9

Solidarity: Expanded and Contested Social and Environmental Action

Despite the neoliberal wave – or perhaps because of it – *solidarity* capitalism has remained important in Europe. Regulating neoliberal globalisation, which has increased inequality in the North as well as environmental damage worldwide, has been deemed a necessity.[1] Since it was impossible to tame capitalism globally (with the relative decline of the ILO and UNCTAD, the international organisations charged with this task), promoters of international *solidarity* turned to the European Union, and strove to strengthen its 'embryonic' welfare state developed in the 1980s (see Chapter 6).

This proved to be a Herculean task. The early 1990s brought a first peak of international awareness regarding environmental protection and interest in social Europe, but that was shattered by a neoliberal reaction from the mid-1990s to the mid-2010s. Since then, social and environmental policies have been on the rise again, only to be challenged by the Russo-Ukrainian War.

Three expressions of *solidarity* will be examined in this chapter. The first deals with the legal regulation of globalisation through social legislation and trade regulation. The second involves financial redistribution towards the neediest, with transfers to poor regions, and later with specific measures during the Covid-19 crisis (2020–21). The third addresses the rising importance of environmental regulation (Section 9.4) both in general and with regard to climate change (Section 9.5).

9.1 Social Europe: Neoliberal Flood and Ebb

Despite neoliberalism, national welfare states in Europe have continued to expand in certain areas such as the environment, the rights of women and LGBT people, extended periods for pursuing education, and reduced working time. Annual working time was roughly equivalent in Britain, France, Germany, and the US in 1980. It has since diminished by 15 per cent in Western Europe, but has remained the same in the US.[2] This dual dynamic has left its mark on the Union, characterised initially by the great social ambition of the Delors era, and later by the high-water mark of neoliberalism under Barroso, before a subsequent ebb.

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9.1.1 *The Delors Dynamic*

A first period was characterised by continuing the efforts initiated by Jacques Delors, who served as Commission president until 1995.[3] Under the Conservative Major government (1990–97), the UK still remained social Europe's staunchest opponent. The Working Time Directive was adopted in 1993 despite British abstention. London mounted a legal challenge against the directive, albeit in vain, as the Court supported the Commission's interpretation.[4] The directive was updated in 2003, with minimum standards of a 48-hour workweek, and four weeks of annual paid leave. A directive on European works councils was adopted in 1994, with their number increasing sharply from 50 to 466 in the two years following the legislation.[5] Their power is nevertheless limited, as illustrated by the closure of the Renault factory in Brussels-Vilvoorde in 1997, which was pursued with no consultation of local staff representatives. The directive was reformed in 2009 to clarify the obligations of companies, but the constraints remain limited. Finally, Delors's emphasis on relaunching European social dialogue led to binding laws immediately after his departure from the Commission. Representatives for employers and workers – UNICE (now Business Europe) for private employers, CEEP for public employers, and the ETUC for employees – concluded three framework agreements, which were then implemented through directives (legally binding acts) pertaining to parental leave (1996), part-time work (1997), and fixed-term contracts (1999).[6] The fight against discrimination was broadened to include many areas (based on gender, race, faith, sexual orientation, etc.), and led to the adoption of numerous pieces of legislation.[7] One year later in 1998, member states launched the Bologna Process facilitating student mobility within the EU, doing so independently of the Commission.[8] Europe was actually rediscovering its medieval origins, as its universities were home to student and teacher mobility from the very beginning (an exchange facilitated by the common usage of Latin). The Bologna Declaration emphasised the university's multifunctional nature, including its civic, intellectual, and social role, in addition to academic freedom.

9.1.2 *A Changing Mood*

At the same time, in the mid-1990s, the environment changed with the rise of neoliberal ideas. Paradoxically, it coincided with what was referred to as 'Pink Europe', namely the simultaneous rise of left-wing governments in numerous European countries. Tony Blair, the new British prime minister (1997–2007), ratified the Social Charter that Thatcher and Major had refused. However, these left-wing governments remained divided. The French Prime Minister Lionel Jospin (1997–2002), and the short-lived German Minister of Finance Oskar Lafontaine (1998–99), defended a redistributive vision, whereas the

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German Chancellor Gerhard Schröder and Blair promoted a more free market approach. Lafontaine soon left the government. Countries that used to be in favour of solidarity shifted to a more cautious position when centre-right governments returned to power. For example, at the Luxembourg Employment Summit in 1997, Spain (led by the conservative José Maria Aznar) admitted that it could not accept the ambitious social objectives that had been set, because the country had too many unemployed and too few resources to devote to them.[9] Later on, Italian Prime Minister Massimo d'Alema (1998–2000), a former communist, strove to change the Lisbon Strategy by adopting a more social approach, but the advent of the centre-right government led by Silvio Berlusconi (2001–06) changed Rome's position towards a more free market orientation.[10] More generally, social Europe was hampered by the advent of a new generation of leaders who were less enthusiastic towards European integration, such as Schröder in Germany (1998–2005), Chirac in France (1995–2007), Aznar in Spain (1996–2004), and Berlusconi in Italy (2001–06).

At the Commission, the active dynamic of the Delors era was fading.[11] The Commission chaired by Jacques Santer (1995–99) adopted a more modest profile. Instead of ambitious federal law, it promoted the open method of coordination (OMC), a non-binding effort to have national practices converge. His successor Romano Prodi was more ambitious, but had to focus on other priorities such as the euro, Eastern enlargement, and the revision of the European Treaties. In 2000, it adopted the Lisbon Strategy 'modernising the European social model by investing in human resources and creating an active social state', but the legislative tools remained weak, and its ideological foundation uneven.[12] In theory, Brussels wanted to promote the Danish model of flexicurity, a balance between labour market flexibility (especially redundancy facilities) and high unemployment benefits coupled with systematic training. This system required strong trade unions capable of negotiating collective agreements. However, unions have suffered a deep decline in Europe since the 1980s. They were weakened by the dismantling of industrial strongholds following the crisis of traditional manufacturing, as well as by subcontracting and rising international competition. Without strong unions, flexicurity proved to be no more than a free market policy. What is more, European social dialogue began to retract,[13] as the so-called new generation agreements were no longer followed by a legally binding Council directive. Consequently, the European laws that were passed (in 2002 on teleworking, in 2004 on harassment at work, etc.) were mere declarations of intent.

In terms of trade, since most customs duties on mainstream goods had already been removed in the 1990s, negotiations to stimulate free trade involved even more sensitive topics, such as harmonising legislation relating to services as well as social and environmental standards. As a result, in 1997 Jospin's new centre-left government in France opposed the conclusion of the

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Multilateral Agreement on Investment launched in 1995 under the auspices of the OECD, which sought to attract international investment by providing guarantees to multinationals against state action. Jospin called for culture to be excluded from the agreement, for US legislation not to be extended abroad, and for compliance with European standards, particularly in social and environmental matters. Faced with the impossibility of having these conditions met, he suspended French participation in 1998, bringing negotiations to a halt.[14] In 2000 Paris succeeded in having the notion of cultural exception recognised in the Treaty of Nice.

To some extent, the European ambition to regulate globalisation by combining the dominant value of *liberty* with a modest degree of *solidarity* was promoted globally through the World Trade Organization (WTO), the new institution that emerged from the GATT in 1995. A string of top European officials who worked at the Commission went on to serve as Director-General of the GATT/WTO, including Peter Sutherland (1993–95), Renato Ruggiero (1995–99), and Pascal Lamy (2005–13). Several Europeans, in particular German-speaking lawyers, published a proposal in 1993 for a GATT Draft International Antitrust Code, an economically liberal regulation of globalisation.[15] The WTO launched working groups on this subject in 1996, but they stalled due to a lack of willingness on the part of member states to engage in binding regulations. Pascal Lamy, Delors's former right-hand man, exemplifies this idea of 'regulated globalisation'; he tried to revive global trade negotiations when he served as director general of the WTO from 2005 to 2013, but with little success.[16]

9.1.3 *Barroso: High Neoliberalism*

The period overlapping with José Manuel Barroso's (2004–14) two terms as Commission president was the apex of neoliberalism.[17] In Brussels Barroso defended minimal intervention on the part of the Commission – far removed from the ambitions of Delors – and was supported in this task by most member states. The 2004–07 enlargement to twelve poorer countries prompted wealthier countries to curtail the Union's spending. The negotiation of the 2005 European budget was marked by a joint letter calling for limiting EU expenditure drafted by the governments of Northern Europe (Germany, Austria, the Netherlands, Sweden, and Finland), but also from France.[18] The budget was smaller compared with the Delors period in terms of percentage of national wealth. With respect to the poorest states, the countries of the former Soviet bloc were in favour of intra-European redistribution, but not of progressive social legislation, because they feared losing a comparative advantage in their process of catching up with richer countries, and because socialism had been discredited by the Soviet experience.[19]

In terms of international trade, Barroso also defended a neoliberal agenda, but was hampered by the 2007 Lisbon Treaty, which gave Parliament the

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power to reject all trade agreements, and the right to be informed at all stages of negotiations. The rowdy and boisterous chamber in Strasbourg would have to be appeased. In 2012, under pressure from popular demonstrations and petitions, the Parliament rejected the Anti-Counterfeiting Trade Agreement (ACTA) pertaining to the enforcement of intellectual property rights.[20] In 2013, the debate shifted to the Transatlantic Free Trade Treaty, known by its English acronym TAFTA, whose name echoes the EFTA, the small UK-sponsored European Free Trade Area created in 1960.[21] The Commission insisted that culture and media be included within the negotiating mandate. In 2013, Barroso called the French demand for a 'cultural exception' as 'reactionary'.[22] However, the French government, with the support of other member states and Parliament, successfully opposed it. Paris also called for public consultation regarding the procedure for dispute resolution between investors and states, which became a highly contentious subject and fuelled a powerful globalist protest movement. Paradoxically, it took on greater importance in Germany than France,[23] although the negotiations ultimately came to an end.

