Björn Hacker

Unequal Europe

Tackling Regional Disparities in the EU

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In the European Union, a social and spatial polarization has emerged between economically developed centres and peripheral regions, each reinforcing the upward or downward movement of the other. These divergences have been fuelled by external factors such as structural change, globalisation, and severe economic crises. A shift is needed from the current paradigm of competition and growth to an integrated European economic and social policy aimed at building protection and resilience in the face of global challenges such as pandemics or climate change.

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With the financial support of the European Parliament.

The present report does not represent the European Parliament's views.

European Parliament

Acknowledgements
The author would like to thank all of the authors involved in the eight country-specific disparity reports, as well as the FES and FEPS teams for their helpful comments on earlier drafts of this study.

Additional information and supplementary materials are published at
https://www.fes.de/en/politics-for-europe/unequal-europe

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FOREWORD

The European Union was once called a "convergence machine" but the EU can take less and less credit for territorially balanced economic development. Eastern economies that have produced higher than average long-term GDP growth rates have developed great internal imbalances despite receiving vast resources from EU structural and investment funds. Similarly, the once converging EU South experienced striking divergence at the time of the euro area crisis which has been haunting them ever since, especially in the course of the pandemic. EU member states collectively responded to the pandemic recession with an unprecedented fiscal package. However, unless territorial cohesion becomes a priority within the emerging recovery and resilience plans, underdeveloped regions will continue their stagnation or decline and diverge even more.

We are witnessing a worrisome vicious cycle, deepening imbalances both across and within EU member states. On the one hand, some lagging regions have fewer and fewer industries and economic activities, which results in high-skilled people moving away. This in turn results in the worsening of the conditions for relaunching economic dynamism and in the medium-term infrastructure and public service investment decrease, with a further loss of human and non-human capital. Highly urbanised areas have been further advantaged in areas with concentrated economic activity that attracts more and more people, resulting in higher living and housing costs, but also in higher pollution and higher risk of social exclusion. On the other hand, the economic and social problems of rural areas and those suffering from industrial and economic decline are often forgotten, less visible and less frequently discussed. Cumulative economic disadvantages and social marginalisation only become frontpage news when we witness the repercussions in various forms of populist backlash.

The Europe-wide research presented in this volume examines 11 socioeconomic and wellbeing indicators in 8 EU member states, clustering regions in terms of socioeconomic inequalities. (Germany, France, Italy, Spain, Sweden, Finland, Estonia, Romania). This shows that the advantages of income growth and job opportunities have been distributed in an increasingly unequal way, not only within the layers of society, but geographically as well. Some of the intra-national imbalances are better known and even proverbial. The North-South divide within Italy has long history, while the East-West gap within the federal Germany is more recent. Romanian economic geography remaining heavily structured by the reverse L-shaped Carpathian Mountains is not surprising. But the divide between peripheral areas and urbanised growth centres is a trend affecting all countries. Metropolitan areas with diversified economic structures have benefited more from the internal competition at the national and European level than rural regions with little innovative potential and serious impediments to structural change. Resulting social and spatial inequalities fuel dissatisfaction with the political and economic systems in many European countries.

Why is it a European problem? First, it affects more or less all EU countries. Second, it challenges the unity and convergence that is at the core of the European project. And, perhaps even more importantly, it is linked to the EU governance framework that treats the mission of "territorial cohesion" with financing but without a real strategy to fight regional inequalities. The responsibility to define development strategies is delegated to national and regional authorities that is shown to be insufficient. Territorial cohesion needs to be reconsidered and retooled. For example, cohesion policy cannot be effective if it is disconnected from the distribution of tax revenues and tax expenditures. Equalisation mechanisms should be adapted or redesigned. Very importantly, the local level must be empowered by having more direct access to EU budget resources.

Björn Hacker's policy recommendations presented in this report are unanimous: move away from the interregional competition principle that never lets those trailing behind catch up and create an investment state that takes an active role in innovation as well as regional development. Living conditions in Europe's peripheral regions cannot improve and social inequalities cannot be reduced without a renewed strategy to fight the regional divide. The European Union has a decisive role to play here. The EU shall reaffirm its mission towards well-being, decent and improving living standards for all Europeans and can attain this with a policy mix comprising an ambitious social agenda but also the coordination of economic policy, a rethinking of cohesion policy and a post-Covid-19 recovery strategy leading to a new growth model capitalising on the green and digital transitions.

LÁSZLÓ ANDOR, Secretary General
Foundation for European Progressive Studies

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EXECUTIVE SUMMARY

The European Union is not only fraught by social and economic inequality between the member states, but member states themselves show stark socioeconomic spatial disparities. Spatial socioeconomic polarization has emerged between Europe's economically developed population centres and their outlying regions right across the continent. These spatial differences are not only fuelled by external factors such as structural change, globalisation, or severe economic crises; they are also a result of prevailing economic and regional policies.

This study uses a multidimensional approach in order to analyse how and where this kind of economic, social, and territorial inequality occurs in the EU. Here, reference is made to studies focused on Germany, Estonia, Spain, Finland, France, Italy, Romania, and Sweden. This paper summarises the findings of the individual country studies, compares these findings, and considers them against the background of the European multi-level system, which has revealed the following insights:

– Upon examination of the district or municipal data in all the countries studied, what becomes clear is a pattern of social and economic differences that cumulate into spatial disparities. Stark differences in economic structure, local labour markets and social development become apparent between central growth regions and peripheral regions. This polarization between population centres and peripheral areas occurs both socially and spatially.

– While the growth poles in and around metropolises are integrated into global value chains, outlying regions either struggle with structural change and deindustrialisation or are largely rural and strongly characterised by agriculture. These economically isolated areas are also socially characterised by, among other things, higher unemployment, the risk of poverty, or an ageing society.

– Although external factors such as structural change and economic crises that have contributed to and deepened spatial inequality, differences within the regions have been exacerbated by a virtually monolithic and largely neglected economic policy since the 1990s. Over the course of time, regions with favourable starting conditions have continued to prosper and left regions with disadvantageous starting conditions behind.

– In order to counter the uneven and crisis-ridden course of the European economic and development model, it is necessary to shift the existing competition and growth paradigm to an integrated European economic and social policy specifically aimed at attaining more equitable living conditions. This is an essential protective buffer in the face of global challenges such as pandemics and climate change, as well as the emerging industrial transformations to mitigate these crises.

1

INTRODUCTION

How and where is there economic, social and territorial inequality in the European Union and what can be done about it? This is the subject of investigation in this study as part of a comprehensive pan-European project undertaken by the Friedrich-Ebert-Stiftung (FES) and the Foundation for European Progressive Studies (FEPS). In the first stage of this project, individual studies were conducted on regional inequality in eight EU member states.[1] The next step has been to summarize and compare, contextualising the results in the surrounding economic and political framework of the multilevel system of the EU. We have deliberately chosen an approach that not only takes the classic economic indicators of gross domestic product (GDP) and GDP per capita into account, but also employment and the labour market, educational and development opportunities, prosperity and health, government action and political participation, as well as immigration and emigration.

The effects of EU policies on the region can by no means be addressed by merely considering EU cohesion policy. In its latest cohesion report, the European Commission (2017: 175ff.) reports investments of 480 billion euros in the period between 2014 and 2020, about three quarters of which are financed through European funding avenues, while the remaining financing is contributed by the member states. For the previous funding period, from 2007 to 2013, the report estimates a positive impact on EU GDP of 3 per cent. However, it is essential that regional inequality be contextualised, whereby EU cohesion policy is crucial since certain developments on the ground can only be explained in terms of changing circumstances, structural change, new challenges, crises and volatile policy preferences: "A wide set of structural features of the target regions shape the influence of the policy on regional economic performance. However, the interaction of Cohesion Policy with other EU (and non-EU) policies, as well as with political economy dynamics, is also a crucial factor conditioning impacts." (Crescenzi/Giuia 2017: 29).

This means that a multidimensional task must be undertaken that aims to close a gap between studies that have either focused exclusively on regional, national or European levels, or have taken a restrictively narrow focus on cohesion policy. There is, of course, the fundamental challenge of being able to prepare the available data in sufficient detail, as well as the question of its comparability. Data is often difficult to compare since different indicators must be used for the same subject categories depending on the national situation. To give an example: Infrastructural development can easily be measured in Finland, for example, on the basis of the availability of fast Internet in households; in Romania, the connection of households to public water supply is a better indicator. In contrast to the EU's practice in its cohesion reports, only very limited regional indicators are used here to take account of differences between member states.

Rather than undertaking an attempt at a comprehensive investigation of all 27 member states, eight countries were selected to form suitable groups for various considerations, in order to obtain as comprehensive a picture as possible of the socioeconomic situation within the EU. In terms of the temporal dimension of the European integration process, three founding members of the European Coal and Steel Community (ECSC) from 1951 are represented (Germany, France, Italy), Spain stands for the southern enlargement in 1986, Sweden and Finland cover the 1995 enlargement, Estonia (2004) and Romania (2007) for the enlargement to Central Eastern Europe. Except for Sweden and Romania, these countries are all members of the Eurozone, the innermost circle of integration. Two countries are social democratic welfare states (Sweden and Finland), two are conservative welfare states (Germany and France), and two adhere to the Southern European welfare model (Italy, Spain) (Esping-Andersen 1990; Ferrera 1996). The remaining two can be understood as post-socialist welfare states, but Romania belongs more to the group of the Southern European model and in many respects Estonia has developed into a liberal welfare state (Baum-Ceisig et al. 2008). In terms of per capita income, two groups stand out: Germany, Sweden, Finland and France, which are above the European average, and Italy, Spain, Estonia and Romania that are below.

The study is divided into three major sections. First, economic, social and territorial disparities in the EU are approached comparatively, with consideration to aggregate, country and regional perspectives (chapter 2). Subsequently, the level of observation is deepened by presenting the key findings of the eight country studies on regional disparities and examining them for similarities and patterns (chapter 3). The findings are then used to formulate recommendations for policies aimed at overcoming regional disparities (chapter 4).

1 https://www.fes.de/en/politics-for-europe/unequal-europe

2

INEQUALITY AS A EUROPEAN PHENOMENON

The startling increase in global inequality is now clearly evident and widely discussed. For some time now, the consequences of the gradual shift that many states and international economic organisations made 40 years ago have become quite evident. This shift was politically championed by Margaret Thatcher and Ronald Reagan and adhered to a course of political restraint from market activities while increasing the individualisation of socioeconomic risks. This increase in global inequality is internationally axiomatic (2.1) and has been illuminated by a great many scholars. Following the global financial and economic crisis in 2008, this kind of inequality became particularly obvious across the European Union (2.2) in both economic and social, as well as markedly territorial (2.3) terms.

2.1 INCREASING GLOBAL INEQUALITY

Thatcherism and Reagonomics paved the way for the replacement of what many Western economies perceived as the "golden age" of the 1960s and 1970s through their reliance on supply-side economic policies, tax competition, and the flexibilisation and redevelopment of markets once regulated by the public sector. Post war economics and Fordist mass production with extensive investment in infrastructure, expanded welfare states, and widely developed economic democracy were followed by a replacement of the real economy by the finance capitalist "game order" (Schulmeister 2018: 75). Instead of Keynesian global governance and economic policy actors seeking consensus in stakeholder capitalism, shareholder capitalism that focuses on short-term profits through high capital returns on internationalising stock exchanges has become increasingly dominant.

Based on the concepts of Friedrich August von Hayek and Milton Friedman, new market liberalism spread from country to country at different speeds by being incorporated into the programs of very different political actors. In Europe, this proved to be particularly influential when many social democratic parties adapted the theoretical constructs of the optimal allocative effects of free or unleashed market forces in the course of the so-called "third way" (Bailey 2009). Competitiveness had long since ceased to be a term for entrepreneurial competition; it was adopted for the professional and private lives of each and every individual. With the end of Cold War and its economic rivalry, the dream of a borderless world market became all the more real with its digital counterpart, the World Wide Web. This not only showed what was possible, but also promoted the imperative of market-oriented individuals and their societies. The flip side of flexibilisation, privatisation and deregulation, was the end of social advancement across the board. Wage stagnation and atypical forms of employment such as temporary, part-time, marginal and solo self-employment became the hallmarks of the modern labour market. The decollectivisation of workers' interests and the expansion of precarious working conditions (Standing 2011), along with the need for private provision to cover major life risks in the social sphere, all go hand in hand with social individualisation and continually reinforce it.

Almost 20 years ago, Joseph Stiglitz (2002) pointed out that the belief that free and borderless markets would automatically increase prosperity for all was, in fact, erroneous. This contradicted the globalisation euphoria prevailing at the time, and refuted the myth of the trickle-down effect that the Washington Consensus had tried to make credible. Colin Crouch (2004) was similarly quick to warn against the new, primarily market-focused world of work, for which there were supposedly no alternatives. The resulting insecurities for many employees due to loss of income, the risk of poverty, and the inability to keep up in a globally competitive environment would feed resentment of the political system and its establishment and provide right-wing populists with easy game. But it was not until the analytical aftermath of the global financial and economic crisis of 2008/09 that critical analyses of the new global capitalism began to make inroads in economics and sociology.

Meanwhile, the descriptions and analyses of new inequalities between states and within societies fills entire library shelves: Thomas Piketty (2013, 2019) has comprehensively traced the development of increasing income and wealth inequality, and criticised the dispensing of policy design instruments that have emerged over the few decades to reduce and prevent socioeconomic inequalities. Agnus Deaton (2013) draws attention to the unequal distribution of wealth between countries. Branko Milanović (2016: 225) looks into growing inequality within rich states. His analysis of a "predicament created by the forces of automation and globalisation (the 'middle class squeeze')" of broad sections of society between an upper class rising to the top and a middle class increasingly struggling with concerns of relegation is examined in detail by Andreas Reckwitz (2017) and Oliver

Nachtwey (2016). Dani Rodrik (2011), Joseph Stiglitz (2012), and Colin Crouch (2011), later Kate Raworth (2017) and Mariana Mazzucato (2018) challenge prevailing economic theories on market liberal globalisation, the belief in the efficiency of the market and its allocative powers, the assumed rationality of market processes and their actors, and the reliance on the market's self-healing powers. Anthony B. Atkinson (2015), Sebastian Dullien et al. (2011), and Paul Collier (2018) offer concrete suggestions on how to better regulate transnationally unleashed capitalism and save societies from growing inequality and social and political decay.

2.2 ECONOMIC AND SOCIAL INEQUALITY IN THE EUROPEAN UNION

The European Union was not spared the kind of increasing inequality described above. After the Second World War, beyond the narrative of fostering peace in the region, European integration was primarily fostered for economic purposes. This saw the formation of the customs union, the common market, and later the formation of the Economic and Monetary Union (EMU) that served to create a single European market. Many European policies that served other goals were also related to the creation of the common market. These include the phases of enlargement to include new member states, the implementation of the free movement of persons through the abolition of internal borders, and initiatives to strengthen economic, professional, and social development. New market liberalism, as outlined in chapter 2.1, also found its way into European states. As the single market project entered the home stretch and the Maastricht Treaty paved the way for the creation of the euro zone, the following 30 years saw the competition paradigm became more potent. Major contributing factors were the (2.2.1) deepening of constitutional asymmetry, the (2.2.2) shaping of policy coordination and (2.2.3) the management of the financial, economic and euro crises. Finally, in this study we look at the (2.2.4) development of economic and social inequality in the eight countries considered in chapter 3.

2.2.1 INTENSIFICATION OF CONSTITUTIONAL ASYMMETRY

In the conception of the Economic and Monetary Union (EMU), the Delors Plan followed an ordoliberal and monetarist-inspired understanding of the functioning of a monetary union. Unlike the Keynesian-inspired Werner Plan of the 1970s, fiscal policy instruments were no longer used at the community level to cope with asymmetric shocks. This saw the exclusion of policy instruments such as the synchronisation of budgetary procedures, fiscal harmonisation, an economic policy decision-making body, and wage policy coordination with social partners. Although the different phases of European enlargement made the Community more socioeconomically diverse, there was now a belief in the equalising power of single market integration. Since the business cycles of member states were not concurrent, the eradication of vulnerability to asymmetric shocks was tackled by simply making capital and labour more flexible, and by opening markets and using structural reforms to strengthen competitiveness. The dispute over the design of the EMU between supporters of a fiscal union and advocates of a stability union (here, see Brunnermeier et al. 2016 and Hacker/Koch 2017) was won by those who considered the most important goals to be keeping markets free of political regulations and the prevention of inflation. With this thinking, strict rules were needed to prevent interventionist fiscal policies and moral hazard. This evolved into the sanctions-based budget criteria of the Stability and Growth Pact and the no-bailout clause in the resulting treaties. This approach rendered a joint decision-making body for global economic governance unthinkable; after all, fiscal policy was to be kept at a distance as much as possible, and monetary policy was to be primarily committed to price stability rather than promoting growth and employment. The fact that the Stability Pact still bears the suffix of a growth pact in its name represents a last gasp of the concept of a monetary union according to the Keynesian reading, which was, however, largely empty: "The Maastricht Treaty never supposed that the European Monetary Union should include such an insurance scheme. Europe was not intended as an instrument for fiscal solidarity. From a German perspective, such schemes are plagued with moral hazard" (Brunnermeier et al. 2016).

In the years that followed there was no traction for a convergence model characterised by internal solidarity to reduce social and economic disparity that set out to bring living conditions closer together and saw "protection against reducing social standards" as a measure for increasing common European competitiveness (European Commission 1994: 5). This is largely because the positive integration mode of market shaping has progressed only in small steps, in contrast to the negative integration mode of market creation, which has advanced considerably with the single market and EMU. This "constitutional asymmetry" (Scharpf 2002) could be built up further because the European court generously interpreted the existing freedoms of workers, goods and services transactions, and capital mobility within the single market (Grimm 2016). This was also exacerbated because, with the EMU, the European Commission and European Council largely ignored the lack of a fiscal policy counterpart to monetary policy and focused instead on compliance with budgetary rules and pro-competitive structural reforms. Instead of agreeing on new regulatory instruments and procedures to shape positive integration, member states took refuge in clinging to national sovereignty (Becker 2015: 10) conditioned by the existence of historically evolved worlds of welfare capitalism (fundamentally, Esping-Andersen 1990 and Hall/Soskice 2001) that were difficult to reconcile.

2.2.2 SHAPING POLICY COORDINATION

In the mid-1990s, the idea emerged that member states should coordinate their economic, employment and social policies with each other, within a greater framework that would protect their sovereignty in the face of the faits accomplis of market and monetary integration. Soft governance was then supposed to help bridge the gap between market-creating and market-shaping integration.

Early fields of application of the new soft governance include the coordination of employment policies, that began in 1994, the Stability and Growth Pact concluded in 1996, and the Macroeconomic Dialogue from 1999 onwards. It was not until the turn of the century that the new form of governance was comprehensively institutionalised within the framework of the Open Method of Coordination (OMC) as part of the EU's Lisbon Strategy adopted in 2000. But the "makeshift bridge" (Hacker 2020) of policy coordination between the normative demand for common policies and the competences remaining in the capitals of the member states proved to be a shaky affair. Voluntary policy learning across national borders has proven strong and disciplining in those areas best served by treaty integration: in budgetary rule-making via the Stability and Growth Pact. Without quantitative targets with a contractual status (such as the government deficit and debt target), and the absence of sanctions (such as the opening of an excessive deficit procedure, at the end of which there may be financial penalties), the kind of "naming and shaming" envisaged in the process of cross-border system comparison only worked sporadically.

