

The Treaty of Rome and equality

By [Hélène Périvier](#)

The Treaty of Rome: Article 119, Title VIII, “Social Policy, Education, Vocational Training, and Youth”, Chapter 1: Social Provisions: *Each Member State shall during the first stage ensure and subsequently maintain the application of the principle that men and women should receive equal pay for equal work.*



Europe’s institutions take pride in the fact that one of their founding values is the principle of equality between women and men^[1]. Indeed, as early as the Treaty of Rome, the question of equal pay was the subject of negotiations that resulted in the adoption of Article 119, guaranteeing “the application of the principle that men and women should receive equal pay for equal work”.

On closer inspection, the motives that led the signatory countries to adopt this article are not linked, at least not directly, to considerations of justice or to egalitarian values that the Member States might have upheld right at the outset, thereby making equality a founding “value” of Europe’s institutions. No, the motives are above all economic in nature.

The Treaty of Rome is aimed at economic integration and not at

a political or social union. Re-examining the genealogy of Article 119 sheds light on the tension between economic issues related to the organization of trade and production and social issues, particularly those related to justice and equality.

Guaranteeing fair competition

Article 119 seeks to organize fair competition within the new space for the free movement of goods, services and people. Of the six countries signing the Treaty, it was France that demanded an article on equal pay. Indeed, unlike some of its partners, including Germany, France had already adopted legislation on women's wages and equal pay. In the framework of restructuring industrial relations after the Second World War, the French State had developed occupational classifications and a wage hierarchy that led in some branches to affirming the principle of equal pay, even if there was still substantial potential for discrimination (Saglio, 2007). In July 1946, the Croizat decision abolished the 10% reduction on women's wages. Finally, the Law of 11 February 1950 generalized collective bargaining agreements and introduced the principle of "equal pay for equal work" (Silvera, 2014).

France therefore feared that an opening up to competition in the market for goods and services would disadvantage productive sectors in which the proportion of women was high, especially in textiles (Rossilli, 1997). In 1956, the International Labour Organization (ILO), conscious of these issues, commissioned a report by a committee chaired by the economist Ohlin on the social consequences of European economic integration. The question of equal pay was raised explicitly (point 162, p. 64), and data at hand, the report denounced the risk of unfair competition in highly feminized industries (Ohlin, 1956) [2]. The differences in social rights between Member States called for labour market regulation in order to avoid distorting competition within the common market. The discussions, which led to Article 119, did not include discussion of women's rights or fair pay for women's

work (Hoskyns, 1996).

Principles of supranational justice and economic pragmatism

The inclusion in the Treaty of Rome of the principle of equal pay was thus motivated by economic and not ethical considerations, and it is for economic reasons that, even though the principle was announced, it was not applied immediately, as it would have led to a massive increase in wage costs (unless men's wages were cut). Despite all this, principles of justice were not completely alien to this process. Indeed, they were part of the international approach to the affirmation of human rights in the post-war years: the United Nations Universal Declaration of Human Rights of 1946 [\[3\]](#) affirms equal rights in its preamble, and the 1944 Declaration of Philadelphia, which underpinned the mandate of the ILO, states that, "all human beings, irrespective of race, creed or sex, have the right to pursue both their material well-being and their spiritual development in conditions of freedom and dignity, of economic security and equal opportunity" [\[4\]](#). The ILO Equal Remuneration Convention (No. 100), adopted in 1951, states that, "Each Member shall, by means appropriate to the methods in operation for determining rates of remuneration, promote and, in so far as is consistent with such methods, ensure the application to all workers of the principle of equal remuneration for men and women workers for work of equal value" [\[5\]](#). Some European countries adhered to the stated principles faster than others, including Belgium and France, which ratified Convention 100 respectively in 1952 and 1953. These countries pulled along their partner signatories to the Treaty of Rome in their path, in order to limit the distortion of competition that would result from a lack of uniform adherence to this principle of justice in an integrated economic area.

In looking further back at the genesis of texts pertaining to equal pay, economic motivations can also be found: the founding text of the ILO in 1919 does include the principle of

equal pay, regardless of gender, for work of equal value (Section II., Article 427, 7) [6]. This particular attention to equality is explained partly by the trade unions' fear that men's wages might fall. Indeed, during the war, women had worked for lower wages doing jobs reserved for men in peacetime. Demanding equal pay made it possible to contain this unfair competition represented by women (Ellina, 2003; Hoskyns 1996).

The metamorphosis of Article 119

It is fruitless to seek the historical roots of the affirmation of the principle of equal pay, as the economic argument is articulated around considerations of justice. This dialectic led the actors of the moment to draw on one or to reaffirm the other. During the Treaty of Rome negotiations, differences between countries concerning entitlement to paid leave, the regulation of working time and the payment of overtime were also identified as sources of the distortion of competition. It is thus not so much the place of gender equality in the negotiations between the signatory countries that is to be questioned as the very nature of a Treaty that aims at economic integration and not the harmonization of the social policies of the signatory countries. At the time, economic integration was probably the least confrontational perspective from which to negotiate and bring about a rapprochement between European countries.