Within the EU, the Lisbon Strategy was reformed along more neoliberal lines in 2005. The goal of combating unemployment was downgraded, with emphasis being placed on structural reforms to liberalise the labour market.[24] Similarly, the Bologna Process for higher education was reformed in 2005–06 according to a more market-oriented basis, with universities being considered exclusively as actors in the labour market.[25] Discussions surrounding a framework directive on public services, implementation of the equal treatment principle, and the revision of the Working Time Directive stalled.[26] Last but not least, the eurozone crisis led to massive cuts in welfare states, sometimes at the behest of the troika, especially in 2010–12 (see Chapter 9). Social Europe had reached its nadir.

9.1.4 A Progressive Social Revival since the Mid-2010s

In the mid-2010s, the pendulum of economic ideas swung in the other direction, away from neoliberalism. This evolution can be explained by the lessons learned from the 2008 financial crisis, which shattered the belief in self-regulatory markets, and from the botched management of the eurozone crisis in 2010–15. The balance of power shifted, with the advent of a socialist president in France (François Hollande, 2012–17), the Social Democrats in Germany (Merkel governed with them in 2013–21, Scholz government in 2021–25), and a more socially minded Commission president, the moderate Christian Democrat Jean-Claude Juncker (2013 to 2021). According to a survey of several European Commissioners and officials, between 2008 (the Barroso period) and 2014 (the Juncker period) the economic vision became less neoliberal and more favourable to corrective market interventions.[27] The growing isolation of neoliberal Britain under David Cameron (2010–16),

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further magnified by Brexit, also helped. Even the IMF became less neoliberal under the leadership of two French politicians, the socialist Dominique Strauss-Kahn (2007–11), and centre-right Christine Lagarde (2011–19). In 2012, the IMF accepted that capital controls could be justified in certain situations to ensure financial stability.[28] In 2017, one of its reports called for increasing the marginal tax rate for some countries in order to limit inequality.[29]

This led to a reorientation of economic policies. Tax cooperation has improved on the global level. In 2014, Switzerland partially lifted its banking secrecy in the face of intense pressure from the US. Discussions are ongoing regarding the taxation of multinationals and the financial transaction tax (the so-called Tobin tax). A first agreement was struck at the OECD in 2021, and was transposed in 2022 into an EU directive to take effect several years later. It set a minimal tax of 15 per cent on the profits of multinationals, which is seen as a concession by low-tax countries, and as an insufficient measure by many social activists.[30] The growing number of tax document leaks by whistle-blowers – in particular the 2013 offshore leaks and the 2014 Luxleaks – have led to major consultative work at the OECD, as well as subsequent EU decisions facilitating information exchange between governments and banks, with a view to limiting tax evasion.[31] The 2023 report of the EU Tax Observatory acknowledged that tax evasion by individuals had been reduced by two-thirds, but that tax evasion by multinationals remained high.[32] The decision-making process has been hampered by the requirement of unanimous voting for all EU tax decisions, and by the low-tax policy of several members (Ireland, Luxembourg, and the Netherlands are usually singled out).[33] Another obstacle to collective action is tax competition from non-EU countries, notably the Channel Islands and Switzerland, hence the importance of the OECD's work, although this institution is structurally weaker than the Union, for it relies on unanimity and soft law. Lastly, since 2025, the new Trump administration has opposed any deals on this issue.

In terms of trade policy, the negotiations surrounding new international agreements liberalising trade have become more difficult. In 2016, ratification of the Comprehensive Economic and Trade Agreement (CETA) between the EU and Canada was blocked by the Parliament of Wallonia, the French-speaking part of Belgium, and by its Minister-President Paul Magnette. Opposition was lifted only after publication of an interpretative declaration regarding the prerogatives of states and social norms.[34] A small region of 3.6 million inhabitants nearly derailed one of the most important trade treaties of recent decades. The conclusion of new trade agreements also stalled. In 2019, the Commission struck a deal to liberalise trade with the South American block Mercosur, but it has yet to be ratified. The French government opposed it before the ink was even dry, because under President Bolsonaro (2019–23) Brazil did not protect the Amazonian rainforest, thereby putting the country

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in breach of the Paris Agreement on climate change. Later on, despite Bolsonaro being replaced by the more avuncular Lula da Silva, France still strongly opposed the new agreement concluded in 2024, due to pressure from farmers protesting the potential import of cheap and substandard South American food products.

This shift towards more solidarity in the governance of European capitalism was also visible in Brussels. The Union once again actively pursued social policy beginning with the Juncker Commission (2014–19), and in 2017 adopted a European Pillar of Social Rights. In contrast to the Lisbon Strategy – especially since its revision under Barroso – this set of principles highlights traditional social rights more broadly than before. Reference is made to consultation with workers, thereby reconnecting with the spirit of the Vredeling directive. Gender equality is promoted in both principle and through more specific measures, such as early childhood care. Workers' rights are extended via the term 'workers' instead of 'employees', thereby enabling EU legislation to cover the precarious self-employed in the 'gig economy'. Finally, ambitious reforms are mentioned, such as the adoption of minimum wages across Europe, depending on the national context. This non-binding law was initially seen as lofty rhetoric, but it has gradually served as a lever for many supporters of social Europe.

Since 2014, the Union's solidarity policy has been visible in three areas. First, neoliberal laws have been corrected. The Pillar of Social Rights has been integrated into the European Semester, the regular review of national economic and social policies within the framework of the monetary union. Another example is the 1996 Posted Workers Directive. It ultimately proved ill-suited to the 2004–07 enlargement towards Eastern Europe, which considerably increased the number of low-paid mobile workers. The directive required that local standards for minimum wages and working hours be applied, but many loopholes remained. Furthermore, fraud has been facilitated by a lack of control and transnational cooperation. The Juncker Commission, and countries concerned with stricter rules, the French government in particular, successfully had the directive revised in 2018. It establishes the principle of equal pay for equal work in the same place. It also harmonises some ancillary benefits (but not social security contributions), and limits postings to one year. A European Labour Authority was created in 2019 to facilitate cooperation on labour mobility and to limit fraud.

Second, traditional social policies were revived, especially on gender equality, although the effort remains modest, and focused on female employment.[35] Social Affairs Commissioner Marianne Thyssen, a Belgian Christian Democrat, abandoned the old plan to strengthen the parental leave directive for women in order to reach agreement, in 2019, on a more comprehensive directive on work–life balance for working parents and caregivers. It granted minimum paid paternity leave, and limited the transferability of parental leave between parents.

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Finally, new areas were explored, with the adoption of ambitious laws. In the field of competition, Commissioner Vestager launched a major offensive against large multinationals beginning in 2014, even moving into uncharted water, such as with state fiscal aid in the Apple case (see Chapter 8). In 2020, the Covid crisis prompted the Council to partially Europeanise national unemployment benefits with the SURE mechanism (Support to Mitigate Unemployment Risks in an Emergency), which relies on European loans to refinance national employment protection systems. The Commission assisted nine EU countries, and estimated the interest savings at €5.8 billion.[36] The Covid-19 crisis led to the joint distribution of a vaccine, as well as a global stimulus programme (see Sections 9.3.2 and 9.3.3). In 2022, the Union adopted a long-standing project on the minimum wage. Far from any effort at European harmonisation, it instead set minimal rules,[37] promoting expanded collective bargaining at the European level, in a clear nod to the Delors era. Last but not least, the Russo-Ukrainian War, which erupted in 2022, led to the generous welcome of refugees, in contrast to the hostility faced by non-European newcomers during the so-called migrant crisis in 2015. In this instance, the logic of *community* (the sense of sharing a common European identity with Ukrainians) was clearly combined with the logic of *solidarity*.

