

First draft – comments most welcome!

Europeanization or Globalization of Social Inequality?
*Determinants of Income Inequality in 15 European Countries:
1993-2006*

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Abstract:

The present study is based on the work of Beckfield (2006) who assesses the impact of European Integration on income inequality and furthermore on the work of Alderson and Nielsen (2002) who assess the impact of globalization on income inequality. The aim of the present study is a) to duplicate and control both studies with more recent data from the ECHP and EU SILC and b) to check if the effects of European Integration, as found by Beckfield (2006) hold a test by the globalization measures used by Alderson and Nielsen (2002). Our results show that both economic integration as well as migration as well as FDI outflow (commonly used as measures of globalization) have a significant and independent impact on income inequality.

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1. Introduction

The progress of the economic, political and social integration of Western Europe through the creation, expansion and institutionalization of the European Union (EU) raises a critical sociological question: which effects does this process have on the changing inequalities in these societies? Until recently scholars have not paid much attention to this question. Given the centrality of this issue for the discipline (Kenworthy/Pantusson 2005) as well as the significance for the process of European Integration, this might seem astonishing in the first place. One reason for this, one can surely cite the paradigm of *methodological nationalism* (Beck), according to this social inequality structures are only to be studied in the national context. This is due to the view of many authors that norms of social inequality are predominantly institutionalized in the specific context of the nation state. After Blau and Heidenreich one should only refer to social inequalities if there are common standards to assess the redistribution of resources. If this is not the case, according to Blau and Heidenreich, one should rather refer to heterogeneities or disparities (Blau 1977; Heidenreich 2003). Since such standards or norms do hardly exist beyond the national level, between-country-disparities were mostly not regarded as violation of these norms (Breen 2004).

In the course of European Integration this situation has changed in at least two dimensions: On the one hand side, inequality structures are affected by the EU-wide liberalisation of markets. One of the strongest mechanisms of social closure in the sense of Max Weber – the nation state – is being challenged through the creation of the Common Market. On the other hand there is evidence for the gradual emergence of supranational ideas of equality in the frame of the EU so that the experience of inequalities is not anymore limited to the national borders (Delhey/Kohler 2006). Together this creates reason to believe that the perception of an individual's living standard does more and more occur in an international or supranational context. Accordingly a number of recent work demonstrates, that sociologists have begun to address the issue of supra- or transnational inequalities. Nevertheless most work remains on the level of description and do not give an answer on the question how the process of European Integration empirically affects social inequalities.

One exception is the recent work of the American sociologist Jason Beckfield. In his article titled *European Integration and Income Inequality* (Beckfield 2006), Beckfield investigates how the process of European Integration affects income inequalities in 15 European nations. Based on a sample from the *Luxemburg Income Study* (LIS) for the time period 1973 to 1997 he comes to the conclusion that both economic as well as political integration had an independent – negative – effects on income inequality (measured by the Gini-coefficient) in those countries. For this work, which is based on his dissertation, Beckfield received the *Dissertation Award* of the *American Sociological Association* in 2006. In the laudation the pioneering work of Beckfield is said to be “[...] careful, wide-ranging, and thoughtful research that is sure to have an impact within our discipline and beyond. Indeed, it is one of those works of sociology that will win praise among scholarly specialists while also affecting central policy debates [...] The results are truly remarkable and are a real showcase for what sociology can contribute to the broader discussion of transnational processes and their consequences. They lend dramatic support to some of the fundamental hypotheses informing current economic and political sociology, and clearly demonstrate the centrality of sociological insights to the understanding of processes often held to be within the exclusive purview of economics or political science.” (American Sociological Association 2006)

Indeed, the finding that European Integration has a negative effect on income inequality contains a strong conclusion and also political relevance since it would mean that the EU policy of convergence between the nations would be at the expense of growing income inequality inside these societies. We thus find that the results of Beckfield should be further examined. The present article thus has the goal to duplicate the study of Beckfield with current data and by doing so addressing the following issues: The study of Beckfield is based on a sample of 15 European nations and data from the Luxemburg Income Study (LIS) for the period of 1973-1997. The sample is thus rather unbalanced as there are for example 7 observations for Germany but only 2 for Spain or Austria. The total number of observations is 48 and there are only 2 observations for the year 1997 with the majority of the other observations dating to 1994. As our goal is to duplicate but also update the study of Beckfield, we use data from the *European Household Panel* (ECHP) as well as the *EU Statistics on Income and Living Conditions* (EU SILC). This allows us to have a rather balanced panel for the time period 1993 to 2000 and 2003-2005 with a total number of 156 observations. Furthermore we want to examine the study of Beckfield by assessing if the results hold a check by measures of globalization as they were used in the study of Alderson and Nielsen (2002) and by doing so assessing whether it is Europeanization and/or Globalization of income inequality.