Article 119 of the Treaty of Rome, although intended to regulate competition, has become a pillar of the construction of European law on equality and the fight against discrimination. In the late 1970s, under the impetus of feminist movements, this principle was used more and more and became a founding principle of Europe's institutions (Booth and Bennett, 2002). In 1971, the Court of Justice of the European Communities referred to it in declaring that the elimination of discrimination on the grounds of sex is one of the general principles of Community law (see the Defrenne

judgment^[71]). In 1976, the scope of equal pay was extended by the 1976 Directive (76/207) to cover all the terms of hiring and training as well as working conditions (Milewski and Sénac, 2014). As a tool for regulating the common market, it has become a principle of law.

Finding the spirit of Philadelphia once again

The principle of equality as set out in the Declaration of Philadelphia does not rely on the economic interest of promoting gender equality but affirms this principle as a value in itself. During the negotiations preceding the signing of the Treaty of Rome, the harmonization of social provisions was achieved by generalizing the principle of equal pay to countries that had not yet taken it on board, not by asking countries that had already adopted it to abandon it. In this approach, the principle of justice takes precedence over the economic perspective: the evaluation of the economic consequences of having a principle of equal pay that had not been generalized in an integrated economic space led to its adoption by all the member countries in this space, and ultimately to strengthening it.

Since the 2000s, there has been a shift in the promotion of policy on equality: it is no longer a question of analyzing the economic consequences of the principles of justice or conversely of denouncing the infringement of the principles of justice of certain economic policies, but rather of overturning the hierarchy between the two perspectives. Equality is promoted in the name of the real or phantom economic benefits that it would produce. Supranational organizations, European institutions and national forces all tout the virtues of equality in terms of economic prosperity. The assertion of the principle of justice in itself is no longer sufficient to establish the merits of equality policies, which are a priori considered costly. Equality, which is often reduced to increasing women's participation in the labour market and their access to positions of

responsibility, is a source of growth and wealth. It is no longer a question of a complex articulation between economic forces and founding principles, but rather the justification of these principles based on the profitability or efficiency of the market economy (Périvier and Sénac, 2017, Sénac, 2015). This approach, far from anecdotal, is endangering equality as a principle of justice, and distances us from the humanist approach of the supranational institutions during the first half of the 20th century. Have we lost the spirit of Philadelphia (Supiot, 2010)?

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Notes:

[1] http://europa.eu/rapid/press-release_MEM0-07-426_en.htm

[2] http://staging.ilo.org/public/libdoc/ilo/ILO-SR/ILO-SR_NS46_engl.pdf

[3] www.un.org/en/universal-declaration-human-rights/

[4] http://blue.lim.ilo.org/cariblex/pdfs/ILO_dec_philadelphia.pdf

[5] http://www.ilo.org/wcmsp5/groups/public/-ed_norm/-declaration/documents/publication/wcms_decl_fs_84_en.pdf

[6] http://www.ilo.org/public/libdoc/ilo/1920/20B09_18_fren.pdf

[7]

<http://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:61975CJ0043&from=EN>

European banking regulation: When there's strength in union

By [Céline Antonin](#), [Sandrine Levasseur](#) and [Vincent Touzé](#)

At a time when America, under the impulse of its new president Donald Trump, is preparing to put an end to the banking regulation adopted in 2010 by the Obama administration [\[1\]](#), Europe is entering a third year of the Banking Union (Antonin et al., 2017) and is readying to introduce new prudential regulations.

What is the Banking Union?

Since November 2014, the Banking Union has established a unified framework that generally aims to strengthen the financial stability of the euro zone [\[2\]](#). It has three specific objectives:

- To guarantee the robustness and resilience of the banks;
- To avoid the need to use public funds to bail out failing banks;
- To harmonize regulations and ensure better regulation and public supervision.

This Union is the culmination of lengthy efforts at regulatory

coordination following the establishment of the free movement of capital in Article 67 of the Treaty of Rome (1957): “During the transitional period and to the extent necessary to ensure the proper functioning of the common market, Member States shall progressively abolish between themselves all restrictions on the movement of capital belonging to persons resident in Member States and any discrimination based on the nationality or the place of residence of the parties or on the place where such capital is invested.”

The Banking Union was born out of the crisis. While the Single European Act of 1986 and the 1988 EU Directive allowed the free movement of capital to take effect in 1990, the financial crisis of 2008 revealed a weakness in Europe’s lack of coordination in the banking sphere.

