

# **International Trade and Social Integration within and Beyond the Nation State**

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## **1. Social integration within the trading welfare state: The triangle of national solidarity, state control and economic growth**

Reconciling the class conflict inherent in modern capitalism was tied to: National solidarity in the sense of a communal spirit and the readiness of those better off to share their affluence with those worse off.

Economic growth in order to grant an ever increasing share in the affluence available to an ever larger part of the population.

A state capable to act, which succeeds in securing a high standard of living for the wide mass of the population irrespective of the latter's individual success on the market.

## **2. The conservative welfare function: Social security as stabilizing precondition of free trade**

The welfare state as precondition of widely accepted globalization of trade and labour division: Mitigating the disruptive effects of international trade on the national economy

The link between trade policy and social policy: The social safety net as functional equivalent to protectionist measures against import competition

The link between welfare democracy and expanding world trade

From GATT to WTO: reciprocity, most favored nation clause, anti-dumping law and dispute settlement procedure as means of accommodating international economic integration and national social integration

### 3. Pre-conditions of welfare state integration

The social integration of the national welfare state is founded on:

- (1) National solidarity based on:
  - a) external demarcation
  - b) internal homogenization through
    - aa) political unification
    - bb) administrative centralization
    - cc) legal standardization
    - dd) territorially condensed division of labor
    - ee) mass education
    - ff) mass communication
  - c) collective allocation of competitive advantages
  - d) reduced mobility of the production factors
- (2) State sovereignty based on
  - monopoly of power
  - territorial rule
- (3) Union of nation and state in the nation-state

#### **4. Social integration beyond the welfare state on the tracks of international trade and labour division: from mechanical to organic solidarity**

The theory of comparative cost advantage of international trade (Smith, Ricardo)

An alternative theory of the forces driving international trade: Population growth and advancing means of transportation and communication lead to shrinking distances and to the sharpening of competition on scarce resources

Migration, war and specialization in economic cross-border exchange are different means of conflict resolution

The peaceful trading state replaces the warfare state

The nation-state's mechanical solidarity, which rests on external demarcation, internal homogenization, centralization and state-controlled redistribution is replaced with the cross-border organic solidarity of individual exchange relationships.

## **5. From concrete to abstract collective consciousness**

a) Equality of results is pushed aside by the idea of equal opportunities in the more open and much wider European and global context.

b) A strong and concrete national communal spirit and collective consciousness and the related understanding of justice as social compensation give way to a weaker and more abstract communal spirit and collective consciousness with a related understanding of justice as fairness.

## **6. From differentiation to accommodation of in-group and out-group morality**

a) The differentiation between in-group morality (nation) and out-group morality (world) is abolished.

b) The opening of markets puts an end to differentiation both from outside and inside. Everybody is given equal opportunities and is measured by the same yardsticks.

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## 7. From homogeneity to heterogeneity

a) With cross-border exchange, differences between nations diminish whilst, at the same time, more internal differentiation is produced within the nations.

b) Inequality between nations is decreasing, inequality within nations is increasing.

c) Growing conflict between the strong pioneers of a European and even cosmopolitan identity and the insecure people who still cling to their national identity.

## **8. A European welfare state? From the cult of the collective to the cult of the individual**

a) The increasing collective expansion of rights according to the classical pattern of the labor movement is increasingly less in demand, whereas those activities are growing that are spontaneously and at short notice aimed at the accomplishment of individual rights, whether it is by public and special interest groups or by suing for rights at the courts.

b) Therefore, the European Court of Justice is the central pillar of European integration. It represents the logic of individualistic integration in contrast with a collectivistic integration resulting from majority decisions.

c) European society is a society of individuals

## **9. The other side of transnational integration: national disintegration. No more a strong welfare state as safety net of international trade?**

- a) Growing gap between mobile and immobile production factors, decreasing state sovereignty of taxation, decreasing taxation of mobile production factors, growing inequality
- b) Social disorganization and anomie
- c) Declining trust in institutions
- d) Transnational integration is a matter of globally oriented elites that provokes nationalistic counter-reactions by endangered parts of the population.
- e) Challenge of politics is the accommodation of elite driven transnational integration with the security needs of the masses who still cling to the nation
- f) Advancing world trade, shrinking capacities of the welfare state, lagging behind construction of supranational safety nets: a constellation of instability

## 10. Transatlantic Trade and Investment Partnership

How much economic growth? Very small amount.