The article is structured as follows: First, we will try to critically review the study of Beckfield and present his findings (chapter 2). We will then briefly review the study of Alderson and Nielsen (also chapter 2). Chapter 3 addresses methodological issues as well as the operationalizations and in chapter 4 we present and discuss the results of our models. Chapter 5 concludes.

2. Europeanization or Globalization of Income Inequality?

The effects of European Integration on Income Inequality

In his study Jason Beckfield differentiates between economic and political integration and its consequences for income inequality. In the eyes of Beckfield this distinction reflects the two main dimensions of European Integration: the creation of a political system *sui generis* (Hix 1999) on the one hand side and the creation of a Common Market on the other side. Both dimensions have distinct effects on income inequality according to Beckfield.

With regard to *political integration* Beckfield argues, that European Integration would have a negative impact on the extend of the national welfare states. As the latter are commonly regarded as having a major impact on the reallocation of resources in a society (Korpi und Palme 1998), the reduction of its extend through the mechanism of welfare-state retrenchment intensified by political integration would have a negative impact on income inequality. The effects of European political integration on the welfare states are based on four factors:

1) The politics of the EU constrain the national budgets for social security transfers through *policy-feedbacks* (especially the Maastricht Criteria). The effect of the Economic and Monetary Union (EMU) on the extend of the welfare states have been largely discussed by scholars of different disciplines. Especially the so called Maastricht Criteria from 1992 which restricted the annual state budgets deficits by 3% of the GDP are made responsible for cuts in the social welfare budgets in many countries (Huber und Stephens 2001). As Huber und

Stephens formulate it, „[...] the convergence criteria contained in the Maastricht accord pressured further austerity on all member governments.” (Huber und Stephens 2001) This assessment is also shared by Pierson who writes, that in the context of accession to the EMU „[...] cost-containment itself emerges as a top priority.“ (Pierson 2002) A similar effect is stated by Pitruzzello with regard to the reform of the pension systems in France and Italy in the mid 1990ies (Pitruzzello 1997). With direct reference to Pierson he writes: „This research strongly suggests that the Maastricht imperatives for fiscal convergence contribute significantly to the process of neoliberal dismantling the welfare state.” (Pitruzzello 1997)

Nevertheless, the thesis that the process of European Integration would have had a negative impact on the extend of the welfare state is not sufficiently affirmed (Palier 2004). Indeed, as we just outlined, a number of scholars in the mid 1990ies speculated that the fiscal competition, social dumping and social tourism would lead to a *race to the bottom* in the area of social policy (Beck W. et al. 1997). And also the European Court of Justice (ECJ) was made responsible for undermining the national autonomy in the domain of social policy (Scharpf 1996). But other work has demonstrated that the European welfare states are not tending towards a common minimum (Palier 2004). Much more it could be witnessed that many countries extended their social security transfers which was not as easy to reform due to specific path dependencies (Majone 1993).

2) The EU is believed to propagate the adoption of predominantly *market-oriented policy-scripts* (deregulation, tax competition, open method of coordination). More specifically, the EU is a market-led project in which *negative integration* or the removal of barriers to trade and market regulations, surpasses *positive integration* or regional regulations that correct market dysfunctions (Scharpf 1996). Huber and Stephens cite “[...] the move to financial deregulation that had begun in the early 1970s [that] was essentially completed in Western Europe by the beginning of [the 1990s] due to the Europe 1992 [single-market] project [...]” (Huber und Stephens 2001) as a force for retrenchment in the 1990s. Scharpf calls this dynamic *regulatory competition* and he specifically cites political integration through the European Commission and the European Court of Justice as forces that bring EU member states into this competition (Scharpf 1996). The rather academic debate over the dominant role of negative integration is closely linked to the political discussion about *social dumping* as a consequence of regime competition in the Common Market.

Economic arguments against the thesis of *social dumping* indicate that high wages, social contributions and a high level of labor protection is justified by high productivity on the one hand side. On the other side, wages are surely not the only location factor and things like infrastructure or the skill-level of workers are surely also decisive when it comes to the reallocation of production. In general it seems thus as if the warnings before a *race to the bottom* have so far not been justified (Falkner 1993). Also Leibfried and Pierson assess that there is so far no empirical evidence that European Integration would have caused such a downward spiral (Leibfried und Pierson 1998).

3) The EU allows national governments to shift responsibility for unpopular reforms especially in the area of social security to the EU level through the *politics of blame avoidance* (Pierson 1996). Political actors, so the argumentation, are attempted to hand over the responsibility for unpopular reforms as it reduced the danger for being held responsible in the next elections. This mechanism works particularly well in the EU since the responsibilities are distributed very diffuse (Beyeler 2001). Even if national governments would generally be against a certain policy, they still might vote in favour of it in the Council as they might anticipate bigger benefits from another policy or so called package deal (Beyeler 2001; Moravcsik 1993).