Indeed, the lessons of the financial crisis are threefold:

- A poorly regulated banking and financial system (the American case) can be dangerous for the proper functioning of the real economy, in the country but also beyond;
- Regulation and supervision that is limited to a national perspective (the case of European countries) is not effective in a context where capital movements are globalized and numerous financial transactions are conducted outside a country’s borders;
- The banking and sovereign debt crises are linked (Antonin and Touzé, 2013b): on the one hand, bailing out banks by using public funds increases the public deficit, which weakens the State, while the problematic sustainability of the public debt weakens the banks that hold these debt securities in their own funds.

The Banking Union provides a legal and institutional framework for the European banking sector, based on three pillars:

(1) The European Central Bank (ECB) is the sole supervisor of

the major banking groups;

(2) A centralized system for the regulation of bank failures includes a common bailout fund (the Single Resolution Fund) and prohibits the use of national public funding;

(3) By 2024, and subject to the definitive agreement of all the members of the Banking Union, a common fund must ensure that bank deposits held by European households are guaranteed for up to 100,000 euros, with deposits guaranteed by each State from 2010.

The Banking Union is not fully completed. The adoption of the third pillar is lagging behind due to the difficulties being experienced by the banks in Greece and Italy, which have not been entirely resolved due to the continuing risk of default on existing loans. The European deposit guarantee “will have to wait until sufficient progress has been made to reduce and harmonize banking risks” (Antonin et al., 2017).

Towards stronger regulation and greater financial stability

The Banking Union has come into existence alongside the new Basel III prudential regulations that have been adopted by all Europe’s banks since 2014 following a European directive and regulation. The Basel III regulations require banks to maintain a higher level of capital and liquidity by 2019.

The establishment of the Banking Union coupled with the ECB’s highly accommodative monetary policy has helped to put an end to the crises in sovereign debt and the European banking sector. The ECB’s massive asset purchase programme is helping to improve the balance sheet structure of indebted sectors, which is reducing the risk of a bank default. Today, the Member States, business and households are borrowing at historically low interest rates.

The establishment of a stable, efficient European banking and financial space requires further steps to regulate both a

unified European capital market and the banks' financial activities (Antonin et al., 2014).

The main objective of a union of the capital markets is to provide a common regulatory framework to facilitate the financing of European companies by the markets and to channel the abundant savings in the euro area towards long-term investments. This would allow for a more coherent and potentially more demanding level of regulation of the issue of financial securities (equities, bonds, securitization operations).

The Banking Union could also be strengthened by drawing on the 2014 Barnier proposal for a high level of separation of deposit and speculative activities. The ECB's unique supervisory role (pillar 1) enables it to ensure that speculative activities don't disrupt normal business. This supervisory role could be extended to embrace all financial activities, including the infamous credit system of "shadow banking" that parallels conventional lending. The separation of activities also strengthens the credibility of the common bail-out funds (pillar 2) and guarantee funds (pillar 3). Indeed, it is becoming more difficult for banks to be too big, which reduces the risk of bankruptcies that are costly for savers (internal bailout and limits on common funds).

Defending a European model of banking and financial stability

At a time when the United States is currently abandoning the more stringent regulation of its banks in an effort to boost their short-term profitability, Europe's Banking Union is a remarkable defensive tool for preserving and strengthening the development of its banks while demanding that they maintain a high level of financial security.

While the US courts are not hesitating to impose heavy fines on European banks [\[3\]](#), and China's major banks now occupy four out of the top five positions in global finance (Leplâtre and

Grandin de l'Eprevier, 2016), a coordinated approach has become crucial for defending and maintaining a stable and efficient European banking model. In this field, a disunited Europe could seem weak even while its surplus savings make it a global financial power. The crisis has of course hurt many European economies, but we must guard against the short-term temptations of an autarkic withdrawal: a European country that isolates itself becomes easy prey in the face of a changing global banking system.

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[1] The Dodd-Frank Wall Street Reform and Consumer Protection Act adopts the Volcker rule “which prohibits banks from ‘playing’ with depositors’ money, which led to a virtual ban on the proprietary speculative activities of banking entities as well as on investments in hedge funds and private equity funds” (Antonin and Touzé, 2013a).

[2] The Banking Union is compulsory for euro area countries and optional for the other countries.

[3] Recent events have shown that US justice can prove to be extremely severe as large fines are imposed on European banks: 8.9 billion dollars for BNP Paribas in 2014, and 5.3 billion for Credit Suisse and 7.2 billion for Deutsche Bank in 2016.

**Europe’s competition policy –
or extending the domain of**

integration

By [Sarah Guillou](#)

The principle of “fair competition” was set out in the general principles of the Preamble to the Treaty of the European Communities (TEC) in 1957, as was the commitment that the Member States will enact policies to ensure this fairness. Competition policy – overseen by the Competition Directorate – is the benchmark policy for market regulation, but also for industrial strategy and, more recently, for fiscal regulation.