To conclude, the flanking European welfare state has gradually been reinforced after the backlash against high neoliberalism (1992–2014). It has benefited from the adoption of numerous reforms long under consideration, such as the inclusion of social rights in the examination of national economic policies, and the partial Europeanisation of minimum wages. But the Union remains predicated on neoclassical economics, with hardly any mention of reducing inequality as a goal in itself, and with strong opposition to any kind of social union from neoliberals, as well as those (such as Scandinavians) who prefer managing this issue at the national level.[38]

9.2 Redistribution: A Limited Transfer Union with an Impact on the Poor

Is the Union's sense of solidarity strong enough to proceed with massive financial transfers to its poorest members? Admittedly, Europe remains organised on the basis of financially independent nation states. The 1992 Maastricht Treaty establishing the monetary union excluded solidarity in terms of debt (Article 104). Income transfers are limited by the small size of the Community budget (roughly 1 per cent of the Union's GDP, and 2 per cent of its public expenditures). The Union's own resources (mainly customs duties and a share of consumer taxes) represents only one-third to one-quarter of its budget, the rest being covered by state contributions. This limited redistribution has had an impact on its poorest members, as it was combined with other tools such as

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the Single Market (which can boost exports and lower the price of imports, thereby increasing productivity), and a single currency (which lowered interest rates for poor countries before the eurozone crisis).

9.2.1 A Genuine Impact on Poor Countries

The first element of financial solidarity within the Union was Cohesion Policy, which grew out of Regional Policy in 1975. It has implemented continent-wide redistribution towards poor regions, mainly in Southern Europe, Eastern Europe, and Ireland. In Southern Europe, the period was marked by the co-financing of spectacular transport infrastructure, such as the longest bridge in Europe over the Tagus River in Lisbon, the completion of Venizelos Airport in Athens, and the high-speed Madrid–Barcelona train line. Southern European countries greatly benefited from these substantial financial transfers, which account for several points of GDP each year, but also from agricultural subsidies, tourist flows from the Single Market, the free movement of people (which allows emigration to rich countries and the inflow of tourists and pensioners), and finally economic and monetary union, which brought lower interest rates in the 2000s. These various elements triggered a process of convergence with wealthy countries from the 1980s up through the 2008 crisis.

Ireland represents an exemplary case with respect to economic development, with the country's per capita GDP surpassing the Union's average in the 1990s. The island has benefited from massive funding from Cohesion Policy, as well as its integration in a vast Single Market, where knowledge of English and cultural proximity has been an asset for many US multinationals (which based their primary European subsidiaries there).[39] Another advantage of European solidarity was the PEACE programme launched in 1994.[40] On 31 August 1994, the Irish Republican Army (IRA) proclaimed a permanent ceasefire in Northern Ireland. In response, the Delors Commission announced the release of extraordinary European funding to facilitate the peace process, drawing positive reactions from the governments of the UK and Ireland. Popular consultations were carried out to develop projects partly funded by the EU (urban renewal, social inclusion, tourism), especially those involving the two Catholic and Protestant communities in Northern Ireland. On the British government's own admission, this aid facilitated the conclusion of the Good Friday Agreement in 1998, which put an end to the most recent conflict between two EU members. The Union served as an honest broker, unable to negotiate peace, but willing to facilitate its implementation.

In the East, former communist countries had to catch up with the West in terms of economic development, and also build a liberal democracy and market economy from scratch.[41] At the Paris G7 Summit in December 1989, the G7 members (including non-EU members such as the US) tasked the Commission with providing aid to Central and Eastern Europe. The major instrument was the PHARE programme of 1989.[42] The acronym originally

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stood for Poland Hungary Aid for Economic Reconstruction, before being extended to most Central and Eastern European countries. In 1994, the Essen European Council explicitly linked EU funding to the enlargement process. It was meant to help these countries create an administrative and judicial apparatus capable of operating a liberal market democracy, and of implementing the large slate of '*acquis communautaire*', the collective body of Community legislation adopted for almost half a century.

Other actors have contributed to the East catching up, such as the European Bank for Reconstruction and Development (EBRD) established in 1990, along with private foundations. For instance, the Hungarian billionaire Georges Soros supported the development of liberal democracies in the East through his Open Society Foundations. He funded the creation of the Central European University (CEU) in Budapest, based on the Western Anglo-American model. He also created numerous scholarship programmes to Westernise young elites in Central and Eastern European countries. Even the Hungarian leader Victor Orbán – one of Soros's detractors, who forced the CEU to move to Vienna in 2018 – benefited from this programme during his own studies. Germany also played a role through massive transfers to the East.[43]

These transfers had a significant impact. They have been compared with the Marshall Plan, and have had the same dual effect: quantitative, with European allocations of around 2 per cent of the national wealth for the poorest countries (former Eastern bloc countries, Portugal, and Greece); and qualitative, with increased productivity and investment opportunity through foreign investment and integration in larger markets, as well as new management and production methods.[44] The level of funding was limited by the 'absorption capacity' of these countries (there were simply not enough actors capable of effectively spend European funds). For Poland, the amount of European funds is estimated at around €40 billion, or approximately €1,000 per Pole, an amount roughly equivalent to the €50 billion in private investment received by the country. Admittedly, Western firms established in this country have repatriated their profits, but not without creating jobs, paying taxes, and increasing productivity. On a more anecdotal level, the Austrian historian Philippe Ther, who has been travelling throughout Eastern Europe since the 1980s, observed that widespread corruption ended as it was no longer possible to avoid a speeding ticket by bribing a policeman.[45]

This dynamic favoured economic convergence between the Union's east and west, to the detriment of countries remaining outside. The comparison between Polish and Ukrainian living standards between 1990 and 2019 (before the Covid crisis and the Russo-Ukrainian War) is illuminating. According to World Bank data, Ukrainians were slightly richer than Poles in 1990 (measured in terms of GDP per capita respecting purchasing power parity). Thirty years later, Poles were 2.6 times richer than Ukrainians.

More generally, Table 9.1 shows the reality of this convergence process. In order to use the same measuring stick, the basis is not the EU average

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Table 9.1 *Convergence within the European Union: Changes in per capita wealth in seven countries*[48]
Per capita GDP, basis 100 = France

	France	Spain	Greece	Ireland	Poland	Slovenia	Ukraine
1973	100	57	60	54	42	74	38
1989	100	67	58	63	33	72	37
2004	100	86	73	134	42	69	23
2018	100	82	61	168	71	76	25

(which changes depending on enlargements) but France, a country between Northern and Southern Europe, and whose GDP has been close to the UK's during that period.[46] Ireland is the most spectacular case, surpassing even France in the 1990s, taking full advantage of European funds, the Single Market, and globalisation. However, statistics for Irish national wealth are artificially inflated by the fact that the European subsidiaries of numerous multinationals are tax residents there.[47] The convergence of Southern Europe (Spain, Greece) was genuine until the eurozone crisis, and the dynamic has remained positive in former communist Europe.

9.2.2 *A Belated and Frustrating Solidarity during the 2010s*

The eurozone (2010–15) and migration (2015) crises faced by Europe led to increased solidarity, but only belatedly, and with a great deal of resulting frustration. During the eurozone crisis, five countries benefited from massive support plans, primarily Greece (in an amount exceeding its GDP), as well as Ireland, Portugal, and Cyprus. Spain received a proportionally smaller amount of EU funds considering its large size. A permanent system of assistance to countries in financial crisis, the European Stability Mechanism (ESM), was established in 2012. All eurozone countries subsequently benefited from the policy of quantitative easing implemented after 2012.

The overall outcome of this financial solidarity has been mixed. The Greek rescue plan and quantitative easing probably came too late (the UK and US authorities were more supportive of the economy in 2008–11). These rescue plans were massively financed by taxpayers.[49] Poverty increased significantly between 2008 and 2014 in all assisted countries.[50] Despite massive aid, the EU was unable to protect the most fragile during the crisis.

The so-called migration crisis of 2015 demonstrated a clear lack of solidarity, to the point that the very term 'migrant' became controversial.[51] According to the Dublin III Agreement of 2013, the first country encountering these migrants in the Union is responsible for handling them, and must quickly proceed with asylum claims.[52] This created two imbalances. First, from a geographical point of view, most immigrants arrive on Europe's southern shores (Spain, Italy, and Greece), but want to settle in richer Northern Europe. The issue was compounded by the eurozone crisis, which left Southern Europe's public finances in disarray. These migrants can travel fairly freely within the Union, as borders controls were largely removed in the 1990s. The second problem is that no common immigration policy exists. In short, the Europe of migration is based on solidarity for intra-European migrants, but not for extra-European ones. With respect to the latter, if we apply the prism of the trinity, Europe stands for *liberty*, as the free movement of people is ensured, but not *solidarity* (social aid is provided locally and nationally, and is often insufficient) or *community* (as no common definition

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of how to become a member of the community exists, since immigration policies are different).

In 2015, Europe faced an influx of millions of migrants fleeing the Syrian, Iraqi, Libyan, and Afghan civil wars, as well as dire living conditions in Africa. Europe as a collective body reacted with an utter lack of solidarity, the most appalling consequence being the drowning of thousands of people in the Mediterranean Sea. In Southern Europe, countries already weakened by the eurozone crisis faced a massive influx of people they could not handle. They allowed some to move freely towards the rest of Europe, which they saw as selfish, having in effect externalised their migration policy to countries on Europe's external borders.