Until now, the *politics of blame avoidance* seem to have worked in a number of cases. Nevertheless, as Benner (Benner 1998) writes, the fact that the politics of the EU has experienced a politicization would more and more restrict the ability of national governments to shift responsibility to the EU as the national public and media are closely following their governments role in the decision-making on the EU-level. Leibfried and Pierson furthermore write that the *vested interests* of the welfare state (Leibfried und Pierson 1998) would protect the *status quo* also against the pressure of European Integration.

4) Finally the EU constrains the autonomy of national governments as it connects the welfare of the national economy to the welfare of the other member economies, which makes the pursuit of particular goals (for example full employment) difficult since it depends significantly on the macroeconomic development in other EU-economies. According to the Maastricht treaty (Art. 99) „The members states shall regard economic policies as a matter of common concern [...].” The treaty forces a coordination of economic and budgetary policies of the signatories.

The most important instrument for this coordination are the so called Broad Economic Policy Guidelines (BEPG). The BEPGs are adopted by the Council as a reference document guiding, the conduct of the whole range of economic policies in the Member States and the European Union. They play a central role in the system of economic policy coordination, setting out economic policy recommendations which give a basis for economic policy in both the Member States and the EU as a whole in the current year, and which take into account the particular circumstances of each Member State and the different degree of urgencies of measures. The room for manoeuvre of national governments is thus constrained in various central areas of economic policy, as argues Beckfield (Beckfield 2006).

With regard to *economic integration*, Beckfield argues that the increased competition would influence the balance between labour and capital to the disadvantage of labour (Alderson und Nielsen 2002; Brady und Wallace 2000; Volgy et al. 1996). Especially the creation of the Common Market would have established an international labour pool, causing an increased competition for wages as well as a weakening of trade union’s influence. The undermining of the influence of trade unions is accompanied by the weakening of corporatist institutions, which are commonly believed as exercising a positive effect of income inequalities. Regional integration might therefore have a negative effect on the degree of influence of trade union’s as well as corporatist institutions as both are hardly organized on the EU-level. As Streek and Schmitter put it, interest organizations on the EU-level are „[...] more organizationally fragmented, less hierarchically integrated, more internationally competitive, and with a lot less control vested in peak associations over its affiliates or in organizations over its members.” (Streek und Schmitter 1991) “If labour markets expand more readily and labour is more competitive within regions (given that human capital may be more similar within than between regions, firms can more easily exercise control over subsidiaries within than between regions, and political institutions are more similar within than between regions), then regional integration is likely to exert a large effect on labour unions.” (Beckfield 2006)

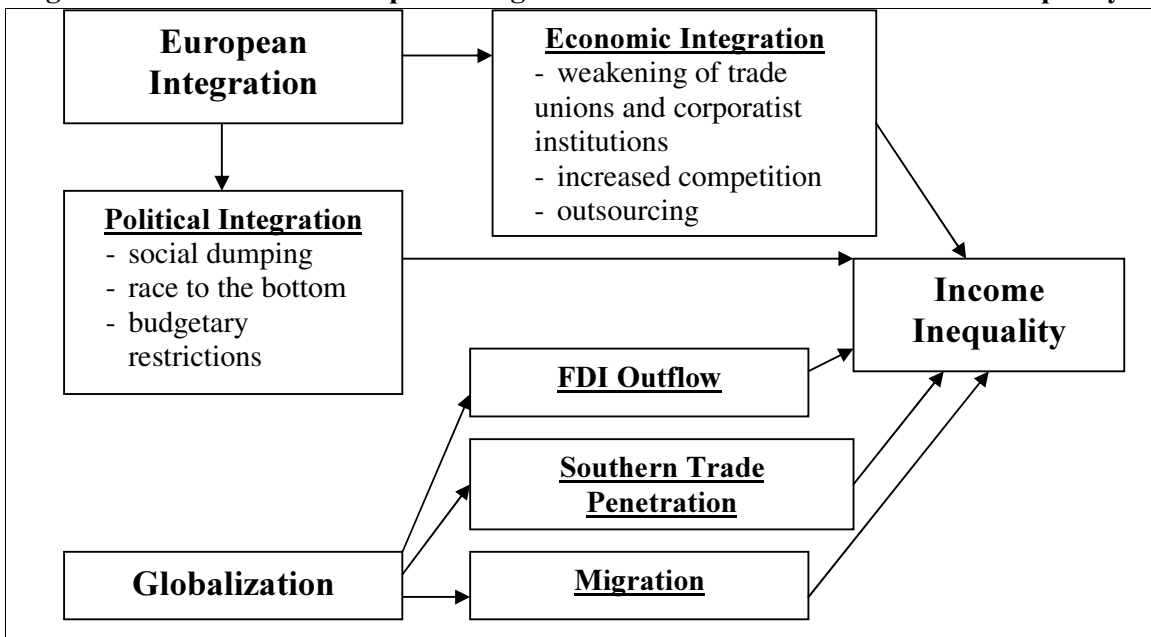
In contrary, other authors argue that globalization as well as regional integration would increase the influence of trade unions since both processes would create new opportunity structures and possibilities for mobilization (Chase-Dunn 1999). Also, some authors argue that regional integration would just create new forms of corporatism (Molina und Rhodes 2002).