The need for a competition policy flows directly out of Europe’s project to establish a common market, and numerous attempts at industrial policy have come to grief on the altar of Articles 81 to 89 of the TEC (and now Articles 101 to 109 of the Treaty on the Functioning of the European Union), which establish the framework for competition. In practice, the two policies are clearly complementary in the European Union, and the space granted to the former develops thanks to the set of exceptions to the latter.

Competition as a general framework in the European Union

As a foundation of the common market, respect for and controls on market competition is a general principle underlying all European policy. More fundamentally, competition can be considered a *constitutional* principle of the European Union. It makes it possible to define the European space, the common space whose existence depends on controls on competition between States. Europe’s competition law is therefore developed first of all to control economic competition between the States. The aim is to prevent the States from adopting policies that create benefits for companies in their own territory and discriminate against companies from other States.

Within the European Commission, the Competition Directorate

therefore has a significant role and responsibility. Supervision of competition is exercised through the control of mergers and cartels on the one hand, and the control of State aid on the other. To monitor cartels or any other abuse of a dominant position, competition law is exercised *ex post* to protect consumers and competitors from predatory behavior and abusive pricing. Control over concentration developed generally from the second half of the 1980s, in synch with the increase in the size of mergers and the opportunities for European rapprochements, which resulted from the success of the single market. Moreover, mergers and acquisitions are increasingly the subject of negotiations between the companies involved and the European Commission and conclude with a transfer of activity. For example, the acquisition of Alstom's energy division by General Electric in 2015 was accompanied by the sale of part of the gas turbine business to the Italian company Ansaldo Energia. This control has given the Commission an active role in the structuring of the market, which amounts to a super power, but since the 1990s, fewer than 1% of notifications concerning concentrations have led to a veto by the Commission.

European supervision of aid has been relatively continuous since it presupposes a permanent exercise of supervision of "undistorted competition" in the European area. It is a tool both to control any distortions of competition created by a Member State granting advantages to its companies and to fight against a race to "who grants most" in terms of subsidies. Thus, Article 87 (1) of the Treaty establishing the European Community states that State aid is considered to be incompatible with the common market, and Article 88 gives the Commission a mandate to monitor such aid. But Article 87 also specifies the criteria the Commission uses to investigate aid.

Business subsidies are subject to the Commission's authorization if they exceed 200,000 euros over three years and they are not included in the set of exemptions decided by

the EU. The majority of aid investigated is authorized (almost 95%). As for France, the percentage of aid disallowed out of the amount granted is in line with the European average. There have of course been some noteworthy decisions, such as when EDF was required to repay 1.4 billion euros in 2015 following tax assistance dating back to 1997. But the Commission also recently allowed the French State to acquire an interest in the capital of PSA Peugeot Citroën (2015). Similarly, the Commission authorized the public-private partnership underpinning the construction of the Hinkley Point nuclear power plant in Great Britain.

Some recent developments in the exercise of this control should be noted. The regulation of State aid has been used to examine the provisions of tax agreements negotiated by companies with certain governments such as Ireland, Luxembourg and the Netherlands. By favouring some companies to the detriment of their competitors, these tax agreements create not only distortions in competition but also competition between States to attract the profits and jobs of the large multinationals. For example, in October 2016, the Commissioner for Competition, Margarethe Vestager, described the tax agreement that Apple had received in Ireland as unauthorized State aid, and accordingly required the Irish government to recover 13 billion euros from Apple. This use of the regulatory power over State aid constitutes a turning point in competition policy, in that it recalls that the object of competition policy is to ensure that competition between States does not go against the notion of a common market.

Industrial policy is expressed in the exceptions to competition policy

Note that while competition policy is well defined at European level, there are many meanings of industrial policy in Europe, almost as many as there are members. This makes it more difficult to find policy compromises prior to the definition of such a policy. Moreover, the institutional logic and the

economic logic are not the same. As already noted, competition policy has a strong institutional anchorage, which is not the case with industrial policy. Even though the European Coal and Steel Community was at the origin of the European Community, industrial policy is not at the heart of the European project. Moreover, the economic logic is different: competition policy is defined with reference to space (the relevant market), whereas industrial policy can be understood only by integrating the life cycle of companies and industries, and therefore in reference to each country's industrial history. In a shared sense, industrial policy can be defined as policy that is aimed at orienting an economy's sectoral and / or technological specialization. It is therefore easy to grasp the dependence of industrial policy on national preferences. The tool favoured by the States to express this policy is aid to companies, whether directly or indirectly.

