Frits Bolkestein and Lüder Gerken, 'Die EU schadet der Europa-Idee', *Frankfurter Allgemeine Zeitung*, 15 January 2010; see also: Frits Bolkestein, 'Als Europese Unie zo doorgaat, raakt zij in verval', *de Volkskrant*, 9-4 2011.

## **Identity loss / Identity regained?**

One may ask if German and Dutch EU-policy differs that substantially; both countries often agree with each other. Yet, one knows for sure, that Germany did not discover the shock of a referendum about the constitutional treaty of the EU, as the Dutch did in 2005; and Germany that does not inhabit a strong popular right wing party, which denies the power and the problem solving abilities of the EU. The Dutch public is not used to a European political language, which is predominantly dominated by the Germans and the French. Perhaps it is just a matter of time.

Usually the flag, the national anthem, and the constitution, are seen as symbols of national politics. As I have shown, social welfare is an important symbol of state politics as well. Already in 1994, the EU head of governments must have been aware of the importance of national identities of social welfare, since they stated in a resolution on economic and social convergence that the EU should pay particular attention to the existing systems in the Member States, since, specifically in Europe, “the national identity of the Member States is particularly defined by their individual paths to solidarity within society and social balance”<sup>35</sup>

The crisis of the welfare state directly affects the political parties and the EU. A feeling of identity loss, which was manifest at the turn of the century both in the Netherlands as well as in Germany, was related to the question whether the current Dutch and German concept of capitalism with a human face is still fit for the future. At the turn of the century, the ‘German disease’ was analysed as a blockaded system, not able to modernize, not able to renew its social welfare system. In the Netherlands, the political crisis came directly after a period of economic prosperity. With the entrance of Pim Fortuyn in the political arena, the idea of the Netherlands as ‘a guiding nation’ (gidsland) lost its appeal. Fortuyn’s criticism of the bureaucracy and of the elite went hand in hand with criticism of the welfare state arrangements (this contrary to Geert Wilders, who is against any reform of the welfare system).

The question is how the identity could be regained. I see three directions for possible solutions. The first direction is a matter of Enlightenment in two ways. First, there is a translation problem in-between member states. What the Germans call a social market economy differs with the Dutch poldermodel in many aspects. One should discover each political languages first, before starting to cooperate. Perhaps it is better to acknowledge the differences, than to find one European language. Second, it might be recommendable when the European public knows how the EU social policy works, and how we, as citizens could benefit from that. As we have seen in the last paragraph, EU social policy became indeed a big deal in the 1990s, while creating the common market and the monetary union. That social rights belong to the EU’s fundamental rights has consequences for

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<sup>35</sup> Preamble of the Council Resolution of 6 December 1994 on certain aspects for a European Union social policy: a contribution to economic and social convergence in the Union, OJ 1994 C368/6, earlier quoted by Bruno de Witte, ‘The Trajectory of Fundamental Social Rights in the European Union’, in:



national politics. The idea of a withdrawing EU in this field is unrealistic. In the future, the European Court of Justice will pass new judgements on social policy anyway. There is no way back. Therefore, the solution René Cuperus suggests, a more modest EU, is no option.<sup>36</sup>

The second direction is finding ways for people to simultaneously accept various identities. People always have more identities themselves, at home, at work, on the road, in the shop, and they accept this easily. In the seem way, people feel embedded in local communities, as well as part of a national community, and at least get acquainted to the idea that there is European community which does not harm them. To reach this and, and, and strategy it is of importance to provide realistic local, national and European future perspectives. Politicians should simultaneously defend their measures and explain their motives. Much will depend on the way in which the European economy will recover after the financial crisis, sooner, or later.

A last direction might be found in the political debate. Probably because of its complexity, the EU has found too many ways to depoliticise social debates, not only by covering up highly political questions in scholarly debates, but also by setting rules, which are politically inspired, and officialise executed by EU civil servants. A certain degree of conflict within and between member states over the course of EU-policy may be more helpful than the ‘permissive consensus’ of the debates about the EU-integration up until the turn of this century.<sup>37</sup> Lively debates, dissension, argument and long lasting controversy should be part of Brussels political culture. Social policy is a good issue for that style of politics. This might be a way to get the European people feel at ease in both local, national as well as EU discourses.

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<sup>36</sup> René Cuperus, ‘The Vulnerability of the European Project’, 103.

<sup>37</sup> Ruud Koopmans and Paul Statham (ed.), *The Making of a European Public Sphere: Media Discourse and Political Contention* (Cambridge; Cambridge University Press, 2010).

*In een vrije staat dient iedereen die in het bezit kan worden geacht van een vrije wil, zichzelf te besturen. De wetgevende macht zou dan ook bij het volk in zijn geheel moeten berusten. Maar aangezien zo iets in de grote staten een onmogelijkheid is en ook in kleine staten op veel bezwaren stuit, dient het volk vertegenwoordigers aan te stellen die alles moeten doen wat het volk zelf niet kan.*

Montesquieu, *Over de geest van de wetten* (1748)



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