Early on, critics already warned that it was illusory to expect that a balance between market enhancing and market shaping integration could be achieved in this way. On the contrary, they said that this kind of policy coordination would become a Trojan horse for market-liberal ideas of competition that would penetrate the innermost areas of national economic and social policy (see Scharpf 2002; Offe 2003). Sure enough, it soon became apparent that policies released for coordination quickly became dependent on those areas that enjoyed greater integration. The protagonists of the competition paradigm were helped by the existing European settings of well-developed market integration, the competitive mindset between welfare states inherent in EMU (cf. chapter 2.2.1), and the instrument of prioritising certain policy objectives via the new governance structures. With the help of the coordination cycles, reform concepts for flexibilisation, deregulation and privatisation were able to diffuse across the member states. Suddenly, the focus was no longer on jointly identified economic and social goals as the cornerstones of a European social model, but on adapting national welfare states to a market-liberal global environment that was deemed to be in their favour. It was advantageous for the implementation of the objectives of fiscal sustainability and structural reforms that the finance ministers of the member states made themselves the authoritative decision-makers in the coordination cycles at an early stage via the increasingly powerful ECOFIN Council of Economic and Finance Ministers (De la Porte 2013: 412). The budgetary lens was not only utilised for national budget policies but also applied when negotiating the need for reform of pension systems and labour markets. As a result, the reform recommendations that were fed back to the member states emphasised individual flexibility and mobility for jobs, private pension savings, lifelong learning and low taxes, coupled with curtailed investment in public infrastructure and reduced social benefits. This was a result of the prioritisation of balanced state budgets and the emphasis on civic duties in the welfare state. This roughly represented the cornerstones of what Anthony Giddens (2006: 12f.) and the followers of the so-called Third Way called the "renewed European social model."

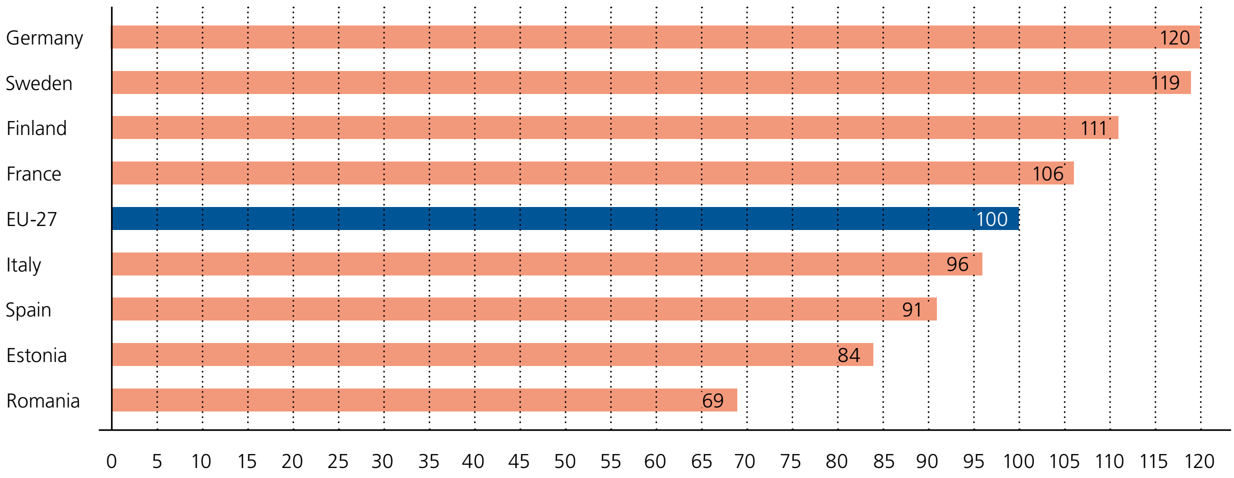
2.2.3 MANAGEMENT OF THE FINANCIAL, ECONOMIC AND EURO CRISES

The culmination of the orientation towards structural reforms and budgetary restrictions came after the global financial and economic crisis of 2009, when Keynesian crisis management, which was undoubtedly sensible in economic terms, was rashly declared to be over. European Community instruments, such as France's proposal to form a banking union, were rejected as a way of immunising the EMU against future financial crises. These instruments were considered alien to the stability union model that was adopted in Maastricht by those who sought to defend it. In the years that followed, Germany distinguished itself as an advocate of strict budget criteria and structural reforms. After Germany was able to put the major economic crisis behind it quickly thanks to comprehensive economic stimulus packages, bank rescue programs and a well-functioning social partnership, little sympathy was shown for those countries that still had high deficits and growing debt levels in 2010.

While many economists were aware of the systemic nature of the incipient euro crisis and many governments and representatives of the European institutions understood it, the narrative of the alleged debt crisis could not be exposed as being just one element among many other issues, and only being a small part of the truth. In view of the divergent economic developments measurable in unit labour costs and current account balances and the "one size fits none" policy of the European Central Bank, one could have seized the opportunity to integrate the elements into the EMU rulebook that were missed in Maastricht, in order to develop the EMU further according to the model of a fiscal union (see 2.2.1). But after Greece became the only long-term problem case for tackling budgetary sustainability, it was made into an example of austerity, and the euro rescue management imposed this half-baked concept on all crisis states (see Hacker/Koch 2017). In retrospect, even though Germany was one of the first countries to break the Stability Pact in 2002, it suddenly became the model student of the monetary union. The pro-competitive character of Agenda 2010, launched in 2003, involved the expansion of the low-wage sector and reduced social benefit entitlements, an export orientation with the help of wage policy stagnation, and the debt brake incorporated into the Constitutional Law in 2009. The Troika imposed these measures on all crisis states by means of macroeconomic adjustment programs as part of rescue umbrellas in return for urgently needed credit lines.

There has been no lack of alternative plans. From early on the Commission in particular developed reform roadmaps that went far beyond singularly focusing on stability. However, with the exception of the banking union, none of the concepts of deeper fiscal integration such as Eurobonds, European unemployment insurance, fiscal capacity, or European economic governance have been realised (see, for instance: European Commission 2012). It was not until 2015 that the

Figure 1
GDP per capita in PPS, selected countries 2019, EU-27 2020 = 100



Source: https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/bar?lang=en.

Commission was able to begin focussing significant attention on mitigating austerity policies and the social consequences of the crisis years and on making the application of the Stability Pact more flexible. This became the European Pillar of Social Rights in 2017, a declaration of intent that begins with a preamble referring to the social dislocations following the euro crisis (see Hacker 2019). The need to recall the social objectives of the Union became necessary in view of the results of the austerity policy when the procyclicality of crisis management deepened the economic crisis by capping demand in the affected countries. Instead of economic recovery, economic output fell because of a lack of investment, minimum wage cuts and pension reductions. The loosening of employment protection, the piercing of the collective bargaining landscape and the extensive privatisation of state-owned companies led to stagnation in wage development and mass unemployment.

Figure 2
GDP per capita in PPS, selected countries and years, EU-27 2020 = 100

	2008	2013	2019
Sweden	129	129	119
Finland	123	115	111
Germany	118	125	120
France	108	110	106
Italy	108	100	96
Spain	102	90	91
Estonia	70	77	84
Romania	52	55	70

Source: https://ec.europa.eu/eurostat/databrowser/view/tec00114/default/bar?lang=en.

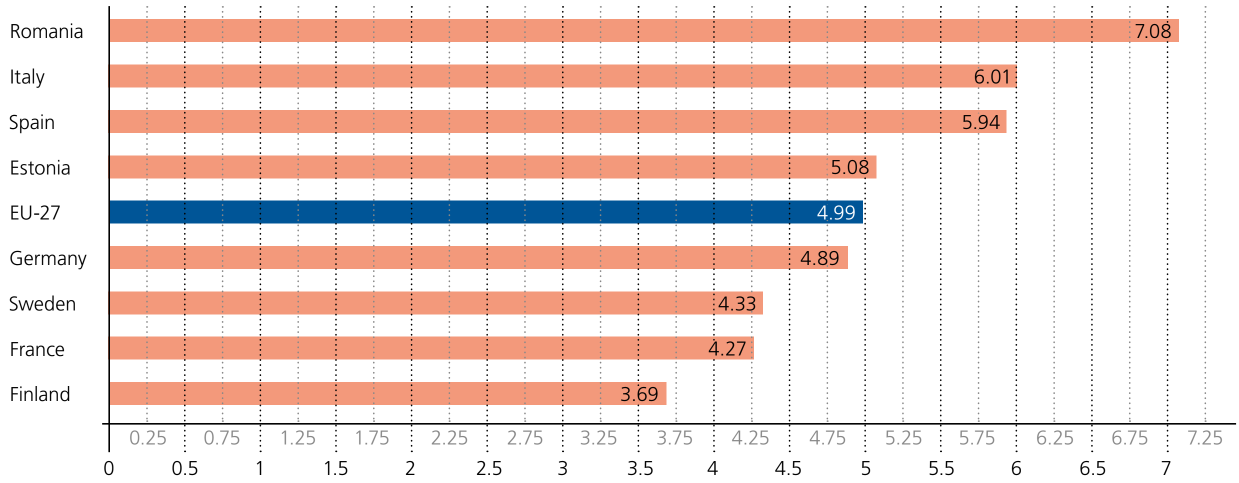
2.2.4 DEVELOPMENT OF ECONOMIC AND SOCIAL INEQUALITY

By looking per capita income in the eight countries in focus here according to purchasing power standards (PPS) and relate it to the European average (EU-27 2020 = 100), a split becomes apparent in the year before the start of the Corona crisis (see figure 1) between four countries with above-average wealth (Germany, Sweden, Finland and France) and four countries with below-average wealth, i.e., relatively poor countries (Romania, Estonia, Spain and Italy).

This was not always the case. Before the start of the crisis decade, Italy and Spain belonged to the group of countries wealthier than the EU average. Figure 2 shows how both countries have been thrown back relative to the EU average to 96 per cent (IT) and 91 per cent (ES) of GDP per capita – a direct result of the long-acting euro crisis and its management (see chapter 2.2.3). In contrast, France has been able to maintain its position in the group of wealthy member states (106 per cent of GDP per capita in 2019). Romania (70 per cent) and Estonia (84 per cent), as catching-up economies, are clearly approaching the EU average in the period under review. For Sweden (119 per cent) and Finland (111 per cent), income per capita falls relative to the 2008 EU average, but for Sweden only after 2015. As a result of this effect, Germany (120 per cent) has succeeded in occupying the top position as the wealthiest country considered here since 2016.

Analysing inequality within member states also reveals large differences in income distribution. Figure 3 shows the s80/s20 ratio by dividing the individual populations into quintiles and indicating the ratio of the total income of 20 per cent of the population with the highest income (top quintile) to the total income of 20 per cent of the population with the lowest income (bottom quintile) for 2019. For the countries considered here, what stands out is a three-way split around the EU average. On average, the disposable income of the top quintile of all EU-27 states is just under five times higher than the disposable income of the lowest quintile – Germany (4.89) and Estonia (5.08) are close, while Sweden (4.33), France (4.27) and, above all, Finland (3.69) have much lower inequalities within their societies. In contrast, income inequality

Figure 3
Income ratio s80/s20, selected countries 2019



Source: https://ec.europa.eu/eurostat/databrowser/view/tespm151/default/bar?lang=en.

Figure 4
Income ratio s80/s20, selected countries and years

	2009	2015	2019
Finland	3.71	3.56	3.69
France	4.42	4.29	4.27
Sweden	3.96	4.06	4.33
Germany	4.48	4.80	4.89
Estonia	5.01	6.21	5.08
Spain	5.87	6.87	5.94
Italy	5.31	5.84	6.01
Romania	6.53	8.32	7.08

Source: https://ec.europa.eu/eurostat/databrowser/view/tespm151/default/bar?lang=en.

is more pronounced in Spain (5.94), Italy (6.01) and Romania, where on average the top quintile earns around seven times (7.08) as much as the bottom quintile.

Over time (see figure 4), there have been relatively small changes since 2009 in the countries showing below-average inequality in 2019. In contrast, income inequality rose sharply in the two Eastern European countries between 2009 and 2014/15, only to largely decline again in the following years. Income inequality also increased in Italy and Spain between 2009–2019, although only Spain managed a gradual reduction from 2016 onwards to close to the 2009 levels.[2]

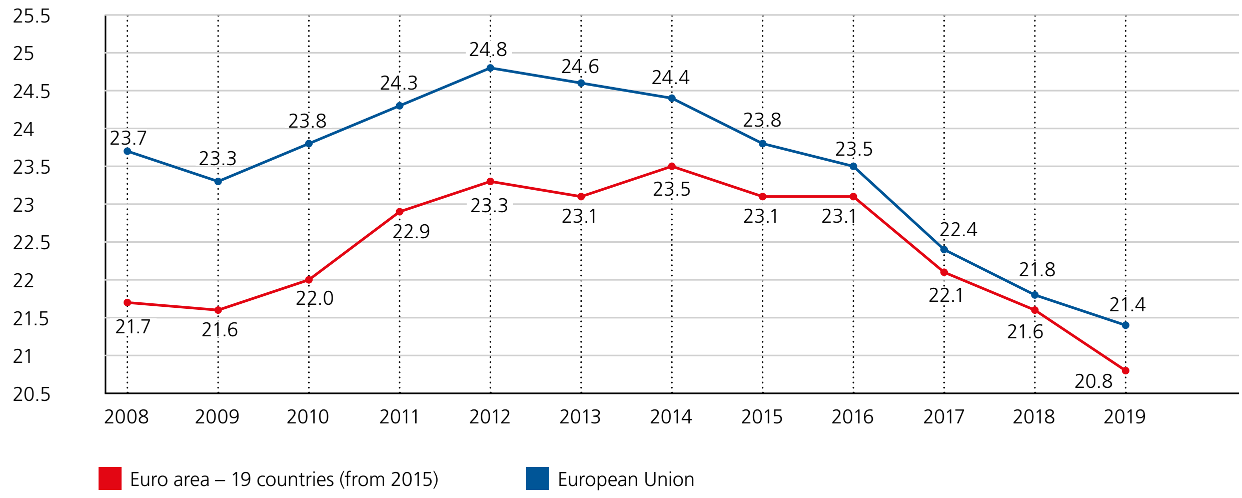
How successful has the EU been in combating the risk of poverty and social exclusion in the last decade? The relevant indicator includes all people who fall below the poverty line of 60 per cent of the respective national median income after social transfers, or suffer from severe material deprivation, or who live in households with very low work intensity. In the 2010 Europe 2020 Strategy, the EU set a target of lifting a total of 20 million people out of the risk of poverty or social exclusion. Between 2008 and 2019, it has achieved a reduction of just under half of this target. This is related to a sharp increase (see figure 5) in rates of vulnerability during the economic crises, from 23.3 per cent in 2009 to 24.8 per cent in 2012, and to the rate falling very slowly thereafter. In EMU, on the other hand, after the increase from 2009 to 2011 there is a long period of stagnation at a high level because of the euro crisis. Here, between 2008 and 2019, only just under two million people cumulatively succeed in escaping from the risk of poverty and social exclusion. Since 2016, a significant reduction can be observed, corresponding to the income growth rates discussed above. In 2016, the EU was able to reach the pre-crisis level again; in the euro zone, this was not the case until 2018.

In the comparative perspective of the risk of poverty or social exclusion, now measured by the success of poverty reduction since 2008, a familiar distribution emerges for 2019: The Southern and Eastern European countries are above the EU average, while the Scandinavian countries as well as Germany and France are below (see figure 6). While the changes over time in the group of countries performing below average are small-scale, i.e. with relatively low vulnerability rates (with at least Germany managing a reduction of 2.2 percentage points between 2012 and 2019), the developments in the other four countries are more remarkable: Romania is catching up in leaps and bounds – since becoming a member of the EU in 2007, its vulnerability rate has fallen by almost 16 points from the original 47 per cent in 2007 to 31.2 per cent; around three million people have been lifted out of risk.

In Spain and Italy, on the other hand, the risk of poverty and exclusion has risen sharply since 2009/10 and has only been reduced again fairly recently. Italy returned to its pre-crisis level for the first time in 2019, while Spain has not yet man-

2 See also the different calculation formula of the quintile ratios in Dauderstädt 2021. Here, a long stagnation phase in the reduction of inequalities between 2011 and 2017 (can be identified, starting with the euro zone crisis.).

Figure 5
Risk of poverty or social exclusion in per cent EU & Eurozone



Source: https://ec.europa.eu/eurostat/databrowser/view/t2020_50/default/line?lang=en.

Figure 6
Risk of poverty or social exclusion as per cent of population, selected countries and years

	2009	2012	2016	2019
Finland	16.9	17.2	16.6	15.6
Germany	20.0	19.6	19.7	17.4
France	18.5	19.1	18.2	17.9
Sweden	17.8	17.7	18.3	18.8
European Union	23.3	24.8	23.5	21.4
Estonia	23.4	23.4	24.4	24.3
Spain	24.7	27.2	27.9	25.3
Italy	24.9	29.9	30.0	25.6
Romania	43.0	43.2	38.8	31.2

Source: https://ec.europa.eu/eurostat/databrowser/view/t2020_50/default/table?lang=en.

aged to do so; cumulatively, almost one million additional people in Spain have been affected by increased poverty risk since 2008. In relative terms, barely more than five percentage points separate these two southern European countries from Romania. Estonia – which has always been in a better position than Italy and Spain in the period under review – experienced an increase in the risk rate until 2014, which it was only able to reduce in part; since then, it has remained on the side of the EU countries affected by an above-average poverty risk.

2.3 TERRITORIAL INEQUALITY IN THE EUROPEAN UNION

Early on, the European Social Fund (ESF), created with the European Economic Community (EEC), and the European Investment Bank (EIB) have been dedicated to eliminating regional disparities. In its preamble, the EEC Treaty mentions the objective of the six founding states "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and by mitigating the backwardness of the less favoured". The EU's regional and structural policies and other territorially effective programs that are collectively referred to here as cohesion policy have changed significantly over time. Following important landmarks of (2.3.1) cohesion policy reforms, it is necessary to examine the de facto (2.3.2) development of territorial inequality in the eight countries considered in Chapter 3.

2.3.1 COHESION POLICY REFORMS

The desire to achieve socioeconomic cohesion grew parallel to market integration and Community enlargements. After disparities widened with the inclusion of Ireland, Great Britain and Denmark, the European Regional Development Fund (ERDF) marked the start of a supranational regional policy of its own in 1975. It was not until after the southern enlargement to include Greece, Spain and Portugal and the linkage with the internal market project at the end of the 1980s that cohesion policy (often also referred to as structural and/or regional policy) gained shape. This was particularly formed by the transition from measure-oriented support policies to the structure of multi-year support programs practiced to this day, as well as the significant increase in the financial resources made available (Becker 2020a: 874).

Among the six founding states of the ECSC, economic and social indicators were still largely homogeneous, with the exception of the Italian Mezzogiorno (cf. Fina/Heider/Prota 2021: 5f.). It was only with the accession of the relatively poorer countries Ireland, Greece, Spain and Portugal in the 1970s and 1980s that the need for the EU's own cohesion policy grew considerably. According to Peter Becker (2020a: 876f.), the establishment of supranational structural and regional policies gained significant impetus as a balance was sought for conflicting national interests.

Since the negotiations on the completion of the Single Market in the Single European Act (SEA) at the end of the 1980s at the latest, the issue within the EEC has been, on the one hand, about support payments for poor new members who feared being cut off from the deepening of integration. On the other hand, it was about compensations for rich new members who expected a share of their net payments back into the EU budget through the instruments of cohesion policy. In the next rounds of enlargement, the required funds and funding targets grew in accordance with this scheme, as did the funding for specific regions. In addition to the classical categorisation of less developed regions (up to 75 per cent of the Community GDP average), transition regions (between 75 and 90 per cent of GDP) and more developed regions (over 90 per cent of GDP) in ESF and ERDF, outermost regions were included after the enlargement to Sweden and Finland in 1995. Already in the course of the negotiations of the Maastricht Treaty, a new source of regional funding was introduced in the form of the Cohesion Fund. After the eastward enlargement of the EU, between 2007 to 2013, the Multiannual Financial Framework (MFF) allocated more funds than ever before to policies to promote cohesion in the Community, at 35.7 per cent of the total European budget (Hartwig 2020: 551).