State aid is classified according to 15 objectives, ranging from "preservation of the heritage" to aid for "research and development and innovation". For the EU as a whole, the three categories that are largest as a percentage of total aid are: environmental protection (including aid for energy savings), regional aid, and aid for R&D and innovation. The amounts involved are far from negligible: in 2014, for example, 15 billion euros for France and 39 billion for Germany. A higher amount of aid in 2014 was due largely to an increase in aid for renewable energy as a result of the adoption in 2014 of revisions on the rules on this type of aid. Germany is the country that contributed the most to this increase. Support for renewable energies is indeed at the heart of its industrial policy.

European industrial policy develops as exemptions to the application of control on aid and hence to competition policy. These exemptions are set out in the general regulations on exemptions by category. There are many Block Exemptions, which revolve around the following five themes: innovation and R&D,

sustainable development, the competitiveness of EU industry, job creation, and social and regional cohesion. It can be seen in this set of exemptions that supervision is also the expression of Europe's policy choices on orienting public aid, and thence directing public resources towards uses that are in line with these choices. These choices are the result of a relative consensus on the future of the European economy which shapes industrial policy. The largest categories of aid are research and development and environmental protection. In a word, the European economy will be technological and sustainable. This is a policy of orientation and not a policy of resources, and it takes shape within the overarching framework of the policy on competition.

What future for Europe's competition policy?

It seems that, given the primacy of competition policy and its foundational role for Europe's union, competition policy is the conductor of microeconomic policy. It has, up to now, proved capable of adapting. Thus, in compliance with the European project, economic constraints and societal orientations have led to changes in the definition of exemptions on the control of aid, which have allowed for the expression of industrial policy. Similarly, it has seized upon the fiscal hyper-differentiation between certain States, which sharply contravened European integration and the common market.

Competition policy must not be weakened in authority or scale, but it must retain its capacity to adapt both to industrial orientations and to the deployments of Member States' strategies on competition with each other. It is also an essential counter-power to the growing strength of the multinationals, and governments must support it in this sense rather than becoming the mouthpieces of their national champions.

The Preamble of the Treaty of Rome: 60 years later, what conclusions can be drawn?

By [Éloi Laurent](#)

The Treaty establishing the European Economic Community (the more emblematic of the two Treaties of Rome) gave life and body to the ideal of European integration that had been sketched in particular by Victor Hugo. Sixty years after its signature, here is a brief commentary, necessarily subjective, on the Preamble of this founding text (the past and present participles that open each paragraph of the text refer to the six heads of state and government who were signatories to the Treaty on 25 March 1957).

Determined to lay the foundations of an ever closer union among the peoples of Europe,

There are at least two possible readings of the objective referred to in the first paragraph of the EEC Treaty. The first sees in the “union” of “peoples” the union of their governments, and from this perspective it seems very difficult to dispute that since 1957 the European executive authorities have come together and now collaborate closely, with new elements of their sovereignty pooled. But the injunction of Jean Monnet, one of the principal architects of the Treaty, should not be forgotten: “our mission is not to unite states, but to unite people”. What, then, is to be said of the union of nations? A number of more or less anecdotal surveys seem to indicate that [stereotypes die hard in Europe](#) and that Europeans still do not know each other very well.

More fundamentally, it is the confidence placed by Europeans in their union that seems to be a relevant indicator of how solid it is [\[1\]](#). The Eurobarometer of autumn 2016 (published in December 2016) indicates that confidence in the EU has fallen to 36%, almost fifteen points below its 2004 level (according to Eurostat data, confidence in European institutions fell from 53% in 2000 to 42% in 2014). It is from 2011 that a majority of citizens began to turn away from the European Union, at a time, one might think, when the EU Member States were proving resolutely incapable of proposing a coordinated and effective strategy to get out of the crisis and when the bloc was once again plunging into recession. Confidence in the EU is lower in the euro area than in the non-euro countries, and it is particularly low in the major signatories of the EEC Treaty – Germany, France and Italy – where it fails to rise above 30%.

Resolved to ensure the economic and social progress of their countries by common action to eliminate the barriers which divide Europe,

The central tenet of Europe's strategy over the post-World War 2 years is set out here: by creating and consolidating the "four freedoms" of circulation (of goods, services, capital and persons) and steadily forming a European internal market, called a single market in the 1990s), the drafters intended to promote the prosperity of nations and to break down the mental barriers that have so deeply divided Europeans. The result, sixty years later, is an asymmetric integration: mobility, while high for goods and especially capital, remains low for people and services. Article 117 of the Treaty, which aims at "equalization in the progress" of living conditions, envisages that this will be achieved by the "functioning of the common market, which will promote the harmonization of social systems". Europe's asymmetric integration has instead generated fierce tax and social competition. However, Europeans are strongly attached to their respective social

models: according to the Eurobarometer, 82% of them believe that “the market economy should go hand in hand with a high level of social protection”. Sixty years after the signing of the Treaty of Rome, if a European identity does indeed exist, it is centred on this belief.