Some sense of solidarity eventually emerged, but rather late. On 31 August 2015 the German Chancellor Angela Merkel boldly proclaimed 'We can handle this', as her country generously welcomed hundreds of thousands of migrants, including many refugees from the horrendous Syrian civil war. Among the 1.2 million first-time applicants for asylum recorded in 2015 in the EU, 35 per cent went to Germany (440,000), 14 per cent to Hungary (174,000), and only 6 per cent to France (70,000).[53] Paradoxically, while France has been a staunch supporter of social Europe, it has expressed far less solidarity towards migrants than Germany in 2015.

The Union then decided to reinforce the Frontex agency, which helps control the EU's external border, and more controversially to reallocate some of the migrants across Europe. However, this decision was made by a qualified majority of member states, against opposition from four Central European countries adamantly opposed to this decision (Hungary, Romania, Slovakia, and the Czech Republic). The minority eventually prevailed, as the legally adopted decision was not implemented. Some countries erected walls, such as Hungary on its border with Serbia. The crisis was eventually solved by an agreement between Europeans and Turkey concluded in 2016, according to which the latter would stop Syrian migrants on its soil in exchange for European aid. The backlash against migrants intensified later, including in Germany where Angela Merkel faced growing opposition from her own Christian-Democratic constituency for her bold decision. The Pact on Migration and Asylum adopted in 2024 imposed stricter rules to increase control at the EU border. The 2015 migrant crisis therefore increased *community* capitalism (by reinforcing border controls) to the detriment of *solidarity* capitalism.

9.3 Facing Covid-19 (2020–21): Towards a Transfer Union?

With the arrival of Covid-19 in 2020–21 – an unprecedented and highly contagious respiratory disease highly lethal for the elderly and those with

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fragile health – the world faced a massive human and economic challenge. The Union suffered over 1.1 million deaths from the disease (not including 200,000 in the UK).[54] An unprecedented solution was pursued to limit its spread, namely lockdowns that caused a deep economic recession in 2020, on average 6 per cent for the Union. European capitalism was on its knees, but reacted quickly to express greater *solidarity*, despite health not being one of the Union's competences.[55]

9.3.1 *Health without Europe*

International health cooperation has historically been pursued by global institutions. The International Office of Public Hygiene was born in Rome in 1907, while in 1923 the League of Nations created a Hygiene Committee, foreshadowing the World Health Organization (WHO) of 1948.[56]

The project of fostering European cooperation in health emerged only in 1950. On 24 September 1950, three months after the Schuman Declaration of 9 May 1950, the French Council of Ministers adopted the draft proposal by Minister of Health Paul Ribeyre to create a European Health Community, known as White Pool.[57] Ribeyre's project encompassed all three dimensions of the trinity – *liberty*, *solidarity*, and *community*. First, it sought to create an integrated market for medicine, medical equipment, and medical professions by facilitating free movement. Second, it provided funding for countries with the most inadequate equipment. Third, it proposed pooling hospital resources in order to promote their fullest use. A genuine industrial policy was planned, with the construction of joint research centres, as well as consultation on the production of medicine and medical equipment. To carry out this ambitious project, institutions were modelled on those of the European Coal and Steel Community.

The White Pool quickly failed because Ribeyre presented his project at the OEEC, a broad intergovernmental organisation including seventeen countries, some of which strongly opposed supranational institutions, such as the UK.

The international dimension ultimately prevailed, as the WHO still oversees health cooperation efforts. The Union limited itself to market integration, which proceeded in the 1990s through the free movement of medical products, enabled by a harmonised marketing authorisation procedure (mostly from 1993 onwards), the free movement of medical staff, and the free movement of persons seeking care.[58] Liberalisation has been very gradual. For example, the reimbursement of care received elsewhere in Europe has long been limited to emergency cases (thanks to the European Health Insurance Card), before the Court of Justice extended the free movement of patients in 1998, albeit with safeguards to avoid what has been referred to as 'medical tourism'.

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9.3.2 *The EU Facing the Outbreak of the Pandemic (2020)*

When the pandemic struck in early 2020, the European response was initially national. Epidemics have always triggered a reflex of withdrawal into one's own community, for example, by closing the city's walls or by subjecting incoming vessels to quarantine. This phenomenon has also occurred within a nation state: in the US in 2020, state governors competed with each other and with the federal government to obtain medical equipment, and often restricted free movement from neighbouring states.[59] Even in smaller European countries, people were wary of those coming from the first region contaminated by the virus. The same reaction occurred in 2020 at the European level, with the free movement of people being interrupted by member states. Planes were grounded, and most countries kept their medical equipment (such as masks, gloves, and ventilators) for themselves. Local initiatives of solidarity occurred, with French patients being evacuated to German hospitals, but not on a massive scale.

The dimension of *solidarity* was more evident on the economic front. National governments massively supported companies to offset their losses resulting from lockdowns. In this respect, the Union's reaction was both faster and wider than during the 2007 crisis. It quickly reactivated the exemption clauses used during the preceding economic crisis. As early as March 2020, the Council adopted the Commission's proposals to suspend the Stability Pact's budgetary discipline rules, as well as to tolerate more state aid to enterprises.[60] The Central Bank announced a comprehensive plan to buy public and private assets, relaunching quantitative easing. Echoing the rhetoric of Mario Draghi in 2012, the new president of the ECB, Christine Lagarde of France, said: 'There are no limits to our support for the euro.'[61] These decisions were intended to facilitate the work of states, which spent huge sums to support the economy during lockdowns.

On 20 July 2020 the Union adopted a massive recovery plan of €750 billion, later dubbed NextGenerationEU (NGEU). In unprecedented fashion, it included grants and not just loans. The negotiations were tough, due to opposition from the 'frugal' group that replaced the UK as the primary opponent to European expenditure: Austria, the Netherlands, Sweden, Denmark, and Finland. Germany was initially hesitant, but the intensity of the crisis, the impossibility of blaming anybody for it (there was no 'original sin' as with the eurozone crisis), and a judgment by the German Federal Constitutional Court casting doubt on the legality of the ECB's action, forced Angela Merkel to act in order to prevent a new existential crisis for the Union.[62] As is often the case, a first French–German agreement, adopted on 18 May, laid the groundwork for a compromise, further refined by the Commission, and later amended by the 27. The other difficulty came from Poland and Hungary, which were both led by illiberal governments, and were

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careful regarding the linkage between fund allocation criteria and respect for the rule of law.

This historic decision reflects a powerful European sense of solidarity, which was more easily acceptable than during the eurozone crisis, because the number of victims and the scale of the recession could not be associated with governmental incompetence. One of the first regions in Europe affected by the virus, Northern Italy, is also one of the richest. Greece had fewer casualties in proportion to Northern European countries such as the UK or Sweden. Athens was nevertheless more economically affected by the pandemic, being more dependent on activities affected by transport restrictions, such as tourism.[63] The European aid plan aimed to partially offset this injustice. This decision was particularly welcomed in Spain, a country hard hit by the epidemic. Pablo Iglesias, the co-founder of the radical left-wing Podemos Party, spoke of a turning point after the neoliberalism of the eurozone crisis. The prime minister, the socialist Pablo Sanchez, welcomed it as a new 'Marshall Plan'.[64]

The stimulus package is indeed roughly similar to the Marshall Plan in terms of scale – it is not huge, but it is significant. Its €750 billion represents 5 per cent of the Union's national wealth, and therefore less than national recovery plans, which were massive. Its redistributive effect has been important for poor countries such as Bulgaria, Greece, and Croatia, which are expected to receive more than 10 per cent of their national wealth.[65] Over €1,000 per capita was provided for some Southern European (Italy, Spain, Portugal) and Eastern European (Slovakia, Croatia) countries. Moreover, the impact of the Marshall Plan hinged both on funding and related structural reforms, such as the adoption of new production methods, and the gradual opening up to free trade. Similarly, everything will depend on the recovery plan's implementation, which is to say whether funding will be allocated to the most efficient projects.

9.3.3 *A Vaccination Campaign Based on Solidarity (2021)*

In a second step, the 2021 vaccination campaign was made federal, with the EU centralising the procurement and allocation of vaccines. Its approach was market-driven, as it prioritised securing lower prices by grouping orders. It was also based on *solidarity* because the distribution by the Union put all Europeans – rich and poor, those benefiting from a national vaccine (mostly Germany) and those not – on equal footing. Without this common distribution of vaccines, poor countries would probably have received much fewer vaccines, and at higher prices.