The benefits of cohesion policy for the acceding states Ireland, Spain and Portugal became measurable in their lagging and catching-up economic development towards the European average until the euro crisis and are considered success stories. However, the debate on promoting regional development made a striking turn after the largest round of enlargement with 13 new member states in 2004, 2007 and 2013. Even if their convergence efforts for GDP per capita can be described as a positive development overall (Dauderstädt 2014: 13ff.), the socioeconomic differences between old and new member states pose a considerable challenge to the creation of the Union's economic, social and territorial cohesion (Art.3 (3) TEU), which has been an objective since the Maastricht Treaty. The year 2013 saw a significant reorientation of cohesion policy that had been precipitated by new financial distribution conflicts between countries and groups of countries in the face of growing inequality in the Union. This was especially so after following the accession of the two large states Bulgaria and Romania, which lagged far behind in many economic and social indicators.

This reform was described as the "most significant and substantial set of regulatory changes" since the innovations in the wake of the European Economic Area (EEA) by John Bachtler et al. (2017: 1). The reform enforced a streamlining of regional policies with objectives of European economic governance. The above-mentioned target provisions of the treaties continue to apply, but their demand for more cohesion is complemented by objectives of growth, competitiveness, effectiveness, and budgeting. The priorities of the ten-year growth strategy Europe 2020 have applied since the funding period starting in 2014. After 2020, the provisions of the integrative policy coordination cycle European Semester will apply to all branches of cohesion policy. Newly introduced conditionalities tie the disbursement of funds to the fulfilment of partially non-disciplinary performance achievements of the member states in economic policy. The control of the use of funds was increased and the required application and reporting system was restructured. Becker (2020a: 875) states, "the European Structural Funds now entered the service of closer economic policy coordination and were to be harnessed to achieve common economic and employment policy goals and increase the competitiveness of European economies" (own translation).

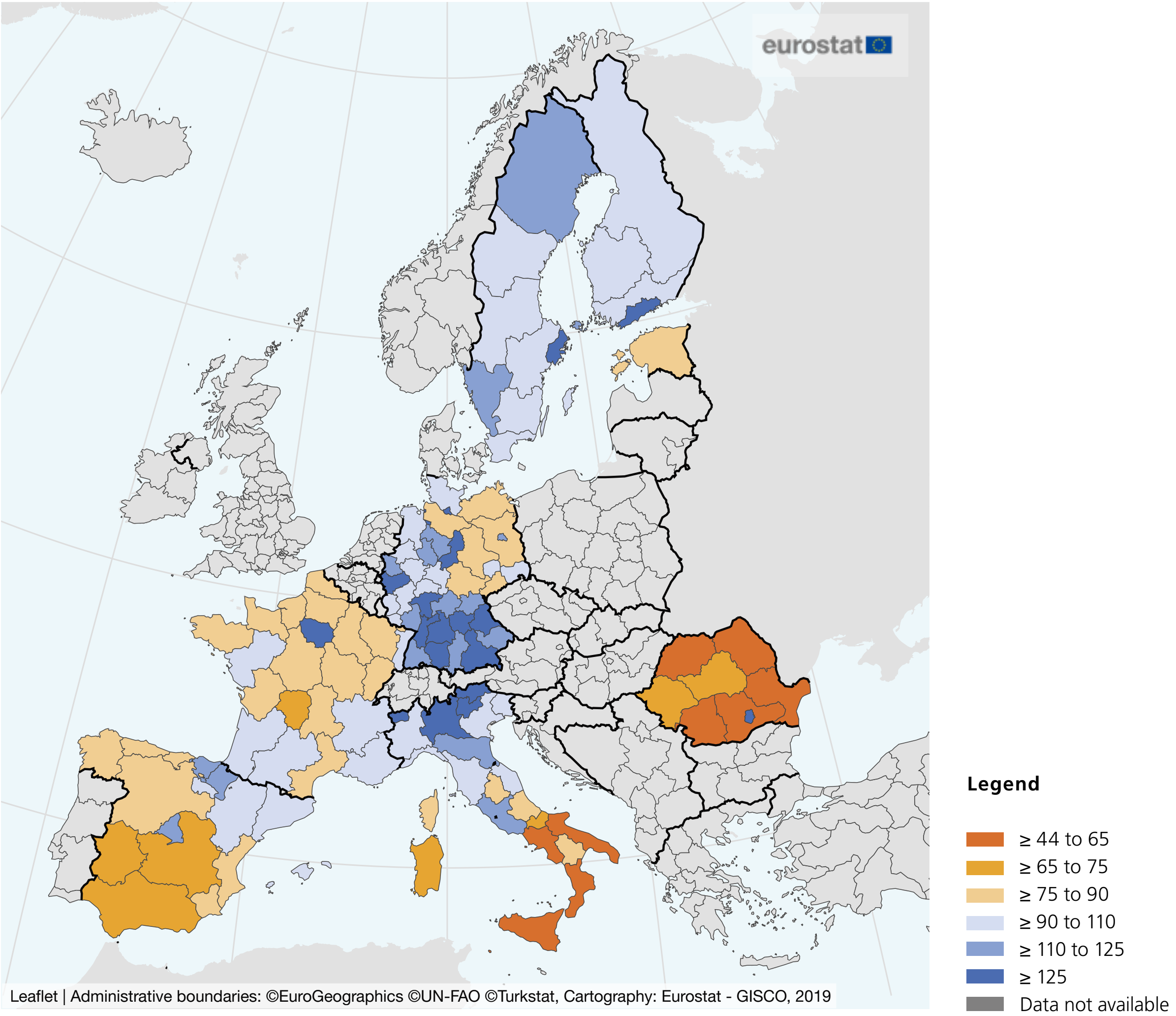
The broader use of cohesion policy was set in motion through the basic eligibility of all EU regions, linkage with overarching goals of the EU, as well as the approach for a more efficient and effective use of financial resources. At the same time, convergence between poor and rich regions was downgraded to a secondary objective below the focus on other political Union priorities. In this context, conditionalisation is a powerful political lever: Member states are obliged to take the challenges described in the national reform program and the country-specific recommendations (CSRs) of the European Semester into account. This linkage is to be reviewed several times in the funding period starting in 2021. The Commission can require adjustments in all funding programs if the economic governance procedures are not followed and can order a suspension of payments if the member state fails to act or if "the Commission finds that the proposal fails to address its reprogramming request, or the proposed changes are not correctly reflected in the Partnership Agreement and programmes, or they are not ambitious enough" (European Commission 2014: 10).

Measured against the need for a dedicated European financial capacity that is capable of political steering down to the regional level of the member states, the integration of cohesion policy into the development of a "European economic process policy" (Becker 2020b: 22) appears to be a sensible approach. For the funding period 2021 to 2027, the Commission defines five overarching objectives for investments, including digitalisation, climate change and the energy transition off fossil fuels, network expansion, social policy, and proximity to citizens, with priorities (65 to 85 per cent of resources) in the area of "smarter" and "greener, CO_2-free Europe." The allocation of resources in the future will also supplement the familiar criterion of GDP per capita according to three levels of development with other indicators, such as youth unemployment, education levels, climate change, as well as migration and integration. This may lead to more targeted allocations, but at the same time increases complexity and opens the field for special payments beyond the singular goal of convergence.

2.3.2 DEVELOPMENT OF TERRITORIAL INEQUALITY

Statistical distinctions are made at various levels in the EU according to the Nomenclature des unités territoriales statistiques (NUTS). While NUTS 0 represents the nation states and NUTS 1 summarises larger regions within the member states, NUTS 2 makes it possible to depict even smaller geographical units, often identical to local administrative bodies. For the eight countries considered in chapter 3, a socioeco-

Figure 7
Regional gross domestic product (PPS per inhabitant) by NUTS 2 regions, selected countries



Geopolitical entity (reporting) / Time: 2019 / Time frequency: Annual / Unit of measure: Purchasing power standard (PPS, EU-27 from 2020), per inhabitant in percentage of the EU-27 (from 2020) average.
Source: https://ec.europa.eu/eurostat/databrowser/view/tgs00005/default/map?lang=en.

nomic indicator and an indicator related to life chances will now be analysed in detail at the NUTS 2 level.

Figure 7 shows regional per capita income in purchasing power standards (PPS) 2019 and clearly highlights the inequalities within the eight selected countries. According to this chart, the richest regions in Europe (over 90 per cent of EU GDP per capita) include all of Sweden and Finland; all of southern and western Germany except for the administrative district of Lüneburg, as well as the metropolitan regions of Berlin, Leipzig and Dresden in the east; northern and central Italy except for Umbria; northeastern Spain, Madrid and the Balearic Islands; southwestern and southeastern France, Île de France, Pays de la Loire and Alsace[3]; in Romania, the capital region of Bucharest. They are all above the European average, in some cases far above it, such as Hamburg (195 per cent), Upper Bavaria (173 per cent), Île de France (177 per cent), Stockholm (166 per cent) or Bucharest (160 per cent).

The areas with below-average per capita income, albeit with widely varying differences, are all of Estonia; large parts of eastern Germany; all areas in central France and many in northern France as well as Corsica; north-western and southern Spain, the Canary Islands and the North African enclaves of Ceuta and Melilla; all of southern Italy, Sardinia and Sicily; in Romania, all other regions outside the capital. Particularly far from the European average are the Italian regions of Sicily (58 per cent), Calabria (56 per cent), Campania (61 per cent) and Puglia (62 per cent), and in Romania, the three southern and the two northern regions (between 44 per cent and 64 per cent).

It is striking that the regions of the national capitals perform better than many regions in the country in seven of the eight cases[4] considered here, as well as the very pronounced wealth gaps in Germany (east-west), Italy and Spain (north-south) and France (centre-periphery).

3 The French overseas territories Guadeloupe, French Guiana, la Réunion and Mayotte will not be considered in the following.

4 Estonia is considered as a single entity on NUTS 2 level.

Figure 8
Number of NUTS 2 regions with strongly changing GDP per capita, selected countries

Countries: number of NUTS 2-regions	2019 improvement of 10 or more percentage points compared with 2008/2015	2019 improvement or deterioration by max. 9 percentage points compared with 2008/2015	2019 deterioration by 10 or more percentage points compared with 2008/2015
Germany (DE): 38	4 / 1	30 / 34	4 / 3
Estonia (EE): 1	1 / 0	0 / 1	0 / 0
Spain (ES): 19	0 / 0	3 / 19	16 / 0
France (FR): 22	– / 0	– / 22	– / 0
Italy (IT): 21	0 / 0	3 / 21	18 / 0
Romania (RO): 8	8 / 6	0 / 2	0 / 0
Finland (FI): 5	0 / 0	2 / 4	3 / 1
Sweden (SE): 8	0 / 0	1 / 6	7 / 2

Source: Eurostat data as in figure 7/own calculations. No data for France 2008 available.

Looking at the data on per capita income over time until 2019 and filtering for sharp changes (+/–10 percentage points), we see a significant decline compared with the pre-crisis level of 2008 (see figure 8) in all but three regions of Spain and Italy, but also in all but one region of Sweden and in more than half of the Finnish regions. The situation improved significantly in the years following the end of the euro crisis in 2015 for the two Scandinavian countries as well as for Italy and Spain, since the downward trend could be halted in most regions. The remaining regions with decreasing GDP p.c. between 2015 and 2019 are all regions that maintained high income levels even after the most recent decline: Bremen (144 per cent), Hamburg (195 per cent), Rheinhessen-Pfalz (110 per cent), the Åland Islands (116 per cent), Stockholm (166 per cent) and western Sweden (115 per cent). However, there have been no striking improvements in the income situation in the majority of the regions considered here over these four years: Except for the administrative district of Braunschweig (2019: 146 per cent), this remains the case for six out of eight regions in economically catching-up Romania.

Instead, stability prevails. A prime example are the 22 French regions, all of which show neither conspicuous upward nor downward mobility in the period analysed. In both the short and longer term, Germany stands out: here, too, very few regions show drastic changes in per capita income.

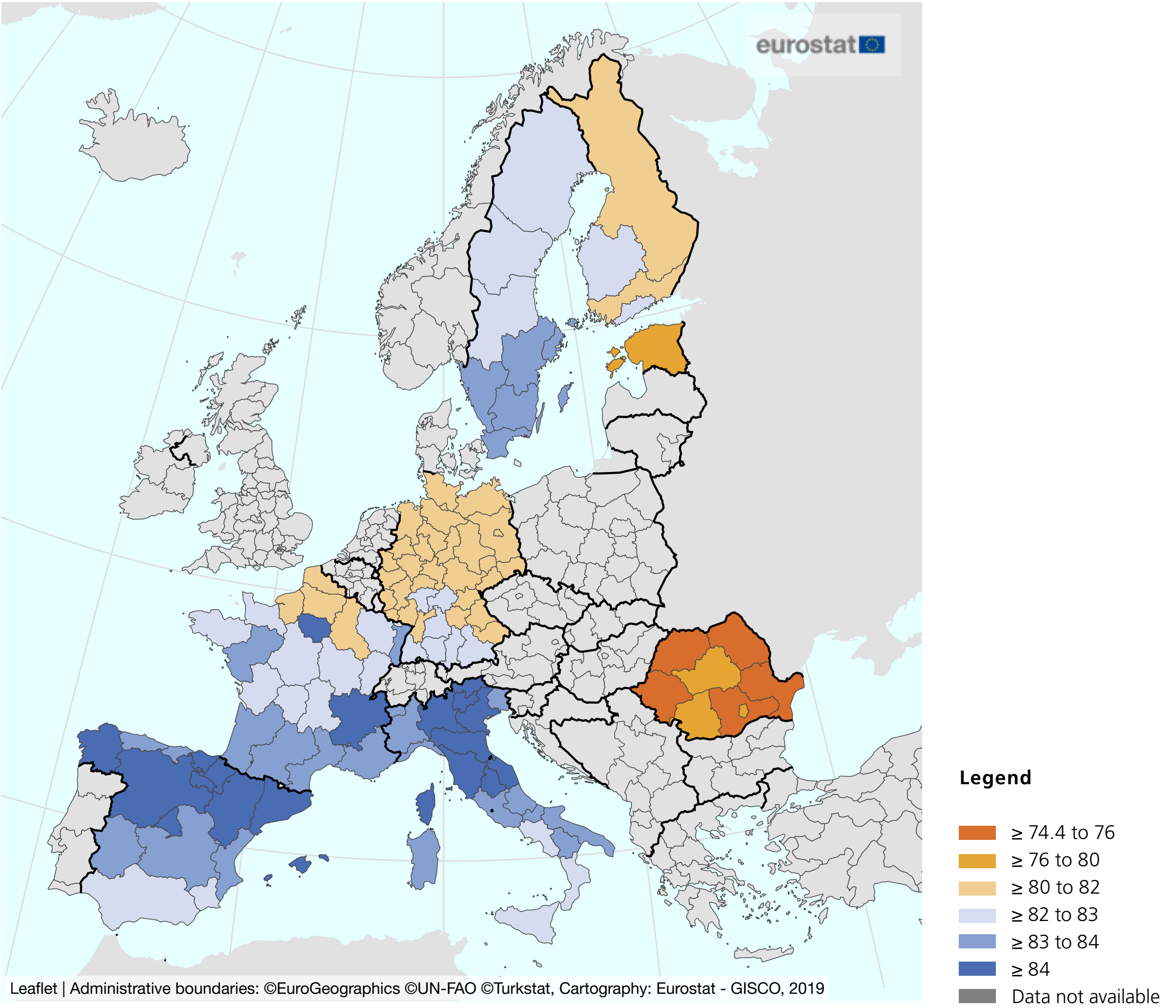
Looking at the overall picture back to 2008, apart from all Eastern European regions, the only regions that succeeded in significantly improving their respective income positions were in Germany the Upper Palatinate (2019: 126 per cent), Upper Franconia (114 per cent), Berlin (123 per cent) and Braunschweig (146 per cent). The reasons for this cannot be identified across the board. This is similarly true for the few regions not losing (but also not gaining) in the period under review, namely Galicia (2019: 82 per cent), Castilla y León (86 per cent) and Extremadura (67 per cent) in Spain, South Tyrol (155 per cent), Puglia (62 per cent) and Basilicata (75 per cent) in Italy, Southern Finland (99 per cent), Northern and Eastern Finland (93 per cent) and Övre Norrland (115 per cent) in Sweden, for which no clear pattern of development emerges.

In the NUTS 2 breakdown, we can look at the average life expectancy of both sexes together in the region (see figure 9). In the eight countries considered here, life expectancy in 2019 varies between 74.4 years in south-eastern Romania and 85.8 in the capital region of Madrid. However, the maximum difference of more than eleven years quickly melts away when Western and Eastern Europe are considered separately. Among the eight countries, Romania alone still has regions with life expectancies of less than 76 years. The centre, the southwest and the Bucharest region are already above 76, Estonia at 79. Between the Western European regions, the maximum gap is just under 6 years, starting with Saxony-Anhalt in Germany with a life expectancy of 80. The highest life expectancies above 84 years can be found in the Mediterranean countries, especially in northern Spain and Madrid, the Balearic Islands and the Canary Islands, northern and central Italy, as well as in the Rhônes-Alpes region, Corsica and Île de France.

In Spain and Italy, life expectancy tends to decrease towards the southern regions of both countries; in France, Germany and Sweden, the trend is in the opposite direction. While most of the regions considered here have the expectation of over 82 years, this does not apply to two regions in Finland (north-eastern and southern Finland) and four regions in France immediately north of the Île de France and most regions in Germany. Here, only seven regions in the German states of Bavaria, Baden-Württemberg and Hesse show a life expectancy of more than 82 years.

The differences in average life expectancy correspond in part to the previously considered income ratios (for example, in Spain, Italy, Romania), but this remains insufficient as an explanatory factor and shows numerous deviations. In order to explain life expectancy, a large number of factors have to be taken into account; a view based purely on individual average income does not go far enough. If we look at the develop-

Figure 9
Life expectancy by NUTS 2 regions, selected countries



Geopolitical entity (reporting) / Time: 2019 / Time frequency: Annual / Unit of measure: Year / Age class: Less than 1 year / Sex: Total.
Source: https://ec.europa.eu/eurostat/databrowser/view/tgs00101/default/table?lang=en.

ment of life expectancy over the relatively short period of eleven years between 2008 and 2019, it becomes clear that it has increased in all regions of Finland and Estonia, in six of eight regions of Romania, in 16 of 19 regions of Spain and in ten of 21 regions of Italy, with values of two years or more. Only three French and Swedish regions each are in the group of life expectancy increases of more than two years; not a single German region makes it among them.[5] While the highest increases in Estonia (plus 4.6 years) and Romania (southwest plus 3.5; northwest plus 2.7) can presumably be explained to a large extent by the transformation of the health and social systems, those in the capital region of Madrid (plus 2.9), on the Balearic Islands (plus 2.8) and in the North African enclave of Melilla (plus 2.6) are probably strongly due to immigration.

2.4 INTERIM CONCLUSION: WEAK SOCIAL STANDARDS AND INTERRUPTED PROCESSES OF CATCHING-UP

"Nobody falls in love with a single market" was the phrase used by former Commission President Jacques Delors (term of office: 1985–1995) to describe an explicitly political design and social framing of economic integration projects. This gave rise to the Social Protocol of the Maastricht Treaty, which formulated new employment and social policy Community tasks. But European-guaranteed labour and social standards remain insignificant when pitted against the importance of the internal market freedoms and the stability rules of EMU. Since the 1990s, the Union has suffered greatly from its asymmetry between market-creating and market-shaping integration.