But while for decades the free movement of people, structurally weak in the EU, has had only a marginal presence in European debates, it played a central role in the decision of the United Kingdom to leave the EU: whereas the British intended to propose a trade-off between the free movement of goods, capital and services, which they intended to keep, and the free movement of people, which they no longer want, the EU’s institutions and Member States reaffirmed that the four freedoms form a bloc, to be taken or left together.

Affirming as the essential objective of their efforts the constant improvement of the living and working conditions of their peoples,

There is little doubt that Europeans’ living conditions have improved since 1957, but their “constant improvement”, affirmed as an “essential goal” by the Treaty of Rome, has come into question empirically in the recent period. According to the United Nations Human Development Index (HDI) [\[2\]](#), an imperfect measure that partly reflects people’s living conditions, the situation in European countries, which can be assessed only since 1990 (the date when homogeneous data became available for the EU-28), indicates almost constant progress in the member countries up to 2000, the turning point after which the rate of HDI growth slows, falling to almost zero in 2014. “Employment conditions”, which are approximated by the unemployment rate, have also deteriorated since 2000, with the unemployment rate recovering to its 2000 level only in 2016.

But the essential point is undoubtedly the way that Europeans today perceive the possibility of their living conditions

improving. The Eurobarometer says that 56% of Europeans now believe that their children will lead harder lives than they did. According to data from the Pew Research Center, [Europeans are now the most pessimistic in the world in terms of their economic future.](#)

Recognising that the removal of existing obstacles calls for concerted action in order to guarantee steady expansion, balanced trade and fair competition,

Anxious to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions,

These two paragraphs are aimed at averting two imbalances in Europe, which have in fact been reinforced in recent times: current account imbalances (going against “balanced trade”) and geographical imbalances (undermining the “harmonious development” of the territories of the European Union). On the first point, trade imbalances between EU Member States and in the euro area in particular are now well known and documented, as is the major destabilizing role being played by Germany. On the second point, the success of the single market inherited from the Treaty of Rome has been paradoxical: it brought countries closer together but led to divergence between the regions (and more generally the territories). It can for instance be shown that in the European Union [the gap in economic development between regions is stronger than the gap between countries \[3\]](#). This spatial fracture within Europe’s countries, which is found in other countries outside Europe but which the single market has undoubtedly accentuated by the powerful agglomeration effects it generates, is not without consequence for the geographical polarization observed in recent polls, in the United Kingdom, [Austria](#) and France.

Desiring to contribute, by means of a common commercial policy, to the progressive abolition of restrictions on

international trade,

The drafters of the Treaty of Rome were right: the EEC and then the EU have contributed greatly to the liberalization of trade around the planet and therefore to contemporary globalization. While in 1960 the six EEC Treaty countries represented about a quarter of world trade, by 2015 the 28 EU countries accounted for about 34% of world trade. One-third of globalization has involved Europeanization.

Intending to confirm the solidarity which binds Europe and the overseas countries and desiring to ensure the development of their prosperity, in accordance with the principles of the Charter of the United Nations,

Resolved by thus pooling their resources to preserve and strengthen peace and liberty, and calling upon the other peoples of Europe who share their ideal to join in their efforts,

Have decided to create a European Economic Community...

This last section sets out the heart of the European promise: peace based on a market that relies on the law and calls forth enlargement. There is no denying that civil liberties and political rights have progressed on the continent, guaranteeing the Member States the longest period unbroken by war since the sixteenth century. In 1957, only 12 of the current 28 Member States were democracies – all are today. And democracies are far less prone to war than other political regimes. It is no exaggeration to say that Europe is today the most democratic continent in the world, with almost 90% of its countries considered free, compared with only 70% in the Americas, 40% in Asia, 20% in sub-Saharan Africa and only 1% in the Middle East and North Africa (according to data from Freedom House). But the threat has changed in nature: it is no longer primarily international conflict that endangers Europe (although the new Russian imperialism cannot be taken

lightly), but internal conflict.

Political instability, already evident in Greece, is rising in many countries, in Austria, the Netherlands, Finland, Italy and of course France. The European Union has contributed to the deep social resentment that is feeding the very secessionist parties that intend to dismantle it. The response to this risk of disintegration must be on a par with the Treaty of Rome, whose preamble affirms values $\square\square$ and sets out horizons. In this respect, the European Commission's tribute is contradictory: the [White Paper on the future of Europe](#), released on 1 March, considers the question of what Europeans want to do together and how they could do it, together or separately. But for the first time in sixty years, the Union is not expanding but shrinking. For the first time in sixty years, Europeans believe their children will have harder lives than they did. For the first time in sixty years, democracy is being threatened on the continent and, aggravating this situation, from within. The greatest danger for European construction is not the crisis: it is complacency about the crisis.

