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The Effects of the Globalized European Economy on the Development of the European Welfare State

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The Effects of Economic Globalization on the European Social Welfare State

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Hypothesis and Theory

- Hypothesis – As the European economies become more globalized, we will see a homogenization of Gøsta Esping-Andersen's five social welfare regimes.
- Theory – The five social welfare regimes will become more homogenous as a means to balance meeting the demands of European populations and remain economically competitive.
- The Schengen Zone allows for the free movement of persons, goods, services, and capital. This allows business to move throughout Europe with greater ease and therefore will allow business to move from countries with high amounts of social welfare – and therefore higher taxes – to a country with less social welfare and therefore lower taxes.
- Once a country receives business attracted by lower tax rates, their revenues increase, and the lower regimes will begin to allocate more money on social welfare

The Five Regimes

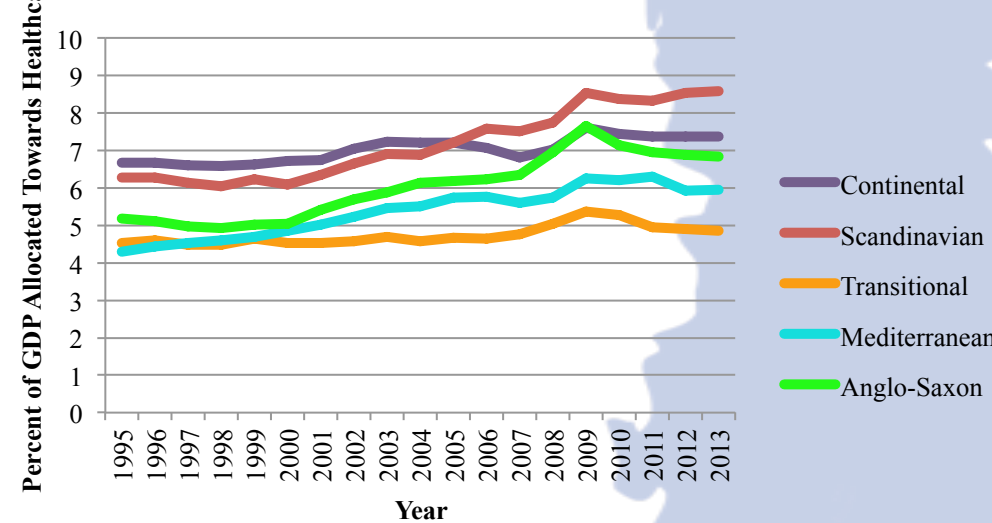
- **Continental** – Germany, Austria, Hungary, Czech Republic, Luxembourg, France, Belgium
- **Mediterranean** – Italy, Spain, Portugal, Greece, Malta, Cyprus
- **Scandinavian** – the Netherlands, Sweden, Finland, Denmark
- **Anglo-Saxon** – the United Kingdom, Ireland
- **Transitional** – Poland, Bulgaria, Romania, Croatia, Latvia, Lithuania, Slovakia, Slovenia, Estonia

Methods

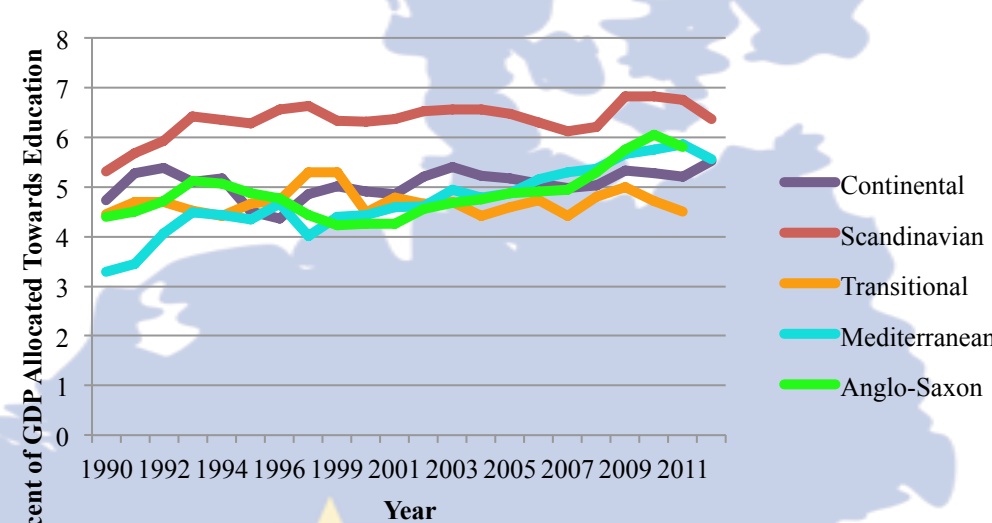
- Social Welfare : Measured by a percent of GDP allocated to healthcare and education per year.
 - Gathered from the University of Gothenburg Quality of Governance Data Set
- Globalization: Measured by a percent of GDP comprised of foreign direct investment (FDI) and international trade.
 - FDI data gathered from the EU's EuroStat online database
 - International trade data
- Controls :
 - Is the country in the Euro Zone?
 - Economist Intelligence Unit's Democratization Index
 - Testing all 28 EU member states

Results

Social Welfare Spending on Healthcare By Regime (% of Annual GDP)



Social Welfare Spending on Education By Regime (% of GDP)



Percent of GDP Allocated Towards Education (% of GDP)

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients	t	Sig.
The Economist Intelligence Unit's Democracy Index	0.439	0.235	0.326	1.866	0.065
Is the Country in the Euro Zone?	-0.252	0.214	-0.113	-1.175	0.243
Is the Country in the Continental Regime?	0.166	0.298	0.064	0.558	0.578
Is the Country in the Mediterranean Regime?	0.232	0.326	0.083	0.71	0.48
Is the Country in the Anglo-Saxon Regime?	0.268	0.437	0.065	0.613	0.541
Is the Country in the Scandinavian Regime?	0.771	0.549	0.265	1.402	0.164
Economic Globalization	0.001	0	0.371	4.44	0.000

Results (cont.)

Percent of GDP Allocated Towards Healthcare (% of GDP)

	Unstandardized B	Coefficients Std. Error	Standardized Coefficients	t	Sig.
The Economist Intelligence Unit's Democracy Index	0.766	0.222	0.381	3.453	0.001
Is the Country in the Euro Zone?	0.742	0.207	0.227	3.579	0.000
Is the Country in the Continental Regime?	1.54	0.287	0.414	5.366	0.000
Is the Country in the Mediterranean Regime?	0.139	0.283	0.035	0.492	0.623
Is the Country in the Anglo-Saxon Regime?	0.762	0.418	0.122	1.822	0.07
Is the Country in the Scandinavian Regime?	1.442	0.522	0.314	2.763	0.006
Economic Globalization	0	0	-0.273	-4.983	0.000

Conclusions

- Limits:
 - Data and measures available through the Quality of Governance dataset
- Education homogenization:
 - Continental/Mediterranean Regime
 - Anglo-Saxon/Mediterranean Regime
 - Anglo-Saxon/Mediterranean/Scandinavian Regime
- Healthcare homogenization
 - Continental/Anglo-Saxon
 - Continental/Mediterranean
 - Scandinavian and Transitional remain distinct
- Both regressions show globalization significance
 - Healthcare also shows significance in democratization and Euro Zone controls
- Overall, homogenization is present and globalization of economies are significant
- Possible future consequences
 - Work force displacement
 - Inability of welfare states to provide welfare at same levels
 - Proliferation of extremist political groups
 - Brexit, Marie Le Pen, Germany's ADF party