In this context, policy coordination as a bracket between the demand for common policies and the desire of nation-states to protect their own sovereignty has not been helpful in establishing a European social model. The construction of numerous coordination cycles with initially good intentions

5 The highest increase can be found in the region Upper Franconia (plus 1.7 years). No comparable data to 2008 was available for the regions Chemnitz and Leipzig.

proved to be too weak to reconcile the predominance of negative integration with approaches of positive integration. On the contrary, under its President José Manuel Durão Barroso (term of office: 2004–2014), the Commission transformed the Lisbon Strategy into an instrument to stimulate pro-competitive structural reforms, low tax and contribution systems, financial market liberalisation, labour market flexibilisation and social security reform according to the criterion of financial sustainability. The market- and competition-oriented understanding of all policy areas converging in the coordination cycles concurrent with the heyday of the globalisation euphoria. The focus on economic growth and "jobs, jobs, jobs" (Kok 2003) also explains why the Commission did not see or did not want to see the formation of the serious macroeconomic imbalances between the euro states in the 2000s: After all, the later crisis states Ireland and Spain delivered high growth rates and Germany implemented pro-competitive structural reforms. For a long time, the ever-widening gap in unit labour costs and inflation rates between these and other countries was not perceived as a central problem of the EMU. Its architecture as a stability union without balancing fiscal instruments already holds an internalised concept of an intensified competitive system among member states. The euro crisis saw the culmination of the systemic deficits of the monetary union, but the competition paradigm is already so well entrenched that crisis management wrongly implements a structural policy approach to a cyclical economic slump with austerity policies. This artificial prolongation of the crisis leads economically to the deepening of social disparities and a "wasted decade" for the EU (Herzog-Stein et al. 2020: 18).

But until this was critically scrutinised across the board and cautiously corrected in Brussels under the aegis of Commission President Jean-Claude Juncker (term of office: 2014–2019), cohesion policy was already aligned with the goals of growth and competitiveness. Policy coordination, which has long since been put on track, will henceforth serve as a benchmark here: regional funding can only be disbursed only if the objectives of national economic governance are met. This not only downgrades the original objectives of cohesion policy, it also creates potential for conflict between central government and regional authorities. For the MFF 2021 to 2027, the conditionality of the inflow of funds will be further sharpened, but at the same time cohesion policy will be placed on a broader footing by linking it to five overarching policy objectives and going beyond per capita income to include social, educational, climate and environmental protection and immigration-related indicators.

The sobering fact is, that even among the six founding members of the ECSC, the differences could not be levelled out in 70 years despite ongoing convergence processes. Rather, the euro crisis made clear how uncertain and reversible convergence developments are in the EU. In its assessment of the pandemic's socioeconomic impact on the European regions, the European Commission (2021a: 100ff.) concludes that the increasing disparities observed over the last 15 years are expected to widen. This raises the question of whether the Community is well positioned with its instruments and processes to prevent divergence and adequately promote convergence?

3

REGIONAL DISPARITIES IN COMPARISON

Due to the diverse socioeconomic contexts within the EU, analysis of regional developments is constantly confronted with the problem of clearly identifying causal relationships and their generalised applicability. Regionally specific phenomena such as an inhospitable geography, extreme climates, and natural disasters, the existence of special mineral resources, historical disadvantages and national boundaries or population density are just some of the many factors that can explain certain developments in a given region. Moreover, they often provide inadequate information about their relevance when it comes to the impact of financial crises, transformation processes resulting from industrialisation or deindustrialisation, the expansion or decline of the social welfare state, emigration and immigration, and many other politically processed and/or motivated events. As the last chapter of this study has shown, the possible interactions of various factors and their effect on regional development must be analysed in the context of local conditions to avoid drawing premature conclusions or comparisons. The NUTS 2 level statistical classification has proven to be only partly useful for this purpose, especially when the efficacy of cohesion policies and related European policies are the key interest: "[T]he NUTS 2 level, at which eligibility and financial allocations are largely determined, may not be the appropriate level at which to capture policy effects using spatial econometric techniques" (Fratesi/Wishdale 2017: 819). The situation is compounded by the seemingly arbitrary demarcation of European regions on the NUTS 2 level: Sometimes it correlates to individual administrative areas and local authorities, though sometimes they have been grouped together in ways that do not play an independent role in the real political-administrative operation and in relation to the economic, social and other local challenges.

In a study for the European Parliament Committee on Regional Development (REGI), Marta Pilati and Alison Hunter (2020: 30) call for greater sensitivity to the diversity of regional developments that often tend to pass under the radar of EU political decision makers. Greater sensitivity to regional and locally specific phenomena not only requires an in-depth statistical analysis; it also requires the inclusion of socioeconomic development indicators that go far beyond simply examining income development. It is only by taking into consideration the respective national and regional situations, developments, institutions and actors in different areas of economic and social relevance that an adequate approach to the existing heterogeneity in Europe will be possible (Crescenzi/Giua 2017: 22).

Accordingly, it is advisable to apply a multidimensional cluster analysis, which – inasmuch as data availability allows – operates on the lowest regional statistical level. In an optimal scenario, these would be the local administrative units of municipalities (Local Administrative Units, LAU) or – on a slightly higher level – the NUTS 3 areas of smaller regions and larger cities. This is where the FES/FEPS Project on regional disparities applies, though it is limited by the availability of data. The selected indicators are comprised of five dimensions for measuring equality/inequality in all eight study countries and their regions: (1) economy, employment and job market, (2) educational and development opportunities, (3) prosperity and health, (4) state intervention and participation, (5) internal migration. However, the individual indicators for these five dimensions differed from country to country, which is due to the availability of data and also national and regional specifics that rule out some criteria for certain correlations, or which make them seem meaningless. Below we will first provide an overview (3.1) of the results of the eight country studies, by means of which the scale of the differences will become clear. We will then draw up models (3.2) of regional disparities by identifying similar problem areas.

3.1 RESULTS OF THE COUNTRY STUDIES

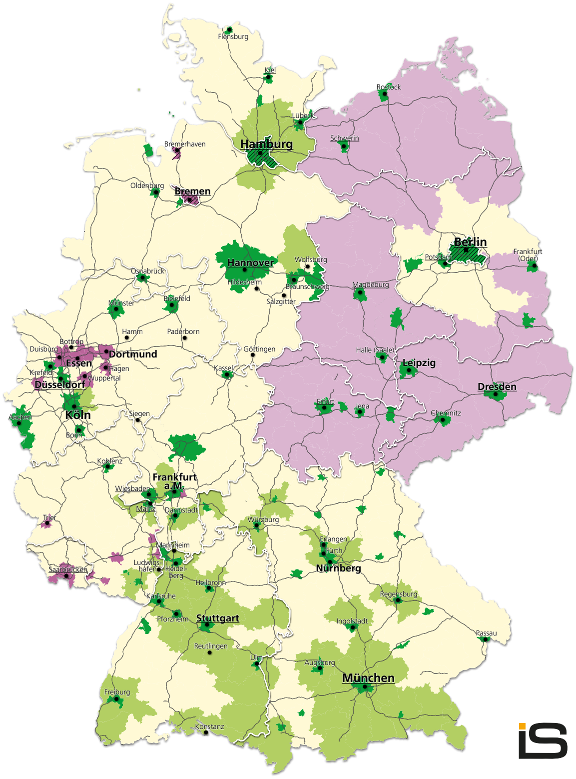
3.1.1 REGIONAL DISPARITIES IN GERMANY

In the cluster analysis (cf. Fina et al. 2019[6]) with indicators from the aforementioned five dimensions of inequality, five clear types can be identified on a regional level. These can be summarised in three categories:

A. **Dynamic large and medium-sized cities with exclusion risk (dark green) / strong urban environs (light green):** 36.4 million people live in these areas, which is 44 per cent of the population. Geographically (see figure 10) these islands of wealth predominate in southern Germany, however they can be found in and around many cities all over the country. These areas have the highest national levels of wealth, life expectancy (82 years), gross monthly salary (3,534 euros) and voter par-

6 The detailed description of the indicators used, the data sources and statistical calculation methodology can be consulted directly in the country study.

Figure 10
Disparity map of Germany



Source: Fina et al. 2019, 6.

ticipation (80.2 per cent). These regions are attractive due to their sustainable job markets and above average infrastructure. However, this success brings with it a tangible risk of rising living costs and correspondingly, increasing social disadvantage, especially in large cities (child poverty: 18 per cent, old-age poverty: 4.3 per cent).

B. **Germany's solid centre (ochre):** Of note on the disparity map are the large areas in the west of the country and the areas surrounding Berlin. These areas are home to 32.8 million people, or just under 40 per cent of the total population. The indicators measured in the five dimensions are generally in line with average values in Germany, however the proportion of highly qualified employees is lower (10.2 per cent vs 13.5 per cent German average).

C. **Suburban regions undergoing constant structural change (dark violet)/rural regions facing constant structural crisis (light violet):** These disadvantaged regions, home to 13.6 million people live (around 16 per cent of the population), are experiencing rural flight as many people move to the more dynamic mid-sized and larger cities (migration balance over 200 people per 100,000 residents). Large areas of eastern Germany are still suffering from the loss of entire industrial sectors and jobs as a consequence of reunification. The infrastructure in these regions is relatively poor (broadband internet: 59 per cent; proximity to a family doctor: 6.8 min.) and gross monthly incomes are low (2,464 euros). In the former West German mining and heavy industry areas by the rivers Rhine and Ruhr, as well as in Saarland, Bremen and Bremerhaven, structural change is clearly evident in the high debt burden of municipal budgets (6,373 euros) and high rates of child poverty (27.2 per cent).

Although Germany is in international comparison (cf. chapter 2.2.4) the most prosperous of the eight countries in the study and has hardly been affected by the financial crises of recent years, it nonetheless exhibits significant domestic disparities. Despite what the analysis on NUTS 2 level (cf. chapter 2.3.2) suggests, there is not only evidence of an East-West and North-South divide. In addition to the wealthy regions of southern Germany and the East German federal states still struggling with post-unification transformation, important differences are evident: In the north and the east there are numerous cities and metropolitan regions that are structurally dynamic in a positive sense (category A, dark green). Despite the wealthy southern federal states, some areas in western Germany are still dealing with major structural challenges, e.g. the loss of its heavy industrial base. In disadvantaged regions, the risk of progressive depopulation due to a lack of employment prospects is a virulent problem. Even in the "solid centre" the shortage of qualified workers is a growing problem. Moreover, one of the downsides of success in the affluent cities and metropolitan regions is a growing risk of social exclusion due to increasing living costs caused by an ongoing population influx.

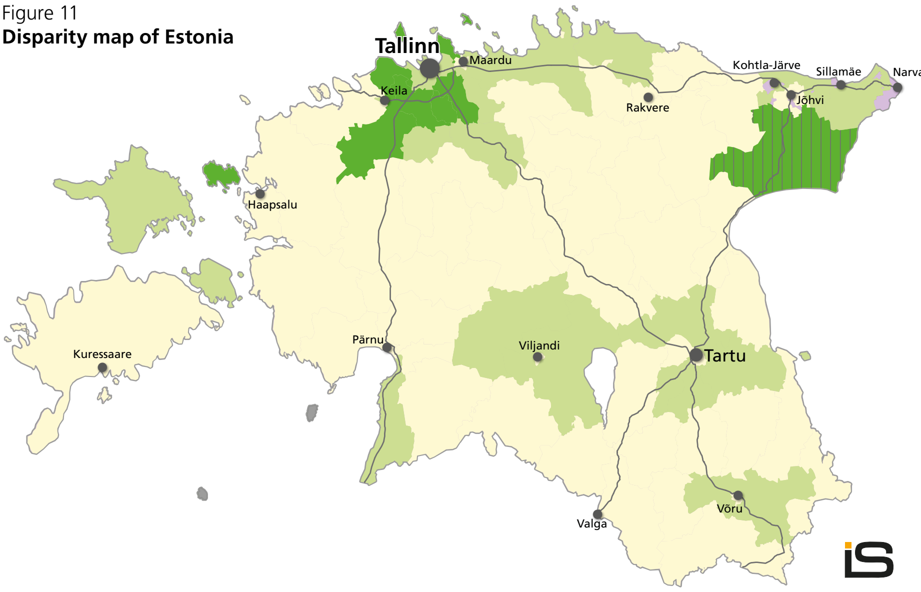
3.1.2 REGIONAL DISPARITIES IN ESTONIA

In this small Baltic country, four spatial types of socioeconomic disparity (cf. Fina/Heider/Masso 2021[7]) are evident. These can be summarised in two distinct categories:

A. **Flourishing regions and islands of wealth (dark green)/The better-off Estonia (light green):** 680,000 people or around 51 per cent of the Estonian population lives in areas in which the socioeconomic situation is above the national average. They are concentrated geographically (cf. figure 11) on several island locations in the Baltic Sea, areas adjacent to large and medium sized cities, and close to the Alutaguse national park region in the extreme north-east of the country. Among the metropolitan regions, the only one that is doing very well is the capital city Tallinn and its environs. Along with a few of the islands and the national park, it has the highest gross monthly income (1,604 euros), the highest voter participation in local elections (61.3 per cent), a low unemployment level (4.2 per cent) and a low number of early school leavers (3.8 per cent). However, this accounts for only around 100,000 people. This can also be explained by the fact that the capital city, and also the country's second largest city Tartu, cannot be counted among the most affluent clusters. Due to their broad social spectrum they belong to the second most affluent

7 The detailed description of the indicators used, the data sources and statistical calculation methodology can be consulted directly in the country study.

Figure 11
Disparity map of Estonia



Source: Fina/Heider/Masso 2021, 8.

cluster with slightly poorer socioeconomic indicator values than the "islands of wealth". Both clusters are attractive to outsiders and demonstrate positive balances of internal migration.

B. **Shrinking regions with socioeconomic problems (ochre)/Hot spots of long-standing structural disadvantage (violet):** Large parts of rural Estonia and also the largest island Saaremaa are below the national average in many socioeconomic indicators. For the over half a million people who live in these regions (ca. 49 per cent of the population), employment prospects are worse than they are in close proximity to large towns and cities. Many Estonians leave these regions which results in a lower number of highly qualified workers (25.1 per cent) and an ageing population (dependency ratio: 60.3 per cent). These regions are at risk due to transformation processes, for instance when mining or other industries are shut down and digitalisation pushes out traditional trades. Examples of this process can be seen in four municipalities in the north-east of Estonia: In the third-largest city of Narva, the textile manufacturer Kreenholmi that once employed thousands of workers went bankrupt in 2010. Here we can observe two types of transformation processes at work: The structural transformation of economic sectors as well as the aftermath of Estonian independence from the USSR in 1991. The roughly 100,000 citizens in these municipalities, which score poorly in almost all socioeconomic indicators, make up a high proportion of the once privileged Russian minority in the country who now experience problems finding work (unemployment level: 9.7 per cent) and earn relatively low gross monthly salaries (1,029 euros).

Overall, the regional detailed analysis of Estonia – which the NUTS 2 level cannot provide since the entire country is viewed as a whole – shows stark regional inequalities. Despite Estonia's impressive socioeconomic progress and its recovery after suffering considerably in the financial crisis (cf. chapter 2.2.4), geographic concentrations of business activity have apparently been consolidated. In terms of its population, Estonia is roughly divided in half between those regions that are prosperous and those that have been left behind. Tallinn and a few other mid-sized cities and their environs function as economic hubs and attract people from other parts of the country – which then fall back even further – by offering opportunities of increased prosperity.

3.1.3 REGIONAL DISPARITIES IN SPAIN

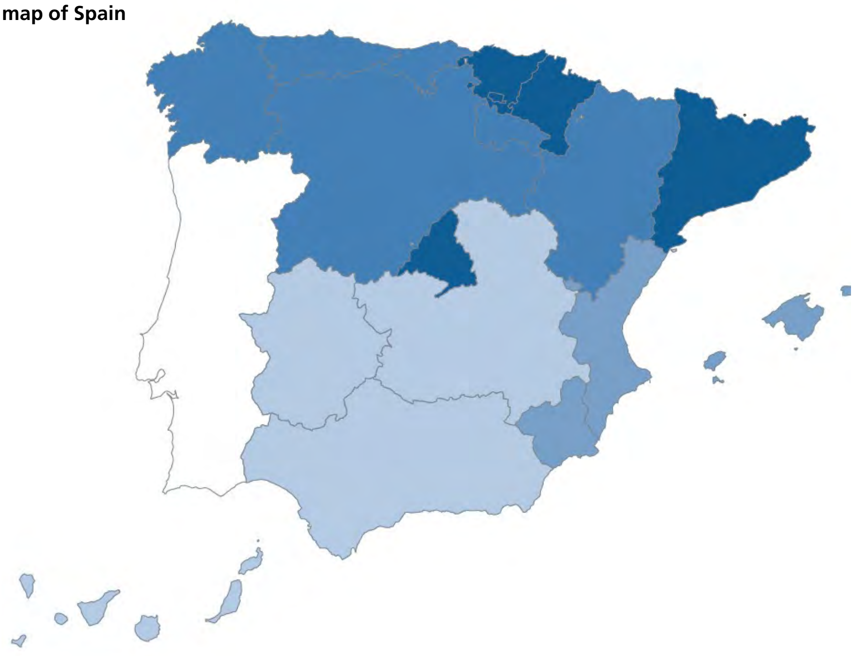
Four spatial clusters have been identified in Spain (cf. Colino et al. 2020[8]) that are defined on an administrative level in the 17 autonomous communities as well as the two autonomous cities of Ceuta and Melilla.[9]

A. **Affluent Spain (dark blue):** This includes the region around Madrid, the Basque Country, Navarre and Catalonia (cf. figure 12). Around 17 million people live in these regions, which is roughly 36 per cent of the population. Per capita incomes are highest here and are far above the national average (between 120 and 135 per cent). The proportion of highly qualified employees is high, and unemployment comparatively low. These four wealthy regions are particularly attractive due to the job opportunities afforded by their strong economies – the Basque Country and Navarre (except La Rioja) have the highest national employment rates in industrial sectors – and appeal to many Spaniards from other regions of the country. As a consequence, there is a positive migration balance. This applies to Catalonia in particular. As the country's largest cities, Madrid and Barcelona are especially attractive for jobseekers. The downside of the

8 The detailed description of the indicators used, the data sources and statistical calculation methodology can be consulted directly in the country study.

9 This corresponds to the NUTS 2 classification; a more detailed analysis was not carried out for Spain.

Figure 12
Disparity map of Spain



Source: Colino et al. 2020: 60.

increasing concentration of people in these megacities is a reduction of life quality due to increasing poverty and exclusion (around 20 per cent in both regions compared to 6–7 per cent less in Navarre and the Basque Country) as a consequence of the rising cost of living.

B. **The affluent north of Spain and Cantabria (medium blue):** Six regions in the northern half of the country form this category, in which 8.3 million people live (almost 18 per cent of the population). The standard of living in these wealthy regions is high, which is reflected in the high quality of public services. Expenditure on public education and healthcare is higher than the national average, unemployment is lower than in the country as a whole, and the risk of poverty and social exclusion is only slightly higher, and in some regions actually lower than in the most affluent category (between 14.4 per cent in La Rioja and 22.6 per cent in Galicia). In all six regions, industry accounts for a significant proportion of the gross value added, namely between 20 and 30 per cent. However, with the exception of Asturias and Cantabria, the proportion of highly qualified employees is very low (below 40 per cent). Although these regions are affluent, they are afflicted with socioeconomic problems and are therefore only attractive to a limited extent: Whereas in 2017 Cantabria, Aragon and La Rioja experienced little inward migration, there was a high rate of emigration from Castile and León and Asturias, as well as a low negative migration balance in Galicia.

C. **Mediterranean Spain (sea blue):** The Balearic Islands and the regions of Valencia and Murcia form their own cluster with a total of 7.6 million inhabitants (ca. 16 per cent of the population). They differ from the autonomous communities in the north in that they have a slightly lower income per capita and higher rates of unemployment – though the Balearics are slightly above the national average in both indicators and the other two regions are well below (2017 under 90 per cent of the GDP per capita and around 17 per cent unemployment). The proportion of university graduates in the active workforce is relatively low compared with most other regions. These results can be explained by the special importance of the tourism industry for economic development: There are few positions available for highly qualified employees in tourism-related services and the job opportunities are seasonally dependent. Whereas Valencia and Murcia have an industrial core with about 20 per cent value added, in the Balearics this sector accounts for just 7.2 per cent and jobs in the service sector make up almost 86 per cent, which is the highest in Spain; almost 80 per cent of employed people work in this sector. The high quality of life and the (seasonally dependent) good employment opportunities result in a positive net migration rate.