[\[1\]](#) The Eurobarometer, created in the spring of 1974, measures confidence in European institutions and the European Union, and is intended to reveal Europeans to one another through the expression of their respective public opinions.

[\[2\]](#) The HDI aggregates indicators on health, education and income on a parity basis.

[\[3\]](#) If the special case of Luxembourg is left out.

Do we need a universal basic income? The state of the debate

By [Guillaume Allègre](#) and [Henri Sterdyniak](#)

In a situation of continuing high levels of unemployment and poverty, heightening job insecurity, and fear about job losses due to automation, the proposal for a universal basic income has become a part of the economic and social debate in France and in other developed countries. Such a programme would pay a monthly allowance to any person resident in a country with no conditions on means or activity. On 13 October 2016, the OFCE, as part of its mission to stimulate informed economic debate, held a study day, which was attended by researchers who had worked on this project, to develop, support and criticize it. An [e-book](#) brings together most of the contributions that were presented and discussed during the day, some of which were revised to take into account the discussion.

The discussion focused on a number of points:

- What kind of social project do universal income proposals form part of? How would such a programme work in terms of increasing the levels of an allowance and how would it fit in with current social protection schemes?
- Is it possible to finance a universal basic income?
- What would be the financial consequences for different categories of households, especially those in a financially precarious situation?
- What would be the impact on activity, employment, unemployment, wages, working conditions, and in particular on menial labour, part-time work, precarious work, and low-wage jobs?

- Is universal income a response to the “end of work”? Is this latter a credible hypothesis?
- What are other possible ways to fight poverty and precarious work?

The article by **Henri Sterdyniak**, “From social minima to a universal basic income?”, describes the current state of the social assistance system in France, including the social minima and in-work benefits. These programmes are targeted and relatively generous, but the system is complicated, with intrusive controls, and social assistance is often perceived as stigmatizing. The article argues for maintaining the family-oriented character of income tax and social benefits. The author discusses the various arguments for universal basic income proposals and how they would work. If one wants to maintain social insurance benefits (unemployment, pensions) and universal benefits (health), a universal basic income should be financed mainly by an increase in direct taxes on households, which tends to render it unrealistic. On the other hand, it is not socially desirable to abandon the goal of full employment and to permanently exclude a large part of the population from work, even if it is guaranteed an income just above the poverty level. The article argues for a guaranteed minimum income (means-tested) on a short-term basis to promote economic recovery, for the creation of public jobs, and for “last resort” jobs, and in the longer-term for work-sharing by reducing working hours and work rates.

The article by **Guillaume Allègre**, “Universal income: Utopian or pragmatic?” emphasizes that a universal basic income is often assigned two objectives: on the one hand, to manage the end of work and, on the other hand, to simplify the tax-benefit system and eliminate the lack of take-up. For some, the income should be sufficient to live, while for others it should be relatively weak so as not to upset the tax-benefit system. Doubts remain about the reality of the scarcity of work. Moreover, a generalized reduction of working time seems

to be a more sustainable strategy than a universal income, because it deals with all employees instead of cutting society into two. Perhaps a universal basic income should be considered to be a tax-benefit reform that would help mainly to combat the lack of take-up of social benefits. We would go from assistance that must be personally requested to an automatic universal benefit. This raises the corollary question of the individualization of the tax-benefit system. The public authorities are faced with a trade-off between a simplified automatic system on the one hand and a system that offers fine-tuned responses to needs on the other.

The article by **Gaspard Koenig**, "A living income," denounces the current in-work income support system ("RSA"), deeming it paternalistic, unfair and stigmatizing. He argues for a liberal conception of a basic income that allows each individual to be responsible and autonomous and to define his or her own needs. The universal basic income would be 500 euros (250 euros for children) in the form of a tax credit, while a 25% tax would be the only income tax. The reform would not fundamentally change the distribution of wealth but would free the poorest from being haunted by poverty through providing stability and security.

The article by **Guillaume Mathelier**, "A step towards the equality of initial endowments: Towards a well-lived life", assigns society the philosophical and political objective of guaranteeing each individual "a well-lived life". The moral requirement of ensuring the "equality of initial endowments" involves three measures. The first measure concerns the establishment of a living income to cover basic needs from age 18, and comprises on the one hand an egalitarian, universal income, without imposing any requirements, together with a supplemental amount to meet any special or local needs of recipients. The second measure envisages that a living income could be capitalized during childhood and paid at age 18 in the form of an "emancipation capital", which would have a

counterpart consisting of compulsory civic service. Finally, non-monetary rights (public services, preservation of natural vital resources, common goods) must be added to guarantee the philosophical and political objective of a “well-lived life”.