Who makes profit of additional growth?

Global elite of 1 percent of the population

Who are the losers? Middle class and lower class; less competitive European countries, newly industrialized and developing countries;

Increasing trade with the U.S. at the cost of decreasing trade within Europe and with newly industrialized countries

Critical points:

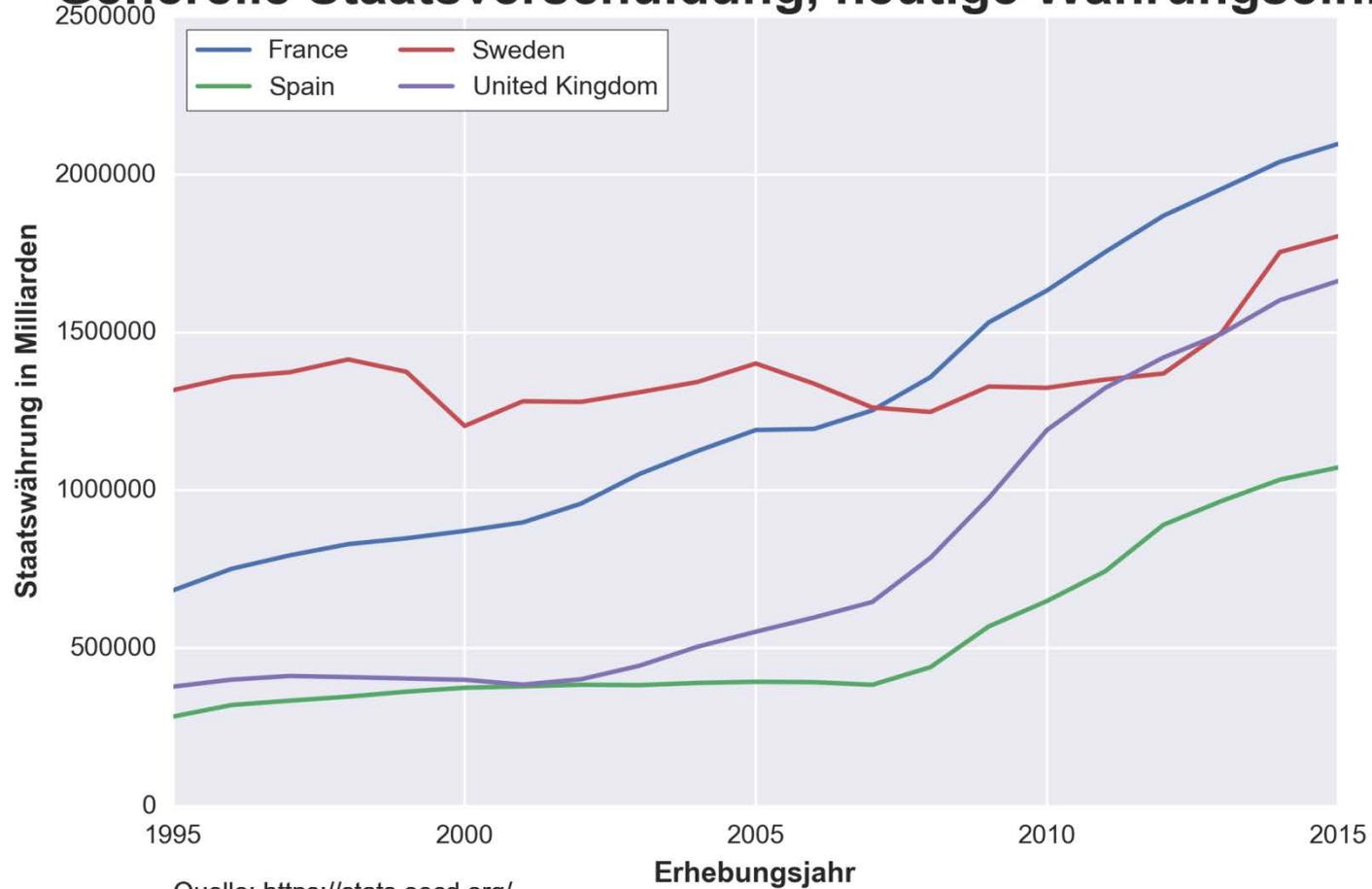
Court of arbitration and protection of foreign investment: disempowerment of politics