However, the EU was accused of naivety in early 2021, as London embarked on a vigorous vaccination campaign. On the continent, caution on the part of governments delayed the start of the vaccination campaign, with many doubts

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being expressed about vaccines created in such great haste. Brussels focused on low prices and a social approach (hence the primacy of the precautionary principle, and insistence on greater responsibility for pharmaceutical companies than what London had agreed to). In contrast, the British were more protectionist, imposing a priority clause for delivery. In other words, Europe expressed *liberty* and *solidarity*, but not *community*.

Finally, the vaccination campaign quickly gathered pace in the spring of 2021. The main obstacle was the failure by AstraZeneca, the British drug-maker, to deliver its vaccine to the EU. If the doses purchased from the UK laboratory had been delivered on time and administered, the EU vaccination rate would have been significantly higher, at 29 per cent instead of 9 per cent on 22 March 2021, albeit behind that of the UK (41 per cent at that point).[66]

9.3.4 *Conclusion: A 'Hamiltonian Moment' to Create a Transfer Union?*

The 2020 decision to pursue a recovery plan of €750 billion, partly based on shared debt, was hailed as a 'Hamiltonian moment' by the most enthusiastic Europeans (the expression was coined by Olaf Scholz, the German Finance Minister at the time).[67] In 1790, Alexander Hamilton, the first Secretary of the Treasury of the United States, managed to convince the thirteen federated states to pool their debt, even though their respective debt levels were very different. Frugal states in the South accepted solidarity with their spendthrift neighbours to the North in exchange for moving the capital from New York to Washington. Hamilton created a market for Treasury funds, a bank, joint tax resources, customs duties, and even a police force responsible for making these taxes effective, the US Coast Guard. But Hamilton did not conjure up financial and banking solidarity overnight: state bankruptcies remained the norm until the early twentieth century, and the US federal bank (the Federal Reserve) was not established until 1907.[68]

Paradoxically, the metaphor of the 'Hamiltonian moment' was first invoked during the eurozone crisis in 2011 to criticise a Union unable to live up to the US example.[69] By contrast, mobilisation was much faster during the Covid-19 pandemic, initially with shared debt to finance massive solidarity, and then with the joint distribution of vaccines. It took over two and a half years for the Union to solve the eurozone crisis in 2009–12 (and much longer in the Greek case), whereas during the Covid-19 pandemic, it took no more than a few weeks to suspend the rules from the Stability Pact and on state aid control, and less than five months to agree on a massive stimulus package.

However, four elements must be considered before the metaphor of a 'Hamiltonian moment' can apply. First, the overall context for public finances has remained tense. The 2021–27 budget adopted in 2020 (in connection with the NGEU recovery plan) was marked by cuts obtained by the Frugal Four. Second, the NGEU is seen as an exceptional case by the Frugals, but by others

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as an example to emulate in creating a large permanent European budget. Third, as with other massive European aid programmes, the problem of absorption capacity arises. The Union can only finance projects that enhance competitiveness or solidarity, including those connected to the environment. In 2023, concerns arose over Italy's capacity to propose eligible projects, with several stadium renovations deemed inappropriate.[70] Fourth, the new tax resources envisaged in 2020 have been slow to materialise despite progress. Only the Carbon Border Adjustment Mechanism and the expansion of the CO_2 emissions trading system were adopted, while the financial transaction tax was again postponed.

Since February 2022, European financial solidarity has also been clearly present during the Russo-Ukrainian War, with Union contributions helping member states provide aid to Ukrainian refugees, as well as to finance the arms effort. Here too, the debate remains open as to whether these decisions are exceptional, or a first step towards a different union (see Chapter 10).

9.4 Rising Environmental Regulation and Backlash

The solidarity dimension of public policies has acquired a growing environmental dimension worldwide. Local and visible pollution (such as smoke emanating from a chimney's factory) have long been a source of concern, but the fight against diffuse pollution (such as water pollution from small doses of pesticides) and systemic pollution (such as global warming) started only in the late twentieth century. In terms of the governance of capitalism, the challenge is both substantial (how to offset neoliberalism through effective environmental legislation?) and institutional (how to ensure implementation despite diverse national approaches?). EU environmental regulation has developed to meet these two challenges, despite strong mobilisation by opponents.[71]

9.4.1 The Growing Importance of European Legislation

On the European continent, states have chosen to partly organise their environmental policy at the EU level in order to avoid conflicting measures creating different costs for companies. They were also motivated by the limitations of international organisations, which are hampered by institutional weakness (many countries involved, unanimous decision-making, weak enforcement). By contrast, the Union relies on directly applicable federal law, the power of sanctions, and since the 1992 Maastricht Treaty, the use of qualified majority voting at the Council, as well as the co-decision procedure with the Parliament. The latter is important, as it has often served as an echo chamber for environmentalist NGOs (and their opponents).[72] Besides, since the Commission is a small body, with few officials, it must rely on NGOs to

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gather information on environmental issues, and to monitor the implementation of its legislation. This is why the Commission has funded part of the operating costs for the Brussels office of several environmental NGOs, as they provide expertise and report violations, especially when national authorities are complacent or ineffective.[73] For example, in several documents from 1997 to 1998 published in association with the Commission, WWF Europe documented the insufficient implementation by member states of the 1992 Habitats directive on biodiversity. Even more radical NGOs not funded by the EC/EU, such as *Greenpeace*, played an indirect role, as their national protest movements put pressure on polluters to seek a European solution.[74]

European legislation has addressed a growing number of areas, starting with air and water pollution in the 1970s, and genetically modified organisms (GMOs), asbestos, and soil pollution disruptors in the 1990s.[75] Instead of a piecemeal approach, more comprehensive legislation has emerged, notably concerning biodiversity, water pollution, and chemicals. The protection of biodiversity and the right to information were addressed by the Habitat Directive of 1992, which requires impact assessments on all flora and fauna (rather than a particular species, as with the 1979 Birds Directive).[76] It prompted member states to create a network of 'special areas of conservation' called Natura 2000, which combine economic activity and environmental preservation. In terms of water quality, the sectoral directives of the 1970s and 1980s (on bathing water, drinking water, etc.) were replaced in 2000 by a European Water Framework Directive regulating all resources and uses. States must then establish integrated water resources management programmes within a geographically coherent basin, based on the polluter pays principle. In terms of chemicals, the 2006 REACH Directive reversed the burden of proof, requiring industries to prove the safety of all chemicals used (new and old). While this law has been challenged by environmentalists for its limitations (it concerns only certain chemicals), it was nevertheless adopted after an epic battle. An environmentalist coalition composed of Northern countries (Denmark, Sweden, the Netherlands) and Environment Commissioner Margot Wallström of Sweden (1999–2004) prevailed, but had to compromise with the three biggest European countries. Tony Blair of the UK, Gerhard Schröder of Germany, and Jacques Chirac of France sent a joint letter to Commission President Romano Prodi calling for future legislation to be more lenient, in order to preserve industrial interests.[77]

European legislation sometimes involved the implementation of less restrictive international agreements. The problem of international trade in hazardous waste became obvious in the 1980s, with numerous scandals related to European waste exported to poor countries in Africa or to Turkey.[78] Some European industrial actors, faced with more costly environmental regulations at home, saw illegal exports as a convenient way to dispose of their costly waste. Media attention and political action resulted in a three-pronged effort:

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internationally with the two Basel Conventions on Hazardous Waste in 1989 and 1994; at the OECD with a scientific effort to classify such waste; and finally at European level, with several texts of increasing severity regarding the traffic of waste since the 1980s. Complementarity between these various international organisations emerged, with international soft law providing political impetus, a scientific effort at the OECD, and binding legislation with the EU.

The environmental approach has impacted agriculture. CAP reforms, especially those of 1999 and 2013, have encouraged the reorientation of aid to environmentally sound programmes. But their share of total agricultural aid remains low (75 per cent of aid is still tied mainly to production), and it depends on national contexts.[79] Since its creation in 1983, the Common Fisheries Policy emphasises species conservation by establishing fishing quotas, but they remained too high to effectively prevent overfishing, especially in the first two decades.[80]

Between 1992 and today, the evolution of European environmental policy has not been straightforward. It flourished around 1990, culminating with the 1992 Rio conference and the creation of the European Environmental Agency in 1994. Then came a backlash fuelled by neoliberal activism – for instance by the conservative UK government, which drew up lists of EU legislation to be repealed or watered down, albeit without success – and by the economic crisis (notably in Germany following the difficult reunification).[81] On the other hand, green parties secured positions in government for the first time in France in 1997, and Germany in 1998.