Jean-Marie Monnier and **Carlo Vercellone**, after having challenged the thesis of the end of work in their article “Basic income as primary income”, propose a re-examination of the notion of productive labour in cognitive capitalism where cognitive labour, intangible and collective, tends to spread over all social time and life. The increasingly social and collective nature of work makes it impossible to measure the contribution that each individual makes to production. Thus, basic income would constitute a primary income that is directly related to production, that is, the counterpart of activities that create value and wealth, which are currently unrecognized and unpaid.

The article by **Jean-Eric Hyafil**, “Implementing a basic income: Difficulties and solutions”, offers an example of a simple reform that introduces a universal basic income at the level of France’s current income support (RSA) for a single person (475 euros), which is financed through a restructuring of income tax. The purpose of the exercise is to use this example to highlight the stakes and difficulties involved in a tax reform that introduces a universal basic income and some solutions for rendering it possible. The budgetary accounting involved in a reform like this is considered, along with its redistributive effects, the question of the future of “income tax niches”, the issue of the individualisation or couple-based character of income tax, the mobilization of financial resources other than income tax to finance a universal basic income, etc.

The article by **Anne Eydoux**, “Conditionality and unconditionality: Discussion of two myths about employment and solidarity”, denounces two myths: first, that income support (RSA) and unemployment benefits discourage work, and second,

that waged employment is coming to an end and could be replaced by a universal basic income. The article shows that it is the weakness of the jobs offer and the employment reforms that are behind the persistence of unemployment and the development of precarious employment. The proposal for a universal basic income amounts to distributing resources without organizing the production needed to generate them. It neglects the centrality of work and renounces the goal of full employment. The article suggests avenues other than a universal basic income, in particular reducing the conditionality of social benefits, but also increasing the wages of jobs deemed unskilled and reducing working hours.

In "A basic income: A remedy or a trap?", **Jean-Marie Harribey** denounces the inconsistencies of the basic income project. He rejects the thesis of the end of work and the abandonment of the objective of full employment. He argues that work that is socially validated by the market or by a political decision is the only source of value, unlike domestic work, voluntary work or leisure activities, meaning that a basic income would of necessity constitute an income transfer. But distributing more income necessarily requires producing more, which is in contradiction with the thesis that a universal basic income would make it possible to escape the necessity of work. The article denounces the project's risks: the divide between those who would have a job and those who would be excluded, and the calling into question of social rights. It proposes the collective reduction of working time and a guaranteed allowance for adults.

The article by **Denis Clerc**, "A basic income: Much ado about not much?", presents an analysis of universal income proposals, which he criticizes for requiring a lot of gross transfers to produce only weak redistributive effects. The same result could be achieved much more simply by boosting the incomes of the poorest strata (through benefits or the creation of socially useful jobs partially financed by the

community) and taxing the richest strata. He worries that raising taxes on the wealthiest would encounter political and economic obstacles. He hopes that experiments might be put in place and that decisions would not be taken until the results were known.

Paul Ariès in "For a demonetarized universal basic income: Defending and extending the sphere of the free" proposes an individual autonomy allocation, which to the maximum possible would be given in a demonetarized form: one part in the national currency, one part in a regional currency if possible so as to facilitate the relocation of activities towards those with high social and ecological value added, and the essential part in the form of rights of access to common goods. The aim is to extend the sphere of what's free. This free component would be used to democratize the functioning of the public services, to rethink existing products and services ecologically and socially, to decide what should be free and therefore produced as a priority, and to establish the commons, i.e. relationships based on reciprocal giving.

The text by **Bernard Friot**, "Continuing to affirm a non-capitalist production of value thanks to the political status of the producer", rejects both the basic income project (which would allow capital to no longer assume the responsibilities of employers and to organize a fall in wages and job insecurity) as well as the Keynesian response of full employment, shorter working hours and redistributive taxation. Workers must fight not for a better distribution of value, but for the production of an alternative value. They must replace capitalist institutions (profit-seeking ownership, credit, labour market) by institutions inspired by social welfare and the civil service: non-capitalist production, personal skills, lifetime wages, and the financing of investment through an economic contribution.

The article by **Mathieu Grégoire**, "The part-timers regime: A wage model for all discontinuous employment?", starts with the

experience of setting up and maintaining France's regime governing entertainment professionals (*intermittents du spectacle*). The latter organizes the socialization of wages through a framework of mechanisms ensuring interprofessional solidarity and not through a public subsidy financed by the taxpayer. Furthermore, the struggle for an unconditional income must develop through the extension of the wage relationship and the requirement of a wage for all and not through redistributive mechanisms. Based on the system for entertainment professionals, all employees in discontinuous employment should be provided with a right to an indirect socialized salary.

In any event, the debate on a universal basic income will not have been in vain if it allows for progress on two important points: the level and conditions of access to minimum social benefits, and the evolution of work.

For more, see the e-book: [Guillaume Allègre and Henri Sterdyniak \(coord.\), 2017 : « Faut-il un revenu universel ? L'état du débat », OFCE ebook](#)