D. **Poor Spain (light blue):** This includes the southern regions of Castilla-La Mancha, Andalusia and Extremadura, as well as the Canary Islands and the north African enclaves of Ceuta and Melilla. Almost 14 million Spaniards live in these regions (around 30 per cent of the population), which lag far behind in terms of per capita income. As of 2017, the unemployment rates were very high, with up to a quarter of the working-age population without jobs, high rates of early school leavers, and few highly qualified workers. In Extremadura and Andalusia, the percentage of people working in agriculture and fisheries is the highest in the country (8.9 per cent and 6.8 per cent respectively) whereas the industrial sector accounts for under 15 per cent of all jobs. The risk of poverty and social exclusion is higher in these regions than anywhere else in the country (between 29 and 44 per cent in 2017). Broadband internet coverage for normal households is below the national average (76.09 per cent), with the worst coverage in Extremadura (48.44 per cent) Voter participation is relatively low in all these regions and emigration rates are very high in all areas except the Canary Islands.

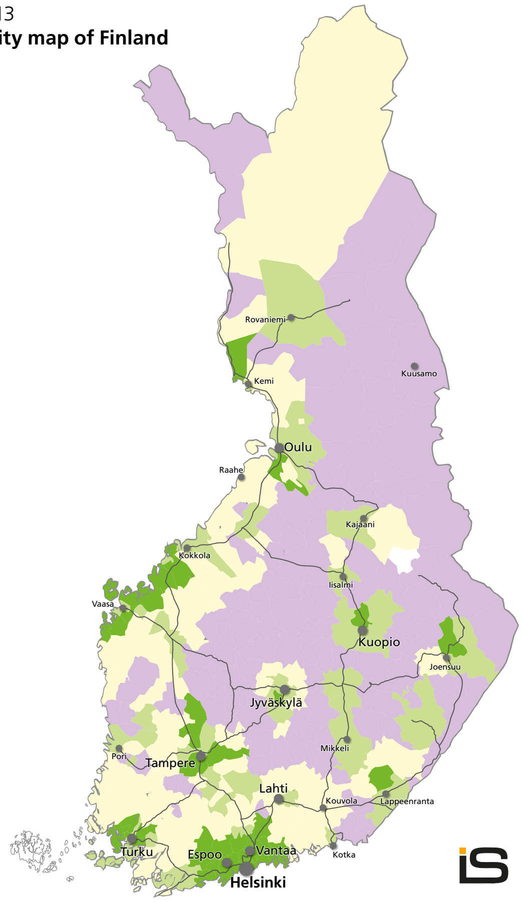
Overall, it can be observed that there are very different paths of development in the autonomous regions of Spain. Since the 1980s there has been a reduction in inequality resulting from sporadic urbanisation and industrialisation by means of political decentralisation in the course of greater democratisation as well as the support of the European cohesion policy. More recently, however, there has a been a growth of high inequality due to the financial crises of recent years (cf. chapter 2.2.4). Although the whole of Spain has fallen far below the average socioeconomic rating in the EU due to these crises, the differences between its national regions have become even more stark. However, the cluster analysis does not present a clear division between the rich north and the poor south, but rather diverse lines of conflict between the growing metropolitan regions of Madrid, Catalonia and Bilbao on the one hand and the sparsely populated regions suffering intensified outward migration including Extremadura, Castile and León or Castile-La Mancha on the other hand. In addition, the economic structure differs considerably between those regions with a strong industrial core in the north and Castile-La Mancha, a few regions in the south, in Aragon and Galicia still characterised by primary sector industries, as well as a two-tier service sector which is dominated by finance in and around Madrid and Barcelona, and by tourism in many Mediterranean regions and the Spanish islands. As in many other countries, the different regions of Spain must confront the issues of increasing urbanisation, deindustrialisation and an anachronistic agricultural sector without falling victim to low economic growth, a decline in education and quality of life, and increased rates of outward migration.

3.1.4 REGIONAL DISPARITIES IN FINLAND

In Finland, four geographical types of socioeconomic circumstances have been defined (cf. Fina/Heider/Matila et al. 2021[10]). These can be summarised in three categories:

A. **Prospering capital region and urban catchments (dark green)/urbanised areas with risks of social exclusion (light green):** This encompasses the majority of the Finnish population – almost 4 million people or 72 per cent of the total. These affluent regions are all geographically located (cf. figure 13) in and around large and mid-sized cities. Their respective locations – be it on the coast or in the country's interior – seem to be irrelevant in terms of their prosperity. The cities form the basis for highly dynamic economies and positive employment trends, which benefits the surrounding regions due to spill-over effects and the influx of commuters to outlying areas. The region around the capital city, as well as the suburban areas around Vaasa, Turku, Tampere, Kuopio and Joensuu have above-average indicators: The employment rate is 76.8 per cent, the median gross annual income is 41,367 euros and the poverty risk for children is low at 8.2 per cent. Both of these clusters are attractive for companies looking for new locations especially since the proportion of highly qualified workers is around 20 per cent. The infrastructure in these successful regions is well developed (over 70 per cent of all households have broadband internet). The downside to these generally positive developments is that living costs are rising, especially in large cities, due to economic growth. These rising costs can lead to an increased risk of social exclusion. An early indicator of problems on the housing market is, for example, an increase in mortgage costs.

Figure 13
Disparity map of Finland



Source: Fina/Heider/Matila et al. 2021, 13.

B. **Average Finland (ochre):** These areas form a semi-circle spanning the south of the country, over its western border up to the sparsely populated north. The roughly one million people (around 17 per cent of the population) who live in these areas are at, or slightly above, the national average in all the examined indicators. The median gross annual income is 33,477 euros per year and the employment rate is quite high at 73.8 per cent.

C. **Lagging areas (violet):** Only around 600,000 people (ca. 11 per cent of the population) live in the border regions of eastern Finland and the many rural, often inhos-

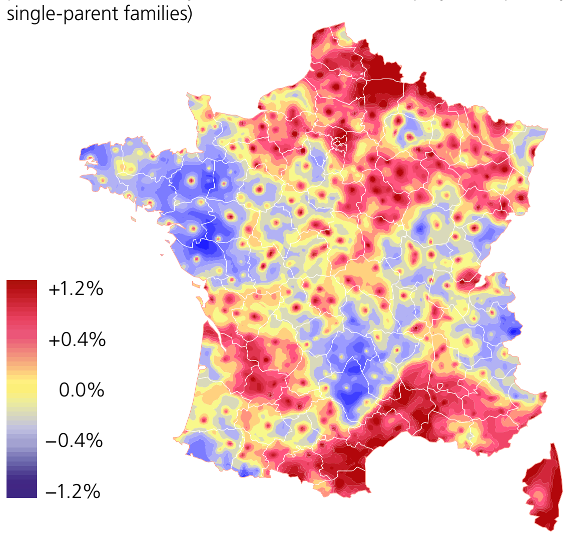
10 The detailed description of the indicators used, the data sources and statistical calculation methodology can be consulted directly in the country study.

pitable regions of the country. Alongside agriculture and tourism, conventional industries such as mining can be found in these regions. As these areas become less relevant for the economy, employment opportunities decrease, and the employment rate is currently below the average at 67.1 per cent. The high dependency ratio (84.8 per cent) and the above average percentage of people working in the medical sector are indicators of an ageing population. The proportion of highly qualified workers is low at just over 10 per cent, since many young people leave these areas to seek better opportunities in other parts of the country. What remains is an ageing population that is poorly prepared for a transformation to service industries and the digital economy (broadband internet: 43.3 per cent) in areas which, in some places, have infrastructure that is oversized in relation to the population.

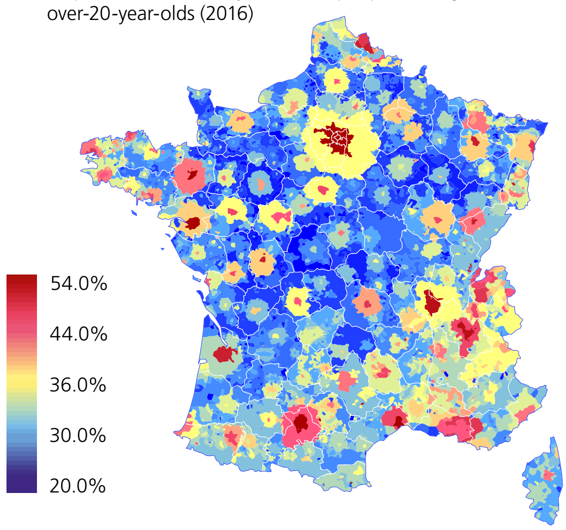
Taken as a whole, Finland today seems to be a prosperous country. Despite a comparatively late period of industrialisation and a difficult period economically in the 1990s, it now has a well-developed welfare state that provides a good safety net in the course of new transformation processes. Consequently, the degree of inequality is quite low across the whole country, and the majority of Finns enjoy a good to very good quality of life. Even those areas with average quality of life demonstrate very positive socioeconomic indicators. Nonetheless, Finland faces the now-familiar problems of urbanisation and rural flight observed here in other countries: Many small rural communities and municipalities have obviously failed to attain the same high living standards as in the prosperous larger cities and their environs. Despite what the per capita income on the NUTS 2 level (cf. chapter 2.3.2) might suggest, large (albeit sparsely populated) regions in the rural and eastern part of the country could be left behind in the course of the abandonment of traditional industries and a decline in the importance of agriculture. The large cities and their surrounding regions face a different problem: Continued population growth is causing living costs to rise so quickly that low-income households (often migrants from rural areas with lower education levels) are increasingly at risk of poverty and social exclusion.

Figure 14 a/b
Disparity map of France showing selected problem areas

14a: Synthesis of the four main difficult situations (young people without secondary school certificates, unemployment, poverty, single-parent families)



14b: Proportion of university-educated people among over-20-year-olds (2016)



Source: La Bras/Warnant 2020: 6, 8.

3.1.5 REGIONAL DISPARITIES IN FRANCE

In reference to France, Hervé Le Bras and Achille Warnant (2020)[11] identified two central spatial types. However, the authors point out the multidimensionality of inequality and thus do not superimpose all the indicators in their study, but rather consider them complimentarily. In the following, the study is referred to in two categories, but an overall conclusion of the observations is made:

A. **Metropolitan France:** The successful regions in France include the extreme west (especially Brittany and Pays de la Loire), the Massif Central, the area south of the Garonne towards the Spanish border, the Lyon metropolitan area, Champagne south of Reims and the northern part of Alsace. Economic and social problems are quite mild in these areas (cf. figure 14a) which is mainly down to the success of its metropolitan areas. In the larger cities and their environs there is a concentration of highly qualified graduates, especially in Toulouse, Montpellier, Paris, Grenoble, Nantes, Rennes, Lyon, Bordeaux, Lille, and Strasbourg (tertiary education graduate ratio: 50 per cent). These cities and their outlying areas possess a very dynamic commercial sector. They are followed by a number of mid-sized university towns: Poitiers, Orléans, Rouen, Aix-en-Provence, Dijon, Nancy, Besançon and Clermont-Ferrand, in which the ratio of university graduates is under 50 per cent. In many of the cities the employment situation is better than in other parts of the country, expenditure on research and development is high, the proportion of products made for export is high and the infrastructure – gauged on the

11 The description of the indicators used, the data sources and statistical calculation methodology is detailed in the country study.

provision of broadband internet to households – is well developed. The issue of urbanisation familiar in other countries seems to be particularly prominent in France. Referring to studies by Laurent Davezies, Nicolas Leron (2021: 3) raises the point that the 15 largest cities, each with more than half a million inhabitants (in total almost 27 million people, or ca. 40 per cent of the population), are responsible for over half of France's economic output. These regions have seen a notable growth in employment and the "per capita GDP is on average 50 per cent higher than the rest of the country." Fig. 14b illustrates that not all parts of the country profit from the growth engines of the big cities: The major beneficiary is the south-east, whereas in the rest of the country the ratio of tertiary education university graduates (marked in red here) remains sporadic. In particular in the central and northern parts of France, very few cities (such as Strasbourg, Metz, Reims and Lille) are able to stimulate and support growth. Correspondingly, the net migration rate in the northern départements is generally negative, whereas in many regions in the south and west it is positive. That being said, one cannot draw direct conclusions from this in relation to the economic situation and employment market. However, the economic success and attractiveness of these urban agglomerations also fuel social problems: The income gap in these areas is especially large. Within the Paris metropolitan area, the most densely populated city in the EU, incomes in the western districts of the city and their adjacent suburbs are very high; east of the city centre incomes are very low, and they rise again towards the suburbs. In large inner-city areas, inequality of income distribution is reflected in the risk of poverty, which is likewise unequally distributed and exacerbated by financial crises. This phenomenon affects all the larger urban agglomerations in France on a smaller scale (Leron 2021. 3f.).

B. **Empty France:** In smaller towns and rural areas there is a lack of economic dynamism and jobs, however in contrast to some urban regions that have seen dramatic growth, income disparities are not as extreme. Less than 20 per cent of the inhabitants in these regions have a university degree (Leron 2021: 3) and the lack of employment opportunities leads to a continuous exodus of people of working age. This particularly affects the sparsely populated areas of the so-called "empty diagonal" that stretches from the Ardennes in the north to the southern département of Aveyron and divides France into an eastern and a western part: "The diagonal lies between two large continuous urban conglomerations […]: on the one hand the north and Paris, the west and south-west, and on the other hand the zone along the eastern border and the Mediterranean coast" (Le Bras/Warnant 2020: 10). In the former industrial heartland of the north-east, social problems have increased considerably as the economy has declined. Except for the larger cities, the south-east and south-west of the country suffer from low productivity and increased social problems, making tourism a particularly important industry. In the very sparsely populated areas of the "empty diagonal", finding work is a major challenge for many young people. Access to public services is very difficult in these areas.

Overall, the contrast between metropolitan and rural areas seems to be especially stark in France. This fact, and the multidimensionality of the areas of conflict and divergencies prevents us from identifying any clear geographical disparities. The presence of numerous fault lines has prompted Le Bras and Warnant (2020: 2) to speak of a "fragmented France". It is clear that, despite the generally vibrant economy and comprehensive welfare state in France, there are major socioeconomic disparities. The contrast between Paris and the rest of the country – referred to the by the French themselves as "the provinces" – is not a new phenomenon but is rather a result of the historical trend towards centralisation. However, since the 1990s, the differences between the large cities and the rural regions have increased as a result of deindustrialisation, urbanisation, and globalisation and have been exacerbated by the financial crises of the last decade. During this time, right-wing extremism has gained a strong foothold in these disadvantaged regions: Originally only a strong force in the south, the Rassemblement National managed to gain power in numerous electoral districts in the north and the east (Leron 2021: 4). In his book "Returning to Reims", Didier Eribon (2009) describes the feelings of abandonment felt by many people in the French provinces and their concerns that they are not represented by the conservatives or the formerly strong socialist parties.

3.1.6 REGIONAL DISPARITIES IN ITALY

Italy can be divided into four spatial types of socioeconomic inequality (cf. Fina/Heider/Prota 2021[12]). These can be summarised in three categories:

A. **Regions of highest living standards with risk of social exclusion (dark green) / Dynamic city regions and affluent commuter belts of the North (light green):** With almost 32 million people, about 53 per cent of the Italian population live here. About a third of them live in the economic powerhouses of the metropolitan regions in and around Milan, Genoa, Trento, Trieste, Bologna and Rome. This also includes the densely populated areas of Tuscany and the Aoste Valley that benefit from borders with France and Switzerland. Apart from Tuscany and the Rome metropolitan area, all metropolitan regions are located in the north of Italy (cf. figure 15). This also applies to the areas around the prosperous cities, where the remaining two-thirds live. The dynamic economic power of the cities ensures low unemployment rates (6–7 per cent) there as well as in their catchment areas and good infrastructural facilities, e.g. through a high supply of early childcare (between 18 and 27 per cent of children between 1 and 3 years are provided) or developed broadband internet (59 to 71 per cent of all households). The catchment areas perform

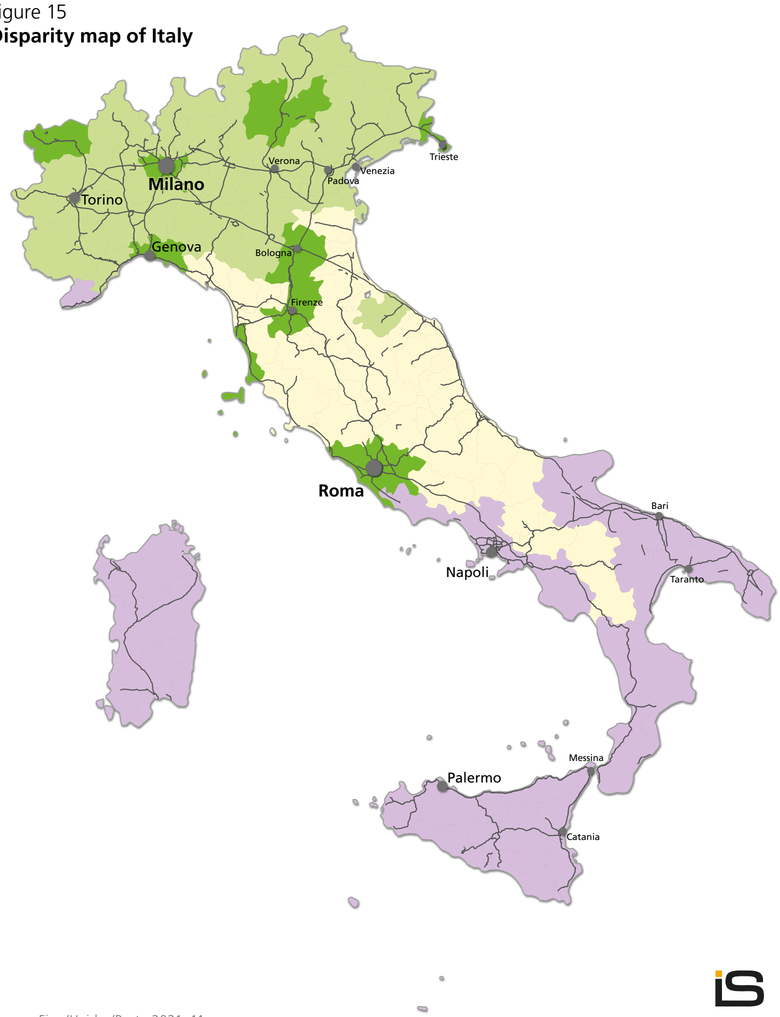
12 The detailed description of the indicators used, the data sources and statistical calculation methodology can be consulted directly in the country study.

better in some indicators than the metropolises themselves. The higher immigration rates to the city regions are particularly striking, as well as – and as a direct consequence of the competition sparked by the influx – the significantly higher average house prices on the property market here. In the entire northern cluster of Italy, the risk of social exclusion is growing due to rising living costs, in the cities more than in the surrounding areas. Accordingly, social expenditure per capita is almost twice as high here.

B. **The solid centre and "bridge" between North and South (ochre):** The geographical centre of Italy that stretches as far north as Emilia-Romagna and as far south as the Basilicata region, is home to 9.8 million people, almost 16 per cent of the Italian population. The socioeconomic indicators here are on a national average level and are only slightly worse than in the urban hinterland regions of the north. On the other hand, due to only moderate but positive net immigration, there are fewer problems of social disparities here: house prices are comparatively low and so is social spending.

C. **Disadvantaged regions with significant structural challenges (violet):** 18.7 million people (31 per cent of the population) live in regions that are far below the Italian socioeconomic average. In the north, this only includes Liguria, otherwise the affected regions are all in the south of the country, including the islands of Sardinia and Sicily. In this cluster, unemployment is higher than in the other types of areas (10.3 per cent), 22.1 per cent of young people are neither in employment nor in education (NEET), the proportion of highly qualified workers is relatively low at 25.8 per cent and the social and digital infrastructure is poorly developed. Measured against this, the income is not much lower than in the "solid centre" cluster (11.0 euros per hour vs. 11.3 euros per hour). However, dissatisfaction and disconnectedness are expressed in voting behaviour, which at 74.1 per cent is about three percentage points lower than in the other clusters. The problems of a lack of economic dynamism, a shrinking employment base and reduced training opportunities are related to years of outward migration. At the same time, these problems are the reasons for the ongoing emigration from the affected regions. Southern Italy's Mezzogiorno, shows the issues with deindustrialisation, demographic imbalances, lack of public investment and a globally uncompetitive service sector as if under a magnifying glass (cf. the detailed study – with an additional disparity map for southern Italy only – in Fina/Heider/Prota 2021: 16ff.): educational and employment opportunities are far greater in the northern part of southern Italy, around the cities of L'Aquila and Campobasso, as well as around Bari and

Figure 15
Disparity map of Italy



Source: Fina/Heider/Prota 2021: 11.