The context became slightly more favourable in the late 2010s, with the end of the eurozone crisis (and its logic of austerity), pro-environmental mobilisation by youth (notably by the Swedish activist Greta Thunberg, who organised the Fridays for Future youth protest movement in 2018), the worsening climate crisis (with a string of heatwaves), and Brexit (which removed a major obstacle to ambitious EU legislation).[82] An early study on the consequences of Brexit shows that far from implementing the 'green Brexit' hailed by Michael Gove, the Conservative UK government has actually downgraded environmental standards.[83] Even the Pope released an Encyclical with a strong focus on environmental protection.[84] After being appointed Commission President in 2019, Ursula von der Leyen made the 'green deal' a priority in her agenda. She was supported by the increased number of green MEPS after the 2019 election. In 2020–21, the Covid-19 crisis helped demonstrate the benefits of car-free towns in terms of air quality and noise, as well as the possibility of radically expanded remote working. Implementing the Green Deal fell to commissioner Franz Timmermans. In 2020–22, he successfully passed numerous pieces of legislation involving topics such as climate change (see Section 9.5), the fight against importing products causing deforestation, and expanding the green reporting obligations of enterprises.[85]

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In the early 2020s, European environmental logic even had a marginal influence on bastions of free market thinking, such as monetary policy (especially in the policy pursued by its most recent president appointed in 2019, Christine Lagarde, who was bolder in green finance than her US counterpart),[86] finance (with regulation 2020/852 on the labelling of green investments), and trade (with several pieces of legislation linking trade and environmental standards, some denounced in the US as protectionist).[87] This demonstrates the contested nature of this issue.

9.4.2 *Structural Barriers to Environmental Action*

Environmental protection is challenging because this *solidarity* approach to capitalism conflicts with the two other poles of the trinity, *liberty* and *community*, which accept environmental regulation only if it does not hamper growth or competitiveness. Sometimes *solidarity* and *liberty* can be combined. The adoption of stringent environmental standards can favour a company if it benefits from a competitive edge in this domain. For instance, the German government advocated stringent environmental standards for cars in the 1980s and 1990s for environmental reasons, but also because its manufacturers had a technological lead in this area.[88] Later, the German Greens supported the liberalisation of energy markets in order to encourage the emergence of new renewable energy producers that could compete with incumbents using more polluting sources of energy (oil, gas, coal, and nuclear power).[89] They even supported the Commission's 2008–09 energy market liberalisation project, which their government opposed, out of opposition to dominant companies, accused of obstructing the market entry of renewable electricity producers. The French Greens sometimes used similar arguments when they entered the parliament in 1997.

Another obstacle is the division of the left and the centre-left between the Greens and others parties striving to protect certain jobs from costly environmental measures. For example, when the Commission discussed car emission standards in 2008, the Commissioner for the Environment, Stavros Dimas, a Greek conservative who favoured stricter standards, was opposed by the Commissioner for Enterprise and Industry Günther Verheugen, a German Social Democrat eager to protect carmakers.[90] Verheugen teamed with neoliberal Commission President Barroso to limit environmental standards. Regarding energy policy, German Social Democrats have been reluctant to close coal mines, as this sector has remained important both in terms of jobs and the SPD's identity.

A major obstacle is the difficulty of generating consensus among different countries. France, for example, is virtuous in terms of its carbon emissions because of its massive use of nuclear energy, but the plants pose other

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environmental problems, such as the severity of potential accidents, the cost of dismantling, the risk of proliferation of fissile material, and waste management. Divergence on this issue has increased, with Germany deciding to phase out its nuclear plants after the Fukushima nuclear accident of 2011, while countries such as France, Finland, and Poland chose to relaunch nuclear energy a few years later. In 2022, the pro-nuclear coalition (mainly France, Italy, Sweden, and most members of Central and Eastern Europe) even managed to have nuclear energy labelled a green investment in the official EU classification. French officials have been presenting nuclear energy as an environmentally friendly option since the late 1980s.[91]

Last but not least, economic crisis can weaken environmental policies. The two oil shocks (1973 and 1979) had a dual effect. At first they vindicated *The Limits to Growth* report and led to policies designed to save oil. Conversely, rising unemployment fostered the rise of business-friendly measures, and discredited robust measures against pollution. The severe economic crisis of 1992 also affected the dynamic in Europe. Neoliberalism was on the rise, and appeared less detrimental to the environment than state socialism, for during the early 1990s revelations emerged of the major environmental disaster that unfolded under the communist system, driven by the regime's productivist and authoritarian nature. This environmental backlash was particularly acute in Germany due to the cost of reunification. While Bonn had green credentials, Berlin was more hesitant. The historian Frank Uekötter has pointed out that in 1995, the weekly *Der Spiegel* reported on 'environmental madness', largely because of the economic difficulties resulting from reunification, whereas its coverage of environmental issues had been more moderate in the past.[92] The 2008 economic crisis impacted environmental policy, notably in countries most affected by austerity policies such as Spain, which was forced to slash its renewable energy subsidies.[93] Still, environmental policies have not been dismantled, proving fairly resilient.[94]

Another environmental backlash began in 2023 (with prodrome in 2019, in which Dutch farmers protested potential stringent measures to cut nitrogen emissions by drastically reducing livestock farming).[95] The Russo-Ukrainian War raging since 2022 has forced Europe to reduce its energy consumption, but coal-fired power plants have been relaunched to compensate for Russian gas supplies.[96] In a gesture of solidarity, the Union has facilitated the import of cheap Ukrainian agricultural products. Surging inflation, in particular for food prices, has led to increased protests by farmers against environmental legislation in 2023–24 (the French and German protests were sparked by a planned diesel tax increase for farmers, while Eastern European farmers were more concerned about Ukrainian imports). The anti-environmental backlash has spread beyond farmers: it started in Germany in the summer of 2023 with a

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contested law promoting heat pumps. This has impacted the European Parliament, where the adoption of green legislation had become more difficult since late 2023. The legislation to reduce the use of pesticides was shelved by the Commission in February 2024, after its rejection by the Parliament in November 2023. The legislation on car emissions in 2023 and on biodiversity in 2024 were both watered down, while the Commission announced measures to limit environmental standards for farmers.[97] The Greens suffered a setback during the 2024 European elections, and the Commission announced further measures to water down environmental legislation in 2025. The adversarial context is compounded by the Trump administration's direct attack against environmental legislation, repeal of the IRA, attacks on the EPA, and withdrawal from the 2015 Paris Agreement.

In short, the history of environmental policy was not characterised by continuous progress towards an enlightened future, but was more like a tidal wave, with substantial mobilisation (1973, 1988–92, and 2021–23) followed by environmental backlash. These latter episodes were characterised not by sheer 'policy dismantling', as the 'green state' proved relatively resilient,[98] but by less ambitious initiatives and laxer implementation.

9.4.3 The Role of Industrialists: From Conversion to 'Merchants of Doubt'

In addition to these structural barriers, some industrialists have been actively undermining environmental legislation. This was not the case for all companies, such as those for which environmental regulations represented a business opportunity (for instance the catalytic converter manufacturer that benefited from the ban on lead petrol, see Chapter 4). This has been documented by historians in both the Danish and German cases, for example.[99] For others, accepting a more environmentally friendly approach was simply a public relations gesture criticised as 'greenwashing'. An extreme case is that of the 'Merchants of Doubt', American industrialists who funded false scientific counter-expertise to cast doubt on the harmful nature of their products, such as tobacco, petroleum, pesticides, and so on.[100] The historian David Proctor coined the term agnogenesis in connection with the tobacco disinformation campaign, defined as 'ignorance as a deliberately engineered and strategic ploy'.[101] It is not the absence of knowledge that explains indecision, but the profusion of contradictory expertise sowing doubt. Companies appear to have been less militant in Europe. Between 1989 and 1994, the French oil giants Total and Elf joined the campaign led by the major US oil company Exxon against the proposed European carbon tax on hydrocarbons.[102]

The adoption of lenient measures was a second strategy for industrialists to mitigate the impact of environmental legislation. Instead of a tax or pollution thresholds, governments have increasingly resorted to market-based instruments since the 1990s because the older instruments, sometimes derided as

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'command-and-control' (such as standards or emissions caps) were seen as too rigid and burdensome for business. For example, rules prescribing the use of the 'best available technology' led to endless discussions between companies and regulatory authorities. By contrast, market-based instruments (referred to as 'new economic policy instruments') are more flexible, and therefore considered more efficient.[103] They include the creation of a market for polluting rights, voluntary agreements by industrial actors to reduce pollution, and labels to help consumers and creditors identify the most virtuous industrialists. The use of market-polluting rights has been promoted by economists such as William Nordhaus since the 1970s (winner of the Nobel Prize for Economics in 2018 for his work combining economics and the environment).[104] These market-based instruments are not inherently less severe than the older instruments. Many environmentalists were won over by this approach, probably out of their distrust of government (often considered to be a dangerous behemoth by many Greens). The collapse of the USSR and the ensuing revelation of environmental disaster seemed to prove that a centralised command-and-control approach did not work.

The most ardent promoters of market-based instruments were certain multinationals and the International Chamber of Commerce, which defended them from 1990 onwards when global environmental tax plans multiplied.[105] The Commission has also been interested in these market tools, as they are in keeping with what a small institution can manage. As early as 1990, an internal note criticised the old 'command-and-control' tools (thresholds, standards), instead noting that 'more market related instruments could achieve better results for the environment'.[106] In the 2010s, this movement morphed with the rise of green finance, including significant initiatives such as the world's leading investment fund BlackRock supporting the adoption of best practices in environmental, social, and corporate governance (ESG) for its investments (which drew the ire of some US Republican politicians as soon as 2022). These efforts are in keeping with the formation of the Glasgow Financial Alliance for Net Zero in 2021, a group of investors supporting the fight against climate change.