Labour standards, workers' rights and job security

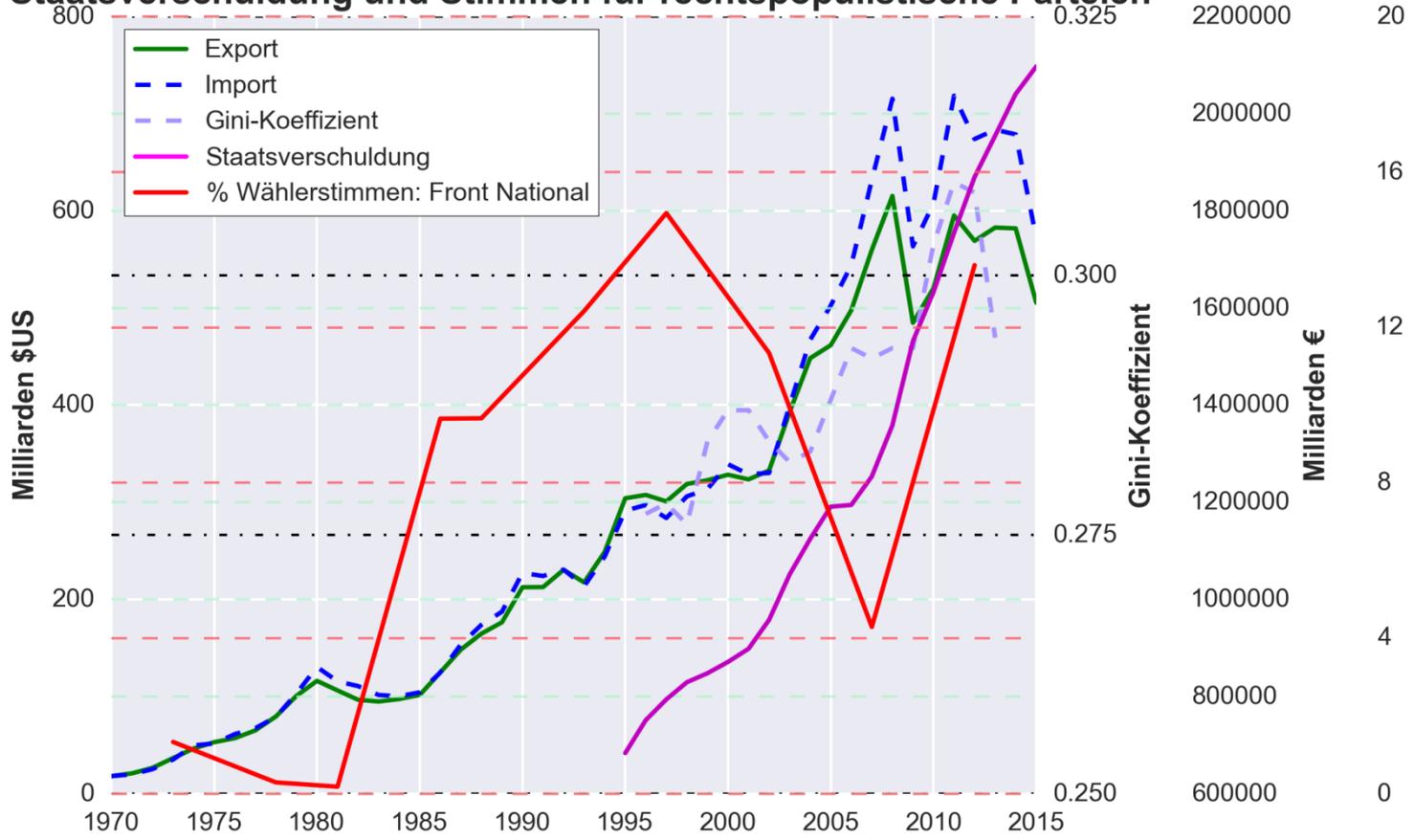
Public health and environment: Privatization of health care; environment protection and climate change

Consumer protection and food safety: genetically modified crops, pesticides (endocrine disrupting chemicals), growth promoting hormones in beef, pathogen reduction treatments of chicken, geographic trademarks on food products; ban on animal testing