Potenza, and on Sardinia in the region of Cagliari – far better than in many regions even further south. In the metropolitan regions of the cities mentioned, modern industries provide greater independence from low-paid jobs in agriculture and tourism, which are predominant in Calabria, Sicily and the regions of Naples and Caserta. Between these two southern Italian extremes lie large parts of Sardinia, north-eastern Sicily and the mainland provinces of Salerno and Lecce. Here, about a third of the population is employed in the low-wage agricultural and tourist sectors, but outward-migration is much lower than in the most isolated regions.

Overall, Italy suffers from a strong socioeconomic divide between its northern and southern regions. This goes back to the period after political unification in 1861 when the two halves of the country saw different economic developments. The imbalance of the strong industrialisation in the north could be partially balanced out in the 1950s and 1960s with public programmes and industrial settlements in the south. With the oil crisis of the 1970s, this process of convergence came to a halt. Since the 1990s at the latest, the Mezzogiorno has not been able to transform the stagnant development into a new economic dynamic, despite numerous national and European support programmes. On the contrary, the global economic crisis, the euro crisis and the austerity management emphatically recommended by Europe and excessively implemented nationally have further deepened the already existing differences between the regions of the North and the South. The North-South divide in the country is already evident at NUTS 2 level (cf. Chapter 2.3.2). However, it is only the analysis at NUTS 3 level that makes it possible to identify regional centres of albeit very different degrees of economic dynamism both in and around the rich metropolises of the north and in the south of Italy.

3.1.7 REGIONAL DISPARITIES IN ROMANIA

The consideration of socioeconomic indicators at NUTS 3 level shows the existence of four spatial types for Romania (cf. Fina/Heider/Rat 2021[13]), which can be summarised in three categories:

A. **Bucharest (dark green) / Dynamic urbanised regions (light green):** The advantaged regions following the system transformation after 1989/90 and the country's integration into the EU are metropolitan regions with economic and academic centres (cf. figure 16). About 5.5 million people live here (1.8 million of them in Bucharest alone) – about 27 per cent of the Romanian population. The country's highest per capita income is concentrated in and around the largest cities of Bucharest, Timișoara, Cluj, Sibiu, Brașov and Iași. Industries that require highly qualified employees have settled here. In most indicators, these regions perform better than the Romanian average: the share of wage earners in the active population is high (48.4 per cent and 75.9 per cent in Bucharest, respectively), the infrastructure is relatively well developed (share of the population with access to public water supply: 76.2 per cent and 96.8 per cent in Bucharest, respectively). Nevertheless, there are some serious differences with regard to the capital region: Although Bucharest earned, for example, 227 per cent of the national average income (in 2018) and functions as the country's economic motor, the capital's special status is better reflected in other indicators. For example, the share of employees in knowledge-intensive industries here is more than twice as high as in other metropolitan regions at 12.7 per cent, the health infrastructure is particularly good (99.2 GPs per 100,000 inhabitants) and life expectancy at 78.3 years is more than a year higher than in other urban regions and 3.5 years higher than in Romania's poorest regions. The attractiveness of the metropolitan regions leads to increased immigration within the country. At the same time, the proportion of emigration to other countries is high here (7.3 and in Bucharest 10 per 1,000 inhabitants). Immigration from poor regions with employment opportunities for immigrants especially in the low-wage sector and the rising cost of living due to economic dynamics lead to an increased risk of social exclusion. The capital also has peripheral districts where a high proportion of marginalised Roma live. Dissatisfaction is expressed, for example, in low turnouts in regional elections (44.4 per cent and 35 per cent in Bucharest).

B. **Romania's rural middle (ochre):** The rural regions away from the metropolises are home to almost 10.2 million Romanians, more than half of the population. Compared to the urban centres, there is a lack of economic dynamism, higher education and employment opportunities. Only 32.6 per cent are wage earners, and the share of highly qualified workers is a low 3.6 per cent. The poor prospects on the labour market, which is still dominated by traditional agriculture, lead to migration towards the metropolitan regions. This is also reflected in the demographic development of the remaining population: the dependency ratio of 48.3 per cent is high compared to the rest of the country. Geographically, rural Romania can be found in all parts of the country, 25 out of 42 counties are rural, including areas that have industrial potential, such as the Arges region in the automotive industry. While rural regions perform far worse than metropolitan regions in terms of infrastructure, the proportion of early school leavers is low here (2.5 per cent) and voter turnout (51.4 per cent) is higher than elsewhere in the country.

C. **Rural and old industrial regions with significant socioeconomic challenges (violet):** Romania's outlying regions are found mostly in border regions, especially on the eastern border with the Republic of Moldova and Ukraine. About 3.8 million people live here, almost 19 per cent of the total population. In these areas, old industries from the socialist era disappeared after the fall of communism. In addition, areas that were traditionally characterised by small-scale agriculture now have fewer

13 The detailed description of the indicators used, the data sources and statistical calculation methodology can be consulted directly in the country study.

Figure 16
Disparity map of Romania

Source: Fina/Heider/Rat 2021: 10.

employment opportunities due to increasing automation of farming. Nowhere else in the country is the share of wage earners in the population lower (28.1 per cent), the gross monthly income (3,593 lei, about 730 euros) and life expectancy alike (74.8 years) so low. Many younger people are leaving these regions for the metropolises and abroad in search of better prospects for the future. What remains are numerous empty or abandoned villages and shrinking towns where the maintenance of the infrastructure cannot be guaranteed. The outlying regions are largely dependent on financial contributions from the central government or the EU.

Overall, Romania shows impressive catching-up development in increasing its economic performance and improving social indicators. However, the transformation process after the end of socialism has significantly increased internal inequalities in the country. This has been contributed to by deindustrialisation in many regions, rapid privatisation and insufficient development of employment promotion programmes and expanded social services. Although the difference between urban centres and rural regions is striking, it would be too simplistic to see this contrast alone as the cause of inequalities. However, proximity to larger cities brings with it better opportunities for education, which can be translated into employment opportunities. Internal migration from some regions and the concentration of immigration and investment activities in the metropolitan regions are correspondingly strong. Of these, Bucharest in particular has long since caught up with the Western European average. Here, growing social divisions are evident with the success, as the rapidly increasing cost of living cannot be borne by all. The already marginalised Roma minority suffers particularly from social exclusion. On the other hand, migration, ageing and decaying infrastructure in the regions left behind are leading to very slow urbanisation. Historical legacies, such as abandoned industries from the socialist era and the widespread subsistence agriculture, still shape the picture of regional inequality in Romania today. The geographical location and development of successful and lagging socioeconomic regions can only be grasped to a limited extent in view of the diversity of reasons in the simplistic layout of the NUTS 2 regions (cf. Chapter 2.3.2): Here too, the eastern border of the country stands out as problematic, the capital region as an advantaged region. But it is only at a deeper level that allows a look at the administrative responsibilities for local infrastructure, that the complex clustering between metropolitan regions, rural regions and outlying border regions becomes apparent. Besides advantages – such as the strong support via EU cohesion policies – the orientation towards the western neighbours also harbours dangers: Processes of Europeanisation and globalisation expose the Romanian economy and have a catalysing effect on the already existing socioeconomic disparities. This was visible in the financial and euro crises, in which territorial imbalances saw stark increases. In addition, of all the countries considered here, Romania has a particularly strong element of labour-related emigration to other countries: for example, in some regions the standard of living is higher than the statistics show, due to remittances from Romanians working abroad.

3.1.8 REGIONAL DISPARITIES IN SWEDEN

Sweden can be divided into four spatial types, which can be summarised in three categories (cf. Andersson et al. 2021[14]):

A. **Affluent commuter belts and mining areas of the North (dark green)/Prospering city regions with high risks of social exclusion (light green):** The metropolises and their surrounding suburban regions (cf. figure 17) are interdependent due to a functional rela-

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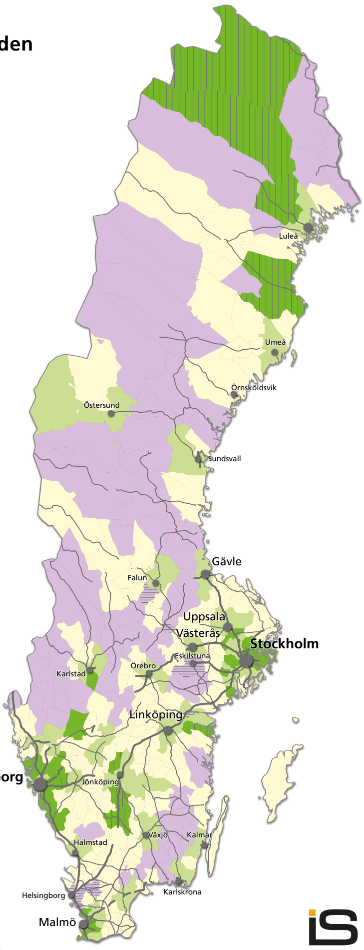
14 The detailed description of the indicators used, the data sources and statistical calculation methodology can be consulted directly in the country study.

tionship between a dynamic economic centre and quickly and easily accessible residential areas in the catchment area. 6.9 million Swedes live here (about 67 per cent of the population). The country's largest cities – Stockholm, Gothenburg, Malmö, Uppsala, Vesterås, Örebro and Linköping – offer very good employment opportunities for highly qualified people due to their economic dynamism. This radiates into the surrounding municipalities, where the highest average gross monthly income in the country can be earned (32,589 SEK, about 3,222 euros). Geographically large but sparsely populated areas in the far north of the country occupy a special position, which also belong to the group with the best living conditions in Sweden. Here, the mining industry for the extraction of iron ores managed to profit from the metal demand of a greening economy. In the urban catchment areas, the infrastructure is very well developed and the risk of child poverty is low. Great satisfaction is expressed here in the country's highest turnout in parliamentary elections (90 per cent). The flip side of this positive dynamic is the rising cost of living, which can be seen in property prices, for example. As a result, social polarization, gentrification and displacement of disadvantaged households are increasing. The social risks are correspondingly greater in the cities than in the surrounding suburban regions (poverty risk for children: 19.7 per cent). While all Swedish regions show negative migration balances, the metropolitan areas are destinations for newcomers to the country who, in search of employment, increase competition, especially in the low-wage sector of simple services, which has expanded strongly since the 1990s. This fuels segregation in the expensive urban centres.

B. **Sweden's solid middle (ochre):** Spread throughout the country are areas whose socioeconomic indicators are around the respective national average (40 per cent of all counties). With 2.1 million inhabitants, almost 21 per cent of the Swedish population lives here. Employment opportunities and income are not bad, but the share of highly qualified people is low at 22.3 per cent. Many young and more highly qualified people leave these regions in search of better labour market options, and the ratio of young to old measured in the dependency ratio (73.2 per cent) is correspondingly poor. The cost of living is relatively low here, measured by house prices. In contrast, the health infrastructure (employees in the health sector: 32.9 per 100 inhabitants) is not much better developed than in the regions with the greatest problems.

C. **The periphery (violet):** Those regions whose indicators are below average are concentrated in the centre and north of the country. These are characterised by their generally greater distances from larger urban areas, where higher educational institutions have settled and economic dynamics can develop (exceptions: Helsingborg and Eskilstuna with low population density). These rural areas are home to 1.3 million Swedes (about 13 per cent of the population). Here, the decline of the manufacturing sector in the 1980s has never been absorbed, nor has the dismantling of the public sector after the crises of the 1990s. In the remaining sectors of industry and agriculture, automation has created fewer jobs. The employment rate is the lowest in the country at 77.4 per cent, as is the average gross income (30,126 SEK, about 2,978 euros). This leads to a strong migration to other regions (over 30 per 1,000 inhabitants). The population that stays behind is on average older (dependency ratio: 74.3 per cent), has fewer highly qualified people (19.2 per cent) and lives in an oversized infrastructure that is costly to maintain. Of the indicators examined, only house prices and the gender wage gap perform better (that is: relatively low) than in the other regions.

Figure 17
Disparity map of Sweden



Source: Andersson et al. 2021: 11.

Overall, the analysis of regional inequalities scratches at Sweden's image as a prime example and model of universal welfare capitalism. Its most formative times are long gone. The social democratic welfare system with its high level of social protection, expanded public services and full employment came under heavy fire during the economic crises of the 1990s and was successively transformed into the economic imperatives of privatisation, marketisation and strict budgetary policy that had already been tried and tested elsewhere. Even though Sweden is one of the richest countries in Europe (cf. chapter 2.2.4), inequalities have developed that can be explained in a detailed regional analysis. For example, a development began 30 years ago in which the metropolitan regions successfully managed adjustments to the Swedish model by investing in export-oriented production as well as new service sectors. In contrast, structural change could not be shaped in other parts of the country. Here, a vicious cycle of diminishing employment prospects, out-migration, an ageing population structure and inadequate infrastructure has developed. The political focus on growth has widened the polarization even further, as it is primarily the already dynamically positioned metropolitan regions that benefit from this and thus become attractive magnets for immigrants from Germany and abroad. But even their success shows cracks in the façade: with the employment opportunities for the highly qualified, new service jobs in the low-paid service segment have emerged at the same time. This labour market continues to split, also through different ways of financing living expenses, while living expenses continue to increase. In particular, the competitive housing market, a heavily burdened public infrastructure and the increasing segregation accompanied by social exclusion are consequences of this development.

3.2 PATTERN OF INTERREGIONAL DISPARITIES

The results of the eight individual studies on multidimensionally understood regional inequality in the eight EU countries examined here revealed country-specific features: Germany's former East is still suffering from the transition effects of unification; Estonia and Romania also have enduring legacies from their transitions from socialist systems that can explain some unequal developments in these countries. Finland and Sweden, especially in the far north, have large, sparsely populated regions with particular socioeconomic developments that are unique. Italy's particularly pronounced north-south divide has worsened in the last thirty years where disparate development also dates back to the 19th century. France had long lived centralism tailored to the capital, Paris, before it was adapted as a role model for the country's next largest cities. And in Spain, the decentralisation implemented with democratisation after the end of Franco's dictatorship has not been able to completely eliminate its regional economic-structural prioritisation. There are many other special features that result not least from geographic locations, natural conditions and climates: How successful can agriculture, tourism, raw material extraction or even permanent settlement be in certain regions?

Despite all the country- and region-specific differences, the comparative analysis of the socioeconomic spatial types nevertheless reveals clear patterns of regional disparities. These can be found in (3.2.1) economic structural change and other causal factors, (3.2.2) in the contrasting development between economically developed centres and peripheral regions, (3.2.3) and in the resulting development cycles.

3.2.1 STRUCTURAL CHANGE AND INFLUENCING FACTORS

Although some regional inequalities have historical roots, all eight country studies point to an intensification of these existing inequalities over the last 30 years. After the end of the Cold War, market liberalism and globalisation gained momentum and created new socioeconomic divides – a worldwide phenomenon (see chapter 2.1) that is also reflected in the EU. While post-socialist states faced the conditions of a newly implemented market economy with an expansive wave of privatisation (Romania, Estonia, East Germany), comprehensive (Sweden 1990s) or gradual changes (Germany 2000s) in established market economies have also occurred as a result of economic crises. The opportunities offered by the increase in global trade were exploited at different speeds and in different ways, but the fixation on growth in the national economy and the emphasis on employment as the best insurance against poverty and exclusion reached all the countries studied here as conceptual ideas. What became possible in the EU at the time was an accelerated shift away from the primary and secondary sectors through automation processes, the growing digital "new economy", expanded international production and supply chains, and relocation. Large-scale industrial plants and manufacturing could only be made viable in particularly innovative and in-demand segments and increasingly focused on exports (the German automotive industry, for example). In contrast, with a few exceptions (Sweden's north, for example), classical heavy industry and mining have lost much of their relevance everywhere. The same applies to the still regionally strong share of agriculture in gross value added in some countries (Romania, Spain, Italy).

The economic sectoral shift towards service societies and world-market-driven specialisation in production was accompanied by a redefinition of the role of the state in market activity. Reminiscences of Keynesian overall economic management models have long survived in many countries. In the U.S. and the UK, the shift to neoclassical and monetarist economic policy concepts first took place as early as the 1980s, while in many Central Eastern European countries these economic approaches were quickly introduced after the abrupt change to a free market economy in 1989/90, but state activity in the old West of the EU was not persistently questioned until the global era began. In Sweden and Finland, the economic crises of the 1990s catalysed this process; in Germany, the process culminated in the 2000s; and in France, Spain and Italy, with the global economic and euro crises of the 2010s. In the course of the reassessment of market and state spheres of influence, the limitation of government spending played a central role alongside the focus on growth and (cross-border) competition in the sectors of the economy with a promising future. The increasingly dominant neoclassical economic theory aims to impose as few restraints as possible on the free play of market forces and to prevent high government deficits that could lead to inflation – especially in a monetary union (see section 2.2.1), where fiscal free riding ("moral hazard") at the expense of the other members is to be prevented. For Finland, Germany, Italy, Spain and France, the 1990s were the preparatory period for joining EMU, and the convergence criteria mention, among other things, price level stability and public deficit and debt limitation.

The cost containment of the public sector is evident even beyond the conditions for joining the euro area and the budget rules subsequently made permanent in the Stability and Growth Pact. In Sweden, for example, the financial viability of the relatively large public sector was questioned in the wake of the economic crises (Andersson et al. 2021: 5f.). Or in Romania, where the massive upheavals in the transition to a market economy were not initially accompanied by social investment programs (Fina/Heider/Rat 2021: 14), and the social reforms implemented from the late 1990s onward were primarily aimed at containing exploding social expenditures in relation to the still modest economic output (Hacker 2007: 72f.). The dismantling of the universal welfare state in Sweden, the Agenda 2010 reforms in Germany, the rigid state austerity policy in Italy and the implementation of conditions from the euro crisis management in Spain are well-known examples of a reduction in state social benefits and a lack of investment in public services, infrastructure and economic and employment promotion. In addition to the economic crises, during and after which the call for limiting public debt became particularly loud, the intra-European tax competition that opened up with the completion of the single market has also played its part in tight government purse strings: As early as 1994, Estonia was the first country in Europe to introduce a uniform flat tax rate for corporate income tax, which it kept at 20 per cent even after joining the EU: a locational advantage in European and global competition, but at the same time a clear restriction of the state's radius of action and, moreover, an incentive for a negative spiral of mutual undercutting in the EU.

3.2.2 CONTRAST BETWEEN ECONOMICALLY DEVELOPED CENTRES AND PERIPHERAL REGIONS

The analysis in the disparity reports from eight countries shows a clear dualism between advantaged regions in and around metropolitan areas that are integrated into global value chains, and outlying regions that either have not been able to cope with structural change and suffer from the phenomenon of deindustrialisation or are highly rural and dominated by the agricultural economy. The cleavages between agrarian countryside and industrial cities or between urban decision-making centres and disadvantaged peripheries are a historically tangible phenomenon, as Seymor Martin Lipset and Stein Rokkan described early on (1967: 47) with regard to the formation of party systems and the allocation of voters. In the eight countries studied here, however, the identified divergence between economically developed centres and peripheral regions is somewhat more differentiated. This dualism is reminiscent of a reissue of a development economics debate on the relevancy of economic spill over from rich to poor countries, as has been criticised by Hans Wolfgang Singer (1970: 62): "[V]ery few would now say that the rapid growth of the richer countries, or even a rapid expansion of their trade with the poorer countries if it were associated with it, would be a sufficient as well as necessary condition for their continued or rapid growth."