Market-based tools are not inherently good or bad for the environment. They can lead to greenwashing if the price set for pollution is too low, if green label standards are too lax, or if public authorities relinquish their responsibilities, leaving companies unregulated. For example, European car manufacturers agreed to a voluntary agreement to limit CO_2 emissions in 1998 because they feared Brussels would be pressured by the Parliament. The agreement was endorsed by the Commission in 1999.[107] However, voluntary agreements proved disappointing, and in 2008 the Commission returned to the old method of setting thresholds via legislation.

Since European institutions are weak, examples of fraud are legion. They must rely on national inspection bodies, as well as standards bodies sometimes

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partially funded by industry. For example, in fisheries, compliance with quotas has long been theoretical, because local authorities have sometimes turned a blind eye to overfishing.[108] In the automotive sector, Dieselgate – German carmaker Volkswagen's admission in 2015 to fraud in complying with diesel emissions standards – demonstrated the limits of EU action, especially since the fraud was discovered by US authorities (see Chapter 8). Finally, since the EU acts through directives, if member states delay the transposition of legislation into national law, or do so imperfectly, or do not conduct inspections, the standard remains ineffective. This explains the 1996 reform of the Seveso Directive on the control of hazardous industrial sites, which added the requirement of regular inspections by national authorities.

Overall, European legislation has offered greater environmental protection than in North America, whereas the opposite was true before 1990.[109] The enforcement of violations of European legislation by numerous member states (including the wealthiest) shows that European legislation brings added value, and has proven more restrictive than many national authorities.[110]

9.5 The New Paradigm of Global Warming: An Opportunity for Europe?

'Why is there no storming of the Bastille because of the environmental destruction threatening mankind, why no Red October of ecology?' asked the sociologist Ulrich Beck in 2010.[111] The fight against anthropogenic global warming has become the dominant paradigm of environmental action in the twenty-first century, but only at a slow pace. It seems surprising considering that scientific consensus has existed on human-induced global warming at the UN since the first report from the International Panel for Climate Change (IPCC) in 1990. How to account for this time-lag ?

The challenge has been scientific, economic, geopolitical (in terms of North–South relations), and technical. Technical issues are particularly daunting: should the priority be CO_2 or methane, which emits more greenhouse gases, but stays in the atmosphere for a shorter period of time? The American chemist Susan Solomon, who chaired IPCC Group 1, considered this a 'Faustian dilemma'.[112] How should their interaction be managed? The ozone is beneficial at high altitude, creating a protective layer against solar rays, but harmful below. How to reconcile these new objectives with older environmental policies for air pollution? Diesel engines were favoured in the early twenty-first century because they emitted less greenhouse gases, but they also release more microparticles that are particularly harmful to health. Finally, climate change is predicated on a governance of capitalism based on numbers that are difficult to establish: how can we assess carbon sinks? How to measure the carbon imported by international trade, or the reality of carbon

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offsetting schemes? How can governmental declarations regarding their carbon balance be verified?

In Europe, the Union seized an opportunity to play a major role in this new area, doing so in three stages: the failure of the 1992 carbon tax; the Kyoto Protocol in 1997, complemented by the 2015 Paris Agreement, which resulted in the European Fit for 55 package; and the return of a more protectionist version of the carbon tax in 2022.

9.5.1 *First Environmental Mobilisation (1992) and Ebb*

The issue of anthropogenic global warming came to the fore with the 1979 Charney Report from the US National Academy of Sciences. A scientific consensus gradually emerged since the conference in Villach, Austria, organised in 1985 by the UN Environmental Programme (UNEP).[113] The UN then created the IPCC in 1988 to establish irrefutable global scientific expertise laying the foundation for collective action. The first IPCC report was issued in 1990. It stated that there has been global warming of human origin of '0.3 °C per decade in the 21st century', which indeed has proven to be the case.[114] The report was used to prepare for the 1992 United Nations Conference on the Environment in Rio.

In Europe, the Rhodes European Council held on 2–3 December 1988 recognised the importance of combating the 'greenhouse effect'. In March 1989, Western European leaders met at the Hague Conference at the initiative of Dutch Prime Minister Rudd Lubbers and Norwegian Prime Minister Gro Harlem Brundtland (who initiated the famous report on sustainable development bearing his name), with the support of French Prime Minister Michel Rocard (who had already written about CO_2 emissions in a 1987 book).[115] It recognised climate change and the crucial need for financial transfers between the North and South to ensure an energy transition. Rocard envisioned the creation of a 'new international authority' on environmental regulation to be called 'Globe'.[116]

The European Economic Community (EEC) became the framework for public action.[117] In 1989, even Margaret Thatcher's neoliberal administration considered some kind of international taxation as inevitable: 'The general Whitehall view is that some sort of environment tax (though not necessarily at the Community level – OECD would be far better) is inevitable before long.'[118] The notes emphasise 'Italian enthusiasm' for the project, on the part of Mario Ruffolo, the Italian Minister for the Environment. Ruffolo had worked as an economist at the OECD in the late 1960s, when the organisation was working, with the Club of Rome, to quantify the environmental challenge, an effort that led to *The Limits of Growth* report.[119] Finally, it was another Italian, the Commissioner for the Environment Carlo Ripa di Meana, who proposed a European carbon tax bill, and had it adopted by the Commission

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in 1992. On the other side of the Atlantic, in 1993 US President Bill Clinton launched – under the impetus of his Vice President Al Gore – a project for a targeted carbon tax known as the British Thermal Unit (BTU).

The proposed European carbon tax sought to impose a tax of $3 per barrel of oil to take effect in 1993, and rising to $10 in 2000, in order to reduce consumption and thereby emissions.[120] The plan was innovative because it encouraged polluters to reduce their environmental impact, all while leaving them free to use the instrument of their choice. It also provided public authorities with additional resources. Ripa di Meana, a former director of the Venice Festival, was a flamboyant personality. When member states refused to endorse his plan, he abruptly refused to participate in the 1992 Rio Summit.

The idea was difficult to promote for scientific reasons (human-induced climate change was still contested), economic reasons (putting European companies at a disadvantage internationally), and institutional reasons, as tax matters require unanimity at the EC Council. Some of the richest Northern European countries, such as Denmark and the Netherlands, supported it, whereas the poorest feared that such a tax would hinder their development (Spain rejected it). The most neoliberal, such as John Major's Britain, opposed it on principle. France and Germany had diverging positions, both welcoming the tax, but only if it excluded nuclear energy for the former, and only it if it included it for the latter. France relied on the largest network of nuclear power plants in Europe, while Germany relied – especially after reunification – on coal-fired power plants, some of which used dirty brown coal from the former GDR. At the same time, some CO_2-emitting companies mobilised to oppose the project, which quickly floundered (like the US BTU project).[121] Hence, several experts noted a 'Green backlash' in the 1990s.[122]

A few substitutes for the carbon tax survived. At EU level, a framework for taxing lorries for using certain infrastructure was adopted in 1999.[123] Some states have applied a carbon tax for heavy vehicles (Austria, Germany, etc.). Social consensus has nevertheless been difficult to build: in France, a 2008 law provided for such a tax, but was shelved in 2013 following a popular protest by the *bonnets rouges* ('red bonnets') in Brittany, an agricultural region highly dependent on road transport. A new carbon tax was proposed a few years later, but was scrapped once again after a much more massive social protest by the *gilets jaunes* (yellow vests) movement in 2018–19. The farmer protests connected to the environmental backlash in 2023–24 are also in keeping with this pattern of mobilisation against green taxation.

9.5.2 *European Leadership in Emissions Trading Schemes*

Instead of a tax, the Union used an emissions trading scheme to implement the 1997 UN Kyoto Protocol. Kyoto was a global breakthrough, the first

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international agreement to impose reductions in greenhouse gas emissions (CO_2, methane, etc.). Its critics noted that the CO_2 reduction targets were relatively modest (minus 33 per cent between 1990 and 2020 for the EU-27), given that industrial activity was declining in Europe (hence Europe imported products made with greenhouse gas emitted elsewhere). The most polluting companies, those situated in the former communist bloc, were shut down or replaced. Implementation was delayed until 2005, as the Protocol required the ratification of fifty-five countries representing at least 55 per cent of emissions. The US signed the Protocol under Bill Clinton, but the Republican Congress refused to approve it. His successor, George Bush, Jr, withdrew from the protocol, thereby delaying its ratification.