# Generelle Staatsverschuldung, heutige Wahrungseinheit

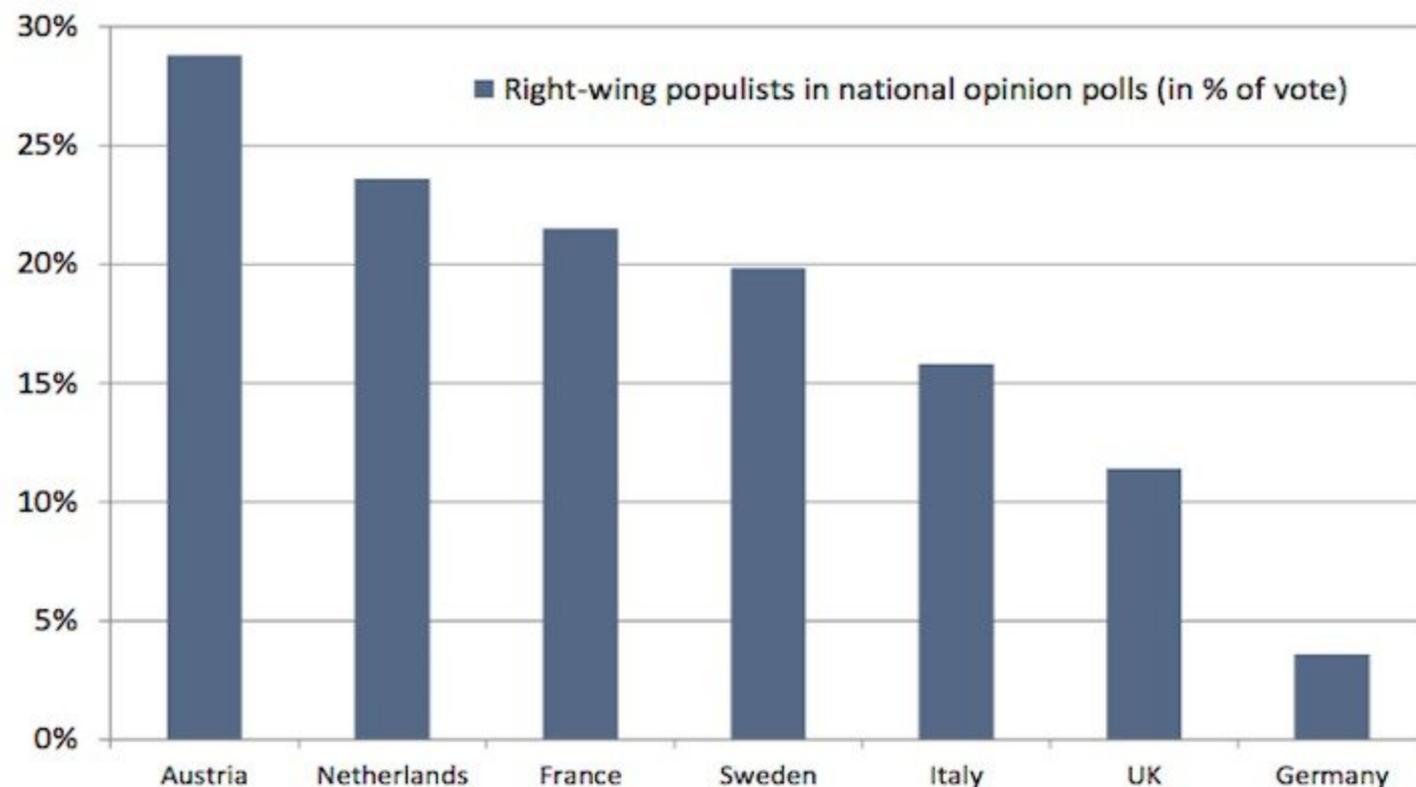


# Frankreich: Export/Import, Gini-Koeffizient Staatsverschuldung und Stimmen für rechtspopulistische Parteien



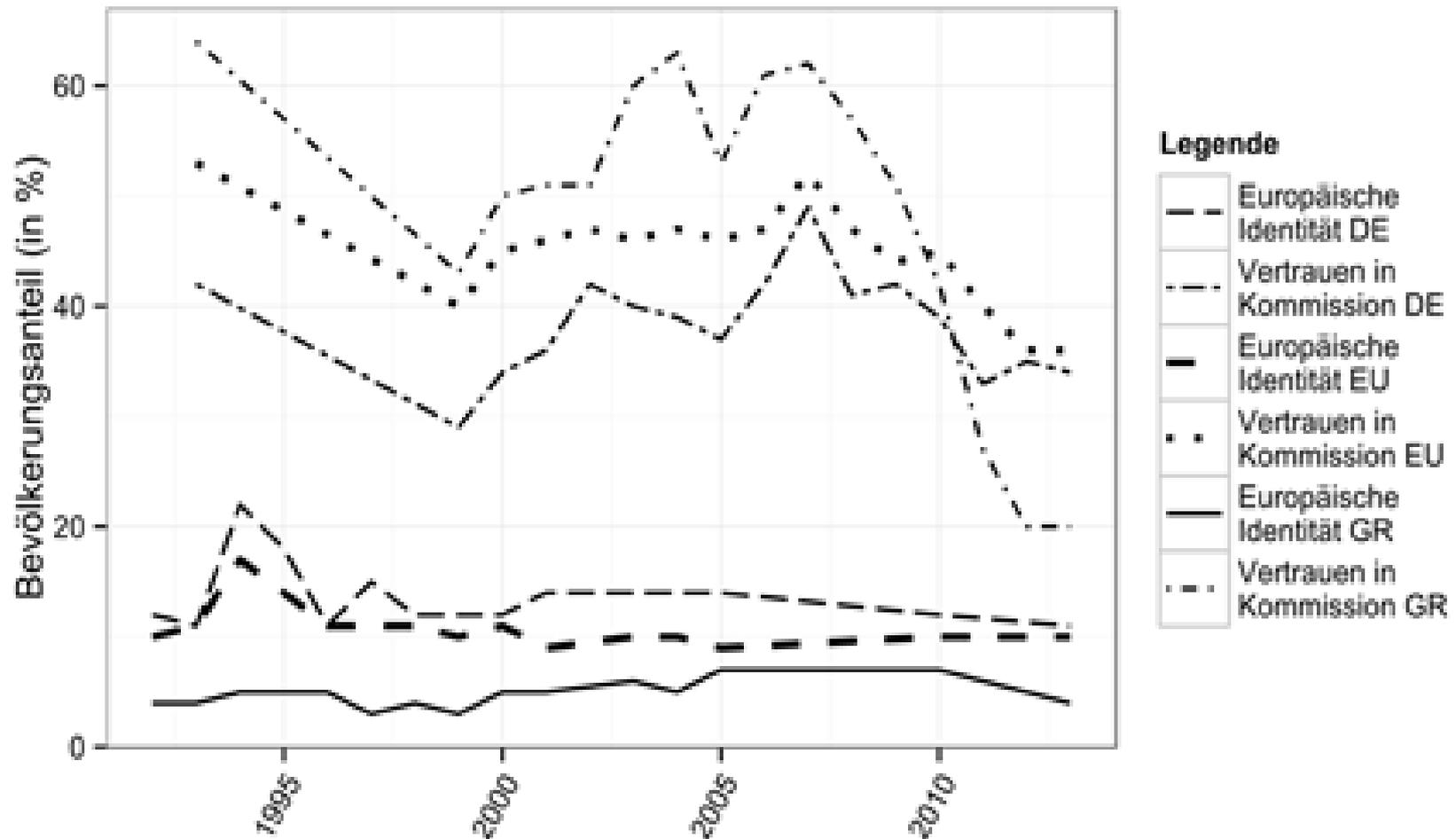
# Right-wing populism: the real tail risk in Europe

## Close to power anywhere? Right-wing populists in national opinion polls



*FPÖ for Austria, Freedom Party for the Netherlands, Front National for France, Sweden Democrats for Sweden, Lega Nord + NcS for Italy, UKIP for UK and AfD for Germany; average of 5 latest available polls. Source: National opinion polls, Berenberg calculation.*

**Abb. 4: European Identity and Trust in the European Commission**



Sources: European Commission 2013b.

Notes: Values re. European identity were calculated as share of interviewees stating „European only“ or „European and national“ as identity they expect for their future.

The items „European identity EU“ and „Trust in EU Commission“ are average values for all EU member states.

**Fig. 1 Postindustrialization, Globalization, Relative Exclusion and Deviance**