The transition to a service economy has promoted the formation and strengthening of regional centres in and around large cities that are responsible for a large part of the nationwide economic dynamics and value creation. This is where comprehensive, especially higher education, is concentrated – often in historically evolved structures – and where there are a variety of employment opportunities and a steady demand for labour shaped by economic activity. Here, infrastructure, public services and social benefits are usually well developed and life appears to be worth living and full of opportunities. In almost all cases examined here[15], the catchment areas of the large and medium-sized cities in the individual countries are the highest winners of the urbanisation process: Here, in the respective country comparison, per capita incomes are highest on average and social problems are lowest.

The drivers of economic dynamism in the metropolises are modern industries integrated into global value chains, and a knowledge-based service sector in the fields of finance and insurance, information and communication, as well as corporate and public service providers. Here, the transformation of the economic sectors and the establishment of a standing in the new European and global competitive order was achieved in an exemplary manner, mostly on the basis of existing foundations, for example in the form of university traditions and long-established companies. The situation is completely different in peripheral regions: No large conurbations have emerged here; people live in separate small towns or in rural villages. However, rural regions are divided into those with classically average socioeconomic working and living conditions and those that have already fallen behind.

Unlike those around the national average, the peripheral regions usually have a special economic history. They are areas that have seen a sharp decline in once important industries, such as mining in Germany's Ruhr region, textile manufacturing in Estonia's northeast, and obsolete industries in Romania's border regions, Italy's southern parts, France's northeast, and Germany's eastern states. In some relatively poor regions of Spain, Sweden and Romania, it is the loss of importance of agriculture as both a value-added sector of the national economy, and, with the effects of automation and mechanisation, as a major employer. In these regions in Sweden, after manufacturing and agriculture, the public sector has also been sidelined as an important source of demand for labour since the 1990s. In the peripheral and less urbanised areas, far removed from the national average and even further from the prosperous metropolitan regions, educational opportunities are few and far between; in particular, university attendance is often not possible due to a lack of nearby institutions. Well-paid employment opportunities are therefore scarce, and infrastructure and public social services were either never comprehensively developed or are oversized reminders of better times that incur high upkeep costs. This is especially true in view of the low revenues of the public sector in line with the lack of economic momentum. At the same time, rising social costs due to unemployment, an increasing risk of poverty, and an aging society, are problems from which younger people have long since turned their backs in search of better prospects in other parts of the country.

15 The country study Spain presents findings for the metropolises of the country, but no analysis of their suburbs was carried out, cf. Colina et al. 2020.

There is almost nowhere in the peripheral regions that have managed the leap into service societies without strong urban centres. This is not the case in areas with a high share of tourism activities, such as the Mediterranean regions of Spain, France and southern Italy, as well as national parks and wilderness conservation areas in northern Scandinavia. However, tourism is a double-edged sword: While it offers good employment options, the services demanded here fall into the service sector rather than the knowledge sector and are correspondingly low paid. Moreover, apart from in historical and cultural urban epicentres, tourism is highly seasonal and has a limited impact on improving living conditions and economic dynamics.

In view of the divergences between economically developed centres that are fit for modern service societies and global competition, in contrast to peripheral regions that are less able to cope with structural change, we can speak of a double spatial and social polarization across all eight countries.

3.2.3 IDENTIFICATION OF DEVELOPMENT CYCLES

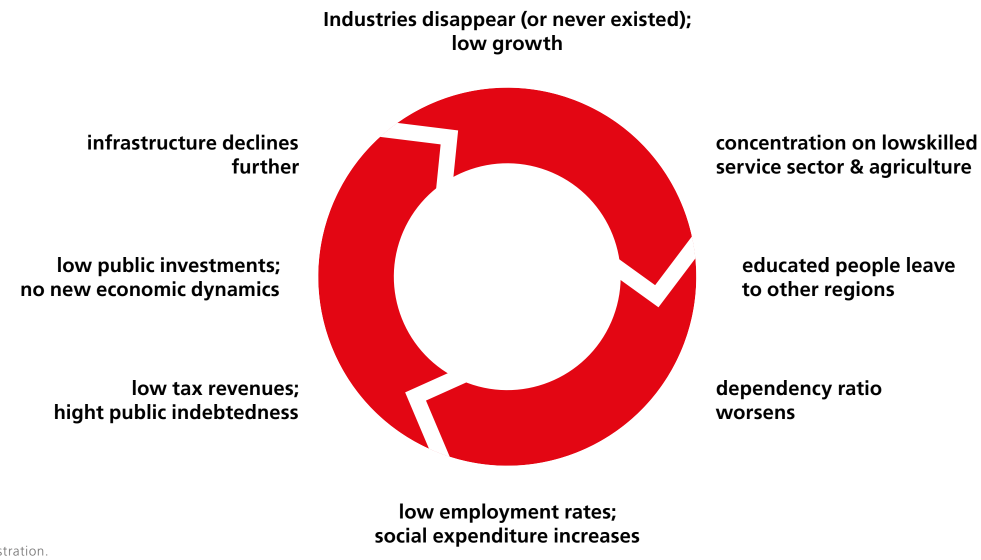
The regional disparities of different countries compared here show similar cyclical developments. For the peripheral regions, a repetitive vicious cycle is evident (see figure 18; see also Fink/Tiemann 2017): With the disappearance of industrial centres, without a designed transformation, what remains is only a concentration on the low-wage service sector, such as in tourism and/or agriculture. Low growth and poor educational opportunities lead to an exodus of well-educated and especially younger people, leaving the elderly and less mobile people behind. High unemployment often occurs in connection with disappearing industries; in agriculture and the service sector, employment is more erratic, and in tourism employment is often seasonal.

Local authorities are then quickly overwhelmed in the face of oversized, decaying infrastructure, the lack of higher education/tertiary education and employment opportunities that cannot be quickly remedied, the fight against unemployment and, as a result, rising poverty and social exclusion, in addition to the expanded needs for social and health services of older residents. Growing social and infrastructural maintenance expenditures and dwindling tax revenues are increasing public debt, so that urgently needed public investments cannot be made. Thus, no new economic dynamics can develop, and in the long run, the municipality or county cannot withstand the deterioration of social and infrastructural living conditions. This, in turn, makes the regions even more unattractive; those industries that are still left then finally relocate, and the exodus of people important for igniting new economic strength continues to increase.

Just as peripheral regions have experienced a negative spiral, the exact opposite spiral is evident in the economically developed centres, starting with the establishment of modern manufacturing (often for export) and knowledge-based services (see figure 19). The demand for highly qualified employees can be met by the existing educational opportunities. The labour market attracts those who do not see adequate career prospects in the outlying regions. High employment rates and the growing tax revenues resulting from economic success enable local authorities to make investments when public finances are good. Following on from this, economic development measures, expanded infrastructure, modern public services and a good range of social services make the already developed region even more attractive. This is followed by the establishment and influx of new companies, as well as an uninterrupted stream of immigrants who want to find better working and living prospects.

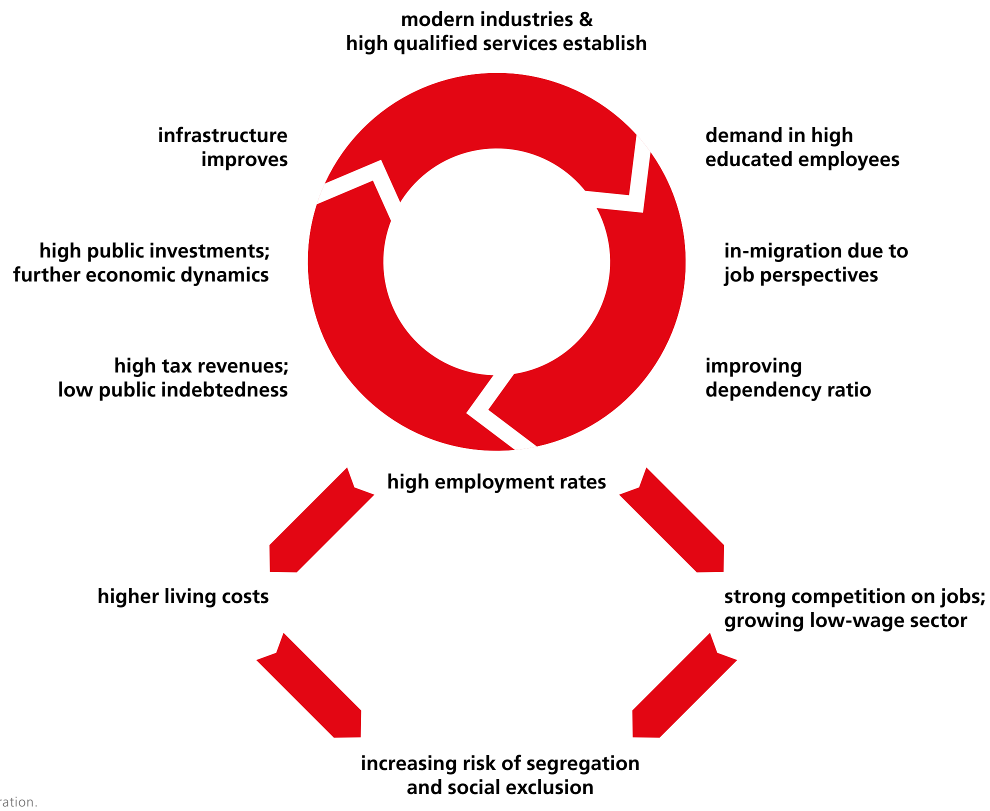
But this purely positive, idealistic portrayal has a weighty downside that is also evident in all the studies compared here. An effect is emerging which, although less evident in the wealthy suburbs of the metropolises, is omnipresent in the large and medium-sized cities: the success of the economic and labour market dynamics quickly leads to higher living costs, which are particularly noticeable on the housing

Figure 18
Viscous cycle of peripheral regions



Source: Own illustration.

Figure 19
Virtuous cycle in economically developed centres



Source: Own illustration.

market. At the same time, it is not only highly qualified people who are moving from disadvantaged areas to the metropolises. The labour market is becoming dualised between the well-paid workers with tertiary education and the low-paid service and manual labour jobs, for example in transport, catering, cleaning and the care sectors. Those who have not been able to invest that much in their own education to earn enough to afford the high living standards of large cities are dropping out of the increasing competition for high-quality employment and comfortable housing and living conditions. This creates new problems of social exclusion and poverty risk, especially for children growing up in these families, in addition to segregation of poor and rich populations by neighbourhoods enabled by gentrification and displacement. All capital cities and many other next-largest metropolitan areas in the eight countries studied here are familiar with this phenomenon, in which the double spatial and social polarization identified above is repeated in a small but densely populated area.

This means that socioeconomic disparities are by no means only a problem for regions over the last thirty years that have been unable to set the course for a successful transition to the modern service society in the global environment. Even the metropolitan regions that would appear to be models of a sucessful transition show great internal disparities. They are approached by a strange reciprocal relationship: The peripheral regions need the economically developed centres as an emigration option, and the economically developed centres tap the better educated or the future workforce available there for their own development. This dynamic has contributed to the solidification of the gap between peripheral regions and economically developed centres, as has the long-held belief that metropolitan regions can simply be an example to be emulated. This overlooks the fact that, thirty years ago, the conditions for a knowledge-based, competitive economic model had long since been established in economically developed centres, namely higher educational institutions, diversification of economic sectors, their accumulated experience, and dynamic population change.

Moreover, many attempts to promote state-organised growth in stagnant regions have failed, as only the already dynamically operating and economically successful urban centres could provide the conditions for economic growth: "In the rhetoric of growth policy, it aims to be spatially tailored in its design to make the most of the competitive advantages that each region's resources holds. In practice, the growth policy may potentially work in regions that already show dynamic growth, whereas stagnating regions receive less support, if any, by attempts to create a competitive and innovative local economy from the top down" (Andersson et al. 2021: 7). Adopting the principle of market-based competition to a competitive juxtaposition of entire regions does not unearth any new champions, but only confirms and strengthens the champions themselves – the winner takes it all.

Resilience in times of economic crisis is similar: Economically developed centres may be more dependent on global economic fluctuations and initially more affected by the collapse in economic output than regions where the exposure and potential to be hit by a recession is low. However, while businesses hit in already stagnant regions and the accompanying rise in unemployment are difficult to repair, economic momentum in metropolitan areas ensures that the crisis is quickly overcome. Viewed over time, the structurally weak regions thus lose more as a result of the economic slump than the structurally strong ones. Accordingly, the disparity reports point to the deepening socioeconomic divisions caused by the global economic crisis and the euro crisis, and some also to the corona crisis. In particular, the social consequences of the different crises – such as rising unemployment and a higher risk of poverty and social exclusion – can only be combated with considerable difficulty in less dynamic places such as outlying and rural areas. Here, the people affected see the only chance of changing their own situation in emigration, a decision that leads to new polarizations in the medium term, even in the metropolises.

3.3 INTERIM CONCLUSION: DOUBLE SOCIAL AND SPATIAL DUALISM

By means of the results of the studies with the summaries of their most important findings that are and comparatively evaluated in this chapter, the eight disparity reports allow a more detailed insight into the geographical and social distribution of regional inequality and its background in the European member states. The multidimensional approach taken and the identification of success stories and problem cases at the small-scale regional and local level brought a number of issues to light. These could not be gleaned from a purely aggregate view – often not even at the NUTS 2 region level.

For all the country-specific and regional peculiarities, the presence of patterns of social and regional inequality is remarkably obvious. The rise in inequality is dated everywhere to the period of the last 30 years, as severe economic crises and the policies implemented in response to them have accelerating divergent developments. Many developments coincide over the three decades since 1990, and a monocausal explanation of the rise in regional inequality is clearly inadequate. Contributory factors have been the structural change in the economy, with the replacement of the industrial society by the service society, the end of the East-West conflict, accelerated globalisation, the heyday of the market-liberal paradigm in economic policy, and ultimately the implementation of competitive and budgetary objectives through the major European projects of the internal market and monetary union (see Chapter 2.2).

In all of the countries examined here, contrasts have emerged between economically booming centres and peripheral rural or industrialised areas that are less able to cope with structural change. This is evident in a double social and spatial dualism, with a cluster of average socioeconomic outcomes related to the respective areas in between. Economically already developed centres had the unequally better starting conditions into the new national, European, even global competitive order and were able to tie up resources of economic dynamism, human capital and infrastructure development. By contrast, their sister regions in the periphery, struggling with structural change and external influences, are losing their life-force: Finances, workforce, future prospects and public services all disappear and do not return. Two cyclical developments – one positive, one negative – are emerging that are mutually dependent and yet mutually damaging in the long run. This is evident not only in the regions that have been thrown back, but also in their wealthy sisters: Rising living costs and people sorted out by the merciless competition for jobs and happiness in life encounter an intensified form of social exclusion in booming urban areas, from which they have partly tried to escape in the countryside.

4

POLICY RECOMMENDATIONS

The authors of the eight disparity reports make a number of recommendations to address the described regional divergences. Not only do the studies lead to very similar analyses of the double social and spatial polarization in all eight countries, but the authors' policy recommendations are also unanimous: there must be a shift away from the interregional competition principle that inhibits those trailing behind from ever catching up, a shift away from the short-sighted focus on growth promotion, and more movement towards the state taking an active role in regional development. More public investment is required, most especially in infrastructure projects and supporting education and employment in disadvantaged areas, while there is a need for national discussions about competencies, responsibilities and financial resources between central and local governments.

It is very clear that most country analyses fundamentally question the principle of competition between regions, and the overriding focus on their growth contribution to national GDP. The market principle of productive competition among companies does not work for the far more complex regional forms of organisation. Even if each region succeeded in highlighting, promoting and advertising its on-site specifics in terms of a particular product, this business approach does not guarantee success. Since the 1990s, regions that are coming from very different starting points have been increasingly thrust into internal competition at the national and European level. At the same time, metropolitan areas with diversified economic structures have enjoyed much greater benefits than rural and outlying areas that have limited innovative potential and inadequate infrastructure. Instead of promoting a perpetuum mobile of supporting the good pupils in class, regional policy should focus on the principle of "equivalence of living conditions" (Fina et al. 2019: 70) as a state objective. The attention of a new funding policy should be particularly focussed on the regions that are most affected by structural changes and new challenges.

The full story of socioeconomic divisions can only be understood if social developments are considered alongside economic growth targets. The attractiveness of a region does not depend solely on high growth and employment rates, but also on the quality of work, the wage structure, educational and development opportunities, the accompanying infrastructural and social circumstances and many other aspects. Growth and employment do not automatically mean prosperity; labour productivity is already influenced by the existing infrastructural capital stock, the technical progress made, the education-related human capital and, last but not least, the institutional and informal social capital of a society. In order to achieve greater well-being and quality of life, along with the usual socioeconomic indicators, different issues must be taken into account, such as wealth distribution, individual capabilities and sustainable development, and especially with regard to climate and the local environment. (Stiglitz/Sen/Fitoussi 2010). However, since the market only pays limited attention to these important aspects of development, as they cannot be priced or can only be priced with difficulty and only over a longer period of time, the state should once again play a more active role in regional policy: "The state's withdrawal must no longer be at the expense of the more vulnerable areas" (Le Bras/Warnant 2020: 20). Structural change must be moderated and shaped by the state, as must also be the case with new challenges posed by demographic changes, digitalisation, climate change, Europeanisation and globalisation. All of these multidimensional aspects must be taken into account. Relying solely on the market and the competition of the most assertive regions will not result in an optimal allocation of good living conditions and future opportunities (Fina/Heider/Masso 2021).

A new policy goal of strategically shaping global challenges for the development of the regions would have to be formulated for the active accompaniment and shaping of structural changes and their social effects. In this context, economic development would remain at the centre, but would be expanded from today's fixation on growth to include the dimension of individual life and development opportunities: "To address the rising spatial inequality, a new policy needs to be formulated that should support the adaptation to the ongoing structural transformation of the economy, and finds ways of helping all individuals make the most of their lives equally and take an active part in the value created in the economy" (Andersson et al. 2021: 18). Moreover, many country reports emphasise the devastating effect of economic crises and their management on the widening of regional disparities, especially with regard to the austerity course in the euro crisis, which is completely detrimental to a sustainably overcoming socioeconomic crisis. A policy that balances the effects of hyper-globalisation and protects against the kind of transnational crises and challenges that have characterised the 21st century to date would have to breathe new life into economic, social, and territorial solidarity in the face of free market forces: "A new political formula is emerging that, under the slogan of the return of the state, links the necessary environmental protection, social justice, territorial cohesion, and democratic renewal" (Leron 2021: 7, own translation).

The recommendations derived from such a new policy goal can be clustered according to (4.1) national measures to overcome disparities and – including findings from this study – (4.2) European measures to overcome double spatial and social polarization.

4.1 NATIONAL MEASURES TO OVERCOME DISPARITIES

To inform a new objective for state regional policy, the country reports make numerous concrete proposals for new or expanded state activities. Similar directions of the recommended targeted measures become clear over and above the specifics of each case. For example, only a few proposals are aimed at concrete state support for specific sectors of the economy, and although these are usually viewed quite critically in public debate, economist Mariana Mazzucato (2018) identifies them as being quite successful. For Romania's rural areas, state investment in green and modern agriculture is particularly highlighted; in Sweden, promising economic sectors are seen as being renewable energy production, as well as the development of batteries and carbon-free steel linked to the booming mining industry in the north.

The most common starting point is investment in infrastructure and the labour market, which are called for in all eight disparity reports compared here. Areas mentioned include publicly financed housing construction (Sweden, Germany, France, Spain, Italy), improved digital infrastructure (Spain, France, Germany), support for the creation of a decarbonised economy (Romania, Germany, Finland, Estonia, Spain), strengthening public social and health-related services (Italy, Romania, Germany, Finland, Spain, France), expanding public transport services (Germany, Finland, France, Italy). In addition, the state should invest more in regional education, training and science programs – this is emphasised as a particularly important point in all countries, with varying degrees of emphasis.