The protocol was also a watershed for the Union, because the US rejection boosted European leadership, and because the Kyoto Protocol was implemented by the Union, whereas each of its member states could have chosen to implement it on their own. In 2005, Brussels created an emissions trading system (ETS) for European companies to exchange emissions permits and contribute to compensation schemes.[124] However, the low price of these permits has limited its impact, as have the numerous exemptions granted (in particular at the request of Germany and countries in Central and Eastern Europe, which have remained highly dependent on coal).[125] Pro-business actors have stressed that high prices would simply lead to 'carbon leakage', which is to say the replacement of European products by non-European ones made at heavily polluting plants.

The 2015 UN Conference in Paris led to a new agreement, once again without US support, as President Trump refused to endorse it. It sought to limit global warming to 1.5 °C if possible, or 2 °C maximum, as well as to set the goal of net zero emissions by 2050. Each country must determine its own rate of emissions reduction. The recurring question of North–South solidarity was left unresolved.

To implement the Paris Agreement, the EU adopted a set of measures in 2022–23 known as the Fit for 55 package, with the objective being to reduce greenhouse gases by 55 per cent by 2030 compared with 1990 levels. It encompassed ambitious measures, such as the decision to ban petrol-powered cars by 2035 (subject to revision), the expansion of the emissions trading system to other sectors, integrating the Paris objectives into future EU trade agreements, as well as a new version of the carbon tax.

9.5.3 *The Return of a Neomercantilist Version of the Carbon Tax*

The carbon tax was eventually adopted by the Union in a completely different form as an extra levy on importing products detrimental to the environment. Instead of an internal tax, it has become a neomercantilist tool designed to protect European industry from unfair competition. It has a long history: as

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early as 1996, Dutch and Danish officials asked the Commission to study 'border tax adjustment' or 'eco-duties'.[126] However, its adoption was constantly delayed, as the Commission was very reluctant towards any instruments that could impair free trade until the Green Deal. To avoid the closure of its largest emitters of greenhouse gases, such as steel plants, the Union adopted the Carbon Border Adjustment Mechanism (CBAM) in 2022. The aim was to combat carbon leakage, as imports account for 28 per cent of greenhouse gas emissions.[127] The CBAM is compatible with the WTO's international free trade obligations, because it is proportionate: it imposes a levy amounting to the cost of European carbon quotas that European companies would have been required to purchase. Initially dubbed the 'carbon tax', it has become a trade 'mechanism' to ensure compliance with WTO rules, and to avoid unanimous voting at the Council (the prevailing procedure for tax-related issues). Five carbon-intensive sectors are concerned – steel, aluminium, cement, nitrogen fertilisers, and electric power generation. Revealingly, they are almost exactly the same as the 'basic sectors' targeted by the first French plan for reconstruction in 1946: despite the IT revolution, those sectors are still strategic.

Implementing the CBAM, which takes full effect in 2026, will probably be tricky. The first problem is that it only concerns raw products, not processed products. Consequently, non-European steel imported to Europe will be taxed, but not the automobile manufactured outside of Europe with this foreign steel. More generally, extending the mechanism to processed products would be complex. For example, Apple's iPhone includes components from eight different countries. For that matter, CO_2 emissions do not capture all environmentally damaging aspects, such as those relating to the potential risks of the nuclear industry, or those pertaining to heavily polluting mining operations (especially for the minerals used in electric vehicle batteries). The second problem is political, namely how to impose a trade penalty on a country without fear of retaliation? It seems unrealistic to impose such a tax on powerful countries, even if they do not have a carbon market or if their markets appear overly lax. In July 2021, Beijing protested about the Commission's recently proposed CBAM, equating it with disguised protectionism.[128] It remains to be seen whether the mechanism will actually be used, as in 2023 the World Bank identified seventy-three carbon markets or taxes worldwide, covering 23 per cent of emissions (as opposed to just 7 per cent a decade earlier).[129] African countries (such as Zimbabwe for its steel, and Mozambique for its aluminium) fear that their exports could fall victim to the CBAM, as they are too weak to deploy effective counter-measures.[130] All of the difficulties associated with the practical implementation of a European preference, already visible in the 1980s, have resurfaced. How can the production process be accurately controlled? The CBAM is nevertheless useful by its very existence, namely as a deterrent, as well as an incentive to increase the price of carbon among EU trading partners.

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To conclude, the fight against global warming has emerged as a new category of public policy, one that increasingly structures the debate surrounding the governance of capitalism. Action has remained insufficient, for while the Paris Agreement set the objective of limiting warming to 1.5 °C, it seems that this threshold has already been reached in 2024.[131] Huge challenges loom, in particular the conversion of entire swaths of industry, including the electrification of the automotive sector, in which Europe must face Chinese competition, prompting calls since 2024 to delay the phasing out of fossil fuel vehicles in Europe. Europe is becoming less and less central; China has become the world's leading industrial powerhouse, including for environmentally friendly technology, as well as the largest emitter. In terms of cumulative emissions between 1850 and 2021, China ranks second behind the US, followed by Russia, Brazil, and Indonesia, with the first European country, Germany, being only sixth.[132] Lastly, the Russo-Ukrainian War has shown the aggressiveness of Russia, the major power that actually benefits from global warming (likely to increase cultivable land, and to make Siberian sea routes available).

9.6 Conclusion

The neoliberal wave was ambiguous, as the governance of European capitalism was also marked by the strengthening of its dimension of *solidarity*. Redistributive Europe has had some success in the East, with a rough equivalent to the Marshall Plan that benefited Western Europe seventy years earlier. But the neoliberal management of the eurozone crisis wiped out some of its benefits, first in the East (because Eastern Europeans countries affected by the 2007–08 crisis were not assisted), and then in the South (because EU aid came too late). Some instances of solidarity corrected previous neoliberal legislation, such as the new Posted Workers Directive, redistributive measures during the eurozone crisis, and mobilisation against certain free trade agreements. The European Parliament, whose institutional powers have grown since the 1992 Maastricht Treaty, has often been used as a springboard for socio-environmental protest movements, which have now fully integrated the European dimension within their influence strategy (unlike the weak transnational social mobilisation for the Vredeling directive in the early 1980s).

Even if the European welfare state is structurally limited by the size of the European budget, as well as by a relatively low sense of solidarity, the social field has embraced ever-broader areas, with measures pertaining to anti-discrimination, the minimum wage, and the creation of the European Labour Authority. The Covid-19 epidemic Europeanised some health policy. Envisaged in 1950 with the European Health Community, this process was limited to the creation of a common regulated market from the 1990s onwards. In the face of Covid-19, member states initially reacted with national lockdowns, and stimulus plans. The Union quickly followed, moving faster

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and more forcefully than during the financial crisis by suspending fiscal and competition rules, easing monetary policy, and launching a broad recovery plan. The vaccination campaign was also marked by a federal logic of solidarity, as it has allowed even the poorest Europeans to gain access to vaccines.

Environmental issues have increased in importance since most pollution is transnational in nature. The Union treated this issue by merging the *liberty* and *solidarity* approaches to capitalism, especially by using market tools believed to reconcile growth and environmental protection. At times the Union went beyond the mere logic of the 'flanking welfare state' (see Chapter 6) by providing added value to national welfare states, notably in environmental protection.

There has not been a gradual rise in social and environmental policy, but rather flows and ebbs. Multi-level mobilisation (national, European, international) on environmental protection (notably in 1973, 1988–92, and 2018–22) was followed by environmental backlash. The EU has become a global environmental leader, or at least this is how it likes to portray itself,[133] although this may perhaps be for a lack of serious competitors. After the ambitions of the late Delors period (1989–92) – such as Ripa di Meana's carbon tax project in 1992 – the tide has turned. Opponents of environmental legislation have mobilised effectively. The 'Pink Europe' of the late 1990s did not bring about changes to the European regulation of capitalism, even if national social legislation progressed in some countries. The lessons learned from the eurozone crisis, the change of Commission in 2014, and the 2015 Paris Agreement on climate change marked the return to a certain voluntarism. The adoption of the CBAM in 2022 was an attempt to balance the three poles of the trinity – *liberty*, *solidarity*, and *community*. By contrast, the strong environmental backlash that has ensued since 2023 has rekindled the association between neoliberalism and the *community* approach.

Developing solidarity capitalism on an international scale has remained fraught with pitfalls. In addition to the lack of political will (due to the weak sense of solidarity), obstacles also include economic crisis (the massive cost of reunification dented Germany's environmental credentials, while surging inflation after the 2022 Russo-Ukrainian War weakened the pro-environmental coalition), underdevelopment (the poorest states frown upon solidarity measures reducing their competitiveness advantage), and active mobilisation by opponents (campaigns by the 'Merchants of Doubt').

Finally, Brexit embodies the paradox at the core of Europe's *solidarity*-based regulation of capitalism: the working classes have largely voted to leave a Union associated with neoliberal globalisation, while British trade unions called to remain in a Union whose social legislation is considered as a safety net against Tory neoliberalism. But it was Brexit that enabled Europeans to improve the *solidarity* dimension of their capitalist governance. However, recent times have seen the return of *community* capitalism.

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