With the exception of the reports on Germany, Estonia and France, the remaining five reports present concrete ideas for promoting employment in the region, albeit with very different starting points: For Finland, a concept of spatial and life-cycle-related work flexibility is proposed; for Spain, the idea of subsidies for employers setting up in disadvantaged regions; in Romania, the focus is on social security for employees via occupational safety measures and improved access to social benefits as well as the reduction of precarious employment relationships. In addition, public employment programs are called for in Sweden and Italy.

How will the suggested programs be financed and implemented on the ground? This is where the differences between the countries studied here are greatest, which can be traced back to different federal or unitary traditions. For Italy, more centralisation is advocated because decentralised policy would lose sight of the differences between the regions and the Community goal of cohesion: "What we are actually seeing are regional authorities that impose themselves as major decision-makers while central government is losing influence. The weakened legitimacy of the national state has involved the loss of a shared national commitment to territorial justice and the erosion of inter-regional solidarity […]" (Fina/Heider/Prota 2021: 21f.). Similarly, in the area of social policies for Romania, a clarification of responsibilities between regional and central levels is suggested, with the governance and financing of minimum income remaining at the state level.

The country studies for France, Spain and Estonia argue quite differently: Here, people are tired of the centralised approach to regional policies, classifying the one-size-fits-all concepts of development approaches as inappropriate for the very diverse regions. To effectively combat inequality, it is important to focus on regionally different preconditions, developments and development prospects that can be better assessed and locally administered: "For this reason, it seems necessary to give greater power to the intermediate levels, such as regulatory authorities. This option, if adopted, should aim for an asymmetrical decentralisation and promote efforts to adapt the powers assigned to local authorities to the economic, social and geographic reality of each region or subregion." (Le Bras/Warnant 2020: 18).

Administrative responsibilities are usually accompanied by questions of financing regional and local tasks. In Germany, Finland and Sweden, particular attention is paid to the role of municipalities: In Germany, the debt of many municipalities in disadvantaged regions has become a constraint on their ability to act, "which in turn reduces their attractiveness to businesses and households" (Fina et al. 2019: 70). Therefore, a debt relief initiative is proposed. In Finland, municipalities have extensive scope for action, but they often lack the necessary resources to do so, as these are in turn administered at the state level and allocated down to the local level. A system of regional taxation is therefore proposed for Finland. In Sweden, municipalities also have extensive responsibilities, but the tax system penalises municipalities in disadvantaged regions through higher taxes and low social benefits. A tax reform is proposed in which the relevance of place of residence disappears and a return is made to a solidarity-based high redistribution ratio between rich and poor. A more progressive income tax is also being discussed for France. In Romania, the proposal is to introduce a progressive taxation system to replace the current single tax system.

In all countries, a rethinking of the distribution of tax revenues and tax expenditures is suggested, whereby cooperation ideas and equalisation mechanisms should also be adapted or redesigned. Here, too, the country reports differ widely in line with their financial constitutions for central government and local authorities. The authors of the reports agree that different regional financial needs should be better reflected in systems of tax revenues and allocations.

4.2 A NEW ROLE FOR THE EU AS A PROTECTIVE BUFFER AGAINST GLOBAL CHALLENGES

The European level is addressed in all of the country studies. This is partly due to the important role of EU cohesion policy in regional development, and partly due to the EU's capacity to positively or negatively influence and shape many external factors that affect regional development. None of the disparity reports refute the important role that Brussels plays in shaping 21st century challenges. EU guidelines, support programs and directives for many specific policies are seen as being helpful in addressing socioeconomic divergences. When talking about limiting regional disparities, the EU's cohesion policy in particular is a standard term. Its project-related funding arrives and can be measured – depending on its scope – as a contribution to increasing national per capita income. However, the concrete impact of cohesion policy in reducing socioeconomic disparities between regions is considered to be low: "[…T]he impact on regional economic development was highly limited and any long-term effect difficult to find. The EU policies directed at regional and structural development have, if anything, had a limited capacity to reduce regional disparities in a country" (Andersson et al. 2021: 17). Nevertheless, their existence is considered very important: "In summary, it is reasonable to say that without the European Cohesion Policy the regional disparities in Italy would have been even worse" (Fina/Heider/Prota 2021: 5).

However, the above-mentioned competition and growth paradigm (cf. chapter 3.2) that is strongly criticised from a regional perspective, is not only attributed to an omnipotent globalisation that is always described in a nebulous way, but specifically as an overriding objective of the EU, which has been implementing this paradigm since the 1990s with the completed single market and EMU as well as its growth strategies (Lisbon, Europe 2020). Accordingly, the country reports critically question why the supranational level does not oppose the dominance of growth and competition fixation in regional policy. In all eight studies, the fixation on growth and regional competition for funding are rated as ineffective in reducing socioeconomic disparities between metropolitan and outlying regions. This precipitates a number of questions: whether the actual goal of economic, social and territorial cohesion is obscured by the desire for the highest possible contributions to growth for the member state; whether the funding programs are too strongly tailored to the already successful metropolitan regions; or whether sufficient administrative support is provided for stagnating regions to even apply for EU funds.

The role of the EU as a crisis manager is particularly under discussion. In view of the major economic crises of the last decade, the EU is not accorded a praiseworthy role in limiting regional disparities. The imposition of pro-competitive structural reforms and expenditure-limiting budget policies propagated by the European institutions without regard to losses seems to have deepened not only the rift between member states (see chapter 2.2.4) but also regional disparities. Within the euro area, insufficient fiscal resources in the region cannot be blamed solely on national distribution and budgetary problems but must be linked to the Stability and Growth Pact, later the Fiscal Compact, and the macroeconomic adjustment programs for crisis states by the troika of the European Commission, the European Central Bank and the International Monetary Fund during the euro crisis. Particularly in the more affected countries Spain and Italy, the financial and euro crises are perceived as a turning point in which the EU's imposed austerity policy has reversed many of the successes of its convergence efforts achieved from the decades before: "A case in point is the disruptive financial crises of 2008 that forced Italy to align its economic policies to European Union austerity paradigm" (Fina/Heider/Prota 2021: 8). The report warns against new conditionalities in cohesion policy. Instead of positive incentives for catching up, there is the threat of sanctions if the overriding goals are not met. These overriding goals of economic governance are operationalised in the European Semester, which centrally includes budget restrictions.

The combination of identified regional divergences and the surrounding economic policy, as well as poorly contoured social framework, all point to the need for three main demands for a reorientation of EU policies: A (4.2.1) focus on cohesion instead of internal competition between regions, the (4.2.2) development of an integrated European economic and social policy, and the (4.2.3) joint management of new challenges.

4.2.1 FOCUS ON COHESION INSTEAD OF INTERNAL COMPETITION BETWEEN REGIONS

The EU should put cohesion back at the forefront of its policies and not promote unequal competition between rich and poor regions. Competitiveness is important, but simply imposing market principles of competition used for companies upon welfare states and regions perpetuates imbalances. The EU's position in the 21st century is in a world of global competitiveness. Accordingly, competitiveness should be considered in aggregate terms: How competitive is the EU as a whole in a global environment? Contrary to what has been practiced for the past 30 years, it should be clear today that there is no automatic spill-over from interregional and intergovernmental competitiveness to ensure the Union's global competitiveness.

EU cohesion policy does not need a comprehensive reformulation, but rather its execution should be aligned with its mission along the treaty objectives of economic, social and territorial cohesion. It would be able to increase its effectiveness in preventing, limiting and overcoming the identified double, social and spatial polarization, if its growth fixation makes way for a broader set of target perspectives. In this context, the additional criteria put forward by the current European Commission for the funding period until 2027 look promising. In addition to the traditional indicator of GDP per capita, these criteria will also take into account regional youth unemployment, the level of education, climate change, migration and integration for the allocation of funds. The clearer linking of cohesion policy with overarching objectives (including digitalisation, climate change mitigation and the energy transition, network expansion, social policy, proximity to citizens) could also help to better capture the diversity of regional needs. Strengthening the multidimensionality of cohesion policy in this way could help to address the different needs of the regions in a more targeted way, both to level out the major contrast between outlying and metropolitan regions and to address the phenomenon of increasing polarization within large and medium-sized cities. Support for the most remote regions could also be achieved by fixing their maximum co-financing rate (that is the amount invested by the EU) at 85 per cent (originally planned to be lowered) with a simultaneous reduction of the rate for highly developed regions from 50 per cent to 40 per cent (transition regions will remain at 60 per cent). However, in the future, a region will only count as highly developed if it exceeds 100 per cent of the average per capita income of the EU instead of 90 per cent. Here it remains questionable whether better-developed regions have not thereby secured access to a larger share of financial resources that would be more urgently needed elsewhere.

For the new funding period, the multidimensional approach is counteracted by the even stronger adherence to the conditionalisation of financial resources. This is because the asymmetry of the European Semester described above will primarily sort the reform policies of the member states according to budgetary and competition-related criteria rather than other macroeconomic, employment and social policy aspects (Hacker 2019). Here, there is a risk of a procyclical development that penalises those states that urgently need subsidies to overcome crisis situations and makes it possible for projects to be halted for extraneous reasons in the case of purely structural measures. If this idea were to be passed on to the regional level within the member states, the metropolitan regions would once again have a better hand in the allocation of financial support, since they are the model students of structural reforms and reorganised budgets. The conditionalisation with the European Semester should therefore be resolved again, as originally also demanded by the European Parliament (2019).

From a regional policy perspective, the regular juste retour thinking of the member states in the negotiations for a new EU MFF has also been criticised: If the goals of cohesion and catching-up development are to be seriously implemented, there must be a certain degree of financial redistribution in the EU. In addition, a higher cohesion policy budget is needed, as the reports on Italy and France indicate. In this context, Leron (2021: 8) argues for a shift away from allocations from member states, and towards financing the EU budget through a dedicated tax capacity for structural issues and a European unemployment insurance to combat cyclical shocks. With the Corona pandemic, the first steps in the proposed direction have been taken in both areas via EU borrowing and agreement on repayments via new EU taxes to be introduced as part of the Next Generation EU package, as well as with the support instrument for short-time work programs, SURE, which should be made permanent.

4.2.2 THE DEVELOPMENT OF AN INTEGRATED EUROPEAN ECONOMIC AND SOCIAL POLICY

The previous orientation towards growth and competition is clearly unsuccessful in levelling disparities between regions with different levels of development, or between member states. An economic and social model for the EU that is understood in terms of solidarity and sustainability must not make the mistake of formulating social goals for an unsuitable economic framework in which they will be lost (cf. Antonucci/Corti 2020). If more is to be achieved than an orientation towards the principles of the major integration projects of the single market and EMU, given the aspects of increased competition and restrictive budgetary policy already criticised above, it is necessary to eliminate the EU's constitutional asymmetry between market creation and market shaping that has been fuelled by the management of the euro crisis.

This is possible by avoiding a return to austerity policies that are less flexible and characterised by budgetary discipline, since cuts in national budgets translate into decaying and undeveloped infrastructure in the region. The analysis of regional imbalances has clearly shown the extent to which the economic and social consequences of misguided crisis management contributes to the persistence of inequality and the deepening of divisions. The double polarization is evident at both the interregional and the intergovernmental level: The crisis-induced regression of a country like Spain, which has been catching up with the EU average since the 1980s with the help of EU policies, shows the dangers of inadequate macroeconomic policies for both the cyclical and the structural dimension. It is also detrimental to neighbouring countries and trading partners if the EU's fourth-largest economy falls behind in most economic and social indicators and moves away from the European average.

In regions already beset with problems, severe economic slumps and protracted stagnation are often predetermined breaking points on the road to being left further behind. Disappearing companies and migrating, well-educated employees rarely return to regions cut off from future prospects and infrastructure development. The cyclical developments that have been identified in peripheral regions are quite different to those identified in economically developed centres (cf. chapter 3.2.3). This difference is also mirrored among EU member states in major economic crises: Here, too, economic and social resilience is distributed differently; while some countries exude an attractive appeal due to their economic dynamism, employment prospects and social benefits, others remain trapped in vicious cycles of economic recession, high unemployment, rising poverty risk, high debt and poor credit ratings. Many people take advantage of the guaranteed freedom of movement and seek their professional and personal fulfilment elsewhere, leaving the crisis contexts of their home countries behind. In times of crisis, the interregional migration flows take place on a larger scale between EU member states, and intra-EU labour migration between poor and rich countries increases.

On the other hand, this can be addressed by establishing an EU social policy that views social cohesion and economic growth as two sides of the same coin. Collective workers' rights, guaranteed access to social insurance, the fight against child poverty and other social principles important for all EU states should be protected via the European Pillar of Social Rights (EPSR). This means that the EPSR needs to be legally binding. In addition, the European Commission's Action Plan (2021b) opens the door to the concrete implementation of the Pillar through indicator-based targets. Other current initiatives in the social field, such as a framework for European minimum wages, common principles of basic security systems and the European Child Guarantee to fight child poverty, also contribute to the implementation of the principles of the EPSR and to strengthening the importance of social Europe. In this context, the balance between economic and social objectives is important for member states and regions alike.

The policy meant to address the Corona crisis with its central instrument of the 750-billion-euro Next Generation EU Fund can be seen as a special opportunity to exit the economic slump while simultaneously supporting structural, environmental, and social goals. Without sensible public investment in infrastructure, education and employment, services of general interest, health services and social protection, all regions – whether economically dynamic or not – will have a difficult future. Public investments are only a burden for politicians setting budgets; otherwise, they are an opportunity for a shaped future. Part of the task of a new European economic and social policy should be the reformulation of an integrated stability, growth and social pact. This should recast the numerical budget criteria (Dullien et al. 2020) and balance the goals for social progress and for combating inequality against macroeconomic objectives.

4.2.3 MANAGING NEW CHALLENGES TOGETHER

The prerequisite for the proposals made above is no less than a new way of thinking about the roles of the market and politics. The market and globalisation euphoria of the early 1990s has long since faded, as the hoped-for equitable allocations of wealth, economic strength, quality of life and progress dynamics have simply not materialised. In the disparity studies, it is evident in all countries – albeit at different levels – that the dissatisfaction felt by the populations in these areas concerning both their own future prospects as well as that of their surroundings is being expressed in increasing political abstinence. The "system" is perceived being an unjust mechanism by which an "elite" (such as those living in wealthy metropolitan areas) have consistently secured their own interests and ensured that those from outlying regions remain as small cogs in wheels that keep turning but do not provide for their professional advancement and individual fulfillment. The belief that there can be change in the "system" further dwindles among those left behind in increasingly disconnected regions. Those who are mobile set off for more promising regions and thus inadvertently ensure the further decline of the place they came from.

Those who become disconnected and frustrated by these mechanisms who are often otherwise politically disengaged, fall prey to political populists who increasingly take advantage of the intensification of social and spatial contrasts that exist on a larger scale and everywhere in Europe. The rise of the extreme right and its entry into many parliaments across the continent is, among many other factors, a rampant protest against globalisation.[16] Not leaving this field to the half-baked and dangerous ideas of nationalists and welfare chauvinists should be a priority for the EU. Because of its size and economic strength, the EU has the potential to serve as a protective buffer against changes brought about by globalisation: Not simply letting change happen but moderating and shaping it to mitigate "voting with one's feet" through internal migration to metropolitan regions by highlighting remaining and newly identified or created opportunities. An EU that succeeds in doing this also creates the conditions for the development of a European identity among its citizens.

The challenges of the 21st century are numerous – climate change, digitalisation, increasing inequality, trade conflicts, economic crises and pandemics – and more will follow. Actively shaping these, and not surrendering to alleged global imperatives, could become the expert discipline of the EU. The EU is already demonstrating its power to shape global rules – for example, in free trade agreements, climate protection, and the General Data Protection Regulation (Bradford 2020). To this end, however, it is not enough to load the European agenda with new policy areas and goals. The EU's protective function must benefit all of its 450 million citizens by moderating the changes taking place through the market all the way to the regional level: "The EU's transition agenda (i.e. energy, digital and industrial) creates specific challenges for lagging regions since successful transitions imply that certain capacities, such as skills and know-how, investment and governance, are in place. In regions where these are absent or in short supply – as is the general case for lagging regions –, successful transitions are unlikely to materialise. This further threatens the vulnerability and stability of these regions. Furthermore, the COVID-19 crisis is exacerbating this instability" (Pilati/Hunter 2020:10).

The current Commission's major policy dossiers are helpful since they already take future challenges for structural change into account. One example is the implementation of the requirements to limit climate change. The Green Deal and the associated Just Transition Fund to achieve climate neutrality for the EU by 2050 are designed to include support for regional structural change through green economic modernisation and mitigation of negative impacts. It must be made clear here that the creation of ever new competitive spaces trimmed for growth is a similarly ecologically unsustainable goal. So too, should the modified Common Agricultural Policy, also under the banner of the Green Deal, give greater priority to environmental sustainability and promote development in rural areas. This should neither be exclusively about economic exploitability; the EU can and should want

16 The discontent with globalisation is also raised by left-wing populists; the variations of the protest are manifold and require a sharp look at motivations and objectives, cf. Koch 2020.

to afford the preservation and restoration of regional biodiversity to protect the quality of life of its citizens.

Major pan-European projects in the transport sector such as is suggested in the Finnish Disparities Report would also be in line with the climate goals: An accelerated expansion of rail lines of the Trans European Network (TEN) – such as Rail Baltica, a modern sleeper network or the revival of the Trans-Europe Express (TEE), which was discontinued in 1987 – could take on a lighthouse function for intra-European connectivity. This would contribute to climate protection, promote intra-European mobility, improve infrastructure and create employment – but above all, it would connect regions with different levels of development across countries.

5

CONCLUSION

Socioeconomic imbalances are found both between and within EU member states. Even countries that exhibit high economic and social standards in aggregate form show the same patterns of spatial disparities as their neighbours that lag behind in development. When examined in detail territorially, inequality reveals both its cyclical and structural origins. The degrees of unequal development and the specific conditions surrounding them differ greatly between European regions, so that simple comparisons of indicators are just as out of the question as one-size-fits-all recipes for remedying them. Accordingly, the orientation of regional policies towards undifferentiated growth and competitiveness targets since the 1990s must be viewed critically. So far, these have ensured that economically developed centres continue to rise, while rural and structurally weak peripheral regions continue to fall. The divergence has long been reflected on a small scale even within the advantaged metropolitan regions and on a large scale between the member states, especially after the economic crises of the last decade.

The double spatial and social polarization identified across all eight countries analysed here should not remain an issue dealt with purely within local authorities or within nation states. Measured against its treaty objectives of strengthening intra-European cohesion and intergovernmental solidarity, the role of the EU must also be considered, which has so far been insufficient beyond its role as financier of investment cohesion funds. Nicolas Leron (2021: 7, own translation) rightly laments "the relative insignificance of the EU in spatial planning policy." After all, the EU has played a significant role in imposing the growth and competition paradigm as well as the dominance of structural reforms and budget constraints down to the smallest local level. In particular, austerity policies in the euro crisis have increased social and spatial disparities, with which the EU has wantonly reversed already achieved successes of European cohesion.

In the 21st century, the vulnerability of the EU and its multi-level system is demonstrated by the rapid and ever faster succession of transnational risks, crises and challenges. A strong EU is needed to manage economic crises and pandemics, to shape structural changes brought about by climate change, digitalisation, and demographic processes, and to correct inequalities in income and wealth. To address existing disparities and prevent new ones, and to strengthen its own resilience, the EU should therefore:

I. Pursue cohesion policy instead of competition policy!

II. Develop an integrated European economic and social policy!

III. Tackle challenges together!

The unique quality of the European Union – especially in view of increasing political nationalism – does not lie in being a catalyst for globalisation. The unique quality of the European Union lies in its ability to embody a Community that thrives on the commonality of "unity in diversity" maintained and strengthened by advancing a differentiated economic and social model characterised by European specificities, and resolutely defended right through to every outlying region, protecting its citizens in the face of global challenges.

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FES Nordic Countries
Dr Philipp Fink

Front cover/Design/Typesetting: Heike Wächter
Design concept: www.bergsee-blau.de

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