The effects of globalization on Income Inequality

Even if regional integration and globalization might have similar effects on income inequality, both processes have to be differentiated (Huber und Stephens 2001; Walby 2000). Basically regional integration as in the form of the EU and globalization can be analyzed as alternative forms of international embeddedness. Three main points of difference seem to be relevant: First of all, regional integration is geographically bound. Globalisation in contrary is mostly understood as the intensification and extension of cross-border flows of any kind. An intensification of the trade between France and the USA would be as much globalization as the intensification of the trade between France and Italy for example. However, regional integration means the intensification of trade in a defined geographical space. A second distinction is that regional political institutions are much more institutionalized as their global counterparts. The EU for example has much more power to control the implementation of its policies than does the World Trade Organization (WTO). Finally, European integration is by far more advanced than globalization. In fact, much of what is broadly described as globalization, is actually regional integration or rather European Integration (Fligstein 2001). Globalization and regional integration in the form of the EU are thus distinct processes and should therefore be analyzed separately.

The effects of globalization on income inequality have been studied by Alderson and Nielsen (Alderson und Nielsen 2002). In their frequently cited article both authors analyze the effect of globalisation on income inequality based on an unbalanced time series of OECD countries with data from the LIS for the time period 1967 to 1992. Indicators for globalization are direct investments (FDI), imports from southern countries as well as the net migration rate. For all three indicators one can give reasons why it should have a negative impact on income inequality. Foreign direct investments are thought to be a sort of deindustrialization as well as increasing pressure for people in the richer – OECD – countries to look for jobs in the more unequal service sector. Trade with countries whose workers have a lower skill level discriminates less skilled workers disproportionately in the richer countries as they have to offer their workforce for lower wages. Finally, migration with a high number of people with comparatively low skill level leads to a polarization of the workforce and thus to increasing income inequalities in a country.

Figure 1: The effects of European Integration and Globalization on Income Inequality



3. Data and Operationalization

The dependent variable is the Gini-coefficient, a common measure of inequality that varies from 0 to 1, where 0 is perfect equality and 1 is perfect inequality. The Gini-coefficient was calculated using the STATA command *ginidesc* based on data on the *net disposable household income* for the EU-15 countries from the European Household Panel (EHP) for the years 1993 to 2000 and the EU Statistics on Income and Living Conditions (EU SILC) for the years 2003 to 2005. This forms an unbalanced panel with 156 observations.

Political integration is measured as the number of cases referred from national courts to the European Court of Justice under Article 177 of the 1957 Treaty Establishing the European Economic Community. This measure improves on measures of integration used in previous work on other consequences of EU membership.⁶ Under Article 177, if a case is relevant to EU law, the national court may, and sometimes must, forward the case to the European Court of Justice, the judicial body with final and binding authority to interpret EU law. Under this so-called “preliminary reference” procedure, the European Court of Justice issues rulings that are incorporated into national law by the national courts (Stone Sweet and Brunell 1998a, 1998b). In the language of integration theory within political science, the number of cases forwarded from member states of the EU in a given year is an indicator of “jurisdictional integration” (Nye 1968:867). An increase in the cases sent to the regional court indicates increasing integration of regional law into national law in that the measure faithfully reflects the role of the European Court of Justice in laying “the legal foundation for an integrated European economy and polity”. The preliminary reference procedure forms “vertical networks” between national and supranational actors that “enable the supranational institution to be maximally effective” (Slaughter 2004:13–14) and are “instrumental in promoting European integration” (Carrubba and Murrah 2005:399). The European Commission tracks the number of Article-177 cases as an indicator of the “application of Community law by the national courts” (Commission of the European Communities 1989). Fligstein and Stone Sweet (2002) use the number of Article-177 cases, measured at the regional level of analysis and disaggregated by policy domain, as an indicator of the political institutionalization of the EU. Data are available through 1997 and originate with Stone Sweet and Brunell (1999).

Beckfield argues that this measure is a valid proxy for political integration, but other measures, such as contributions to the EU structural and cohesion funds, have utility, especially in research on between-country economic inequality (Bornschieer, Herkenrath, and Ziltener, 2004). Depending on the relationship between economic growth and within-country income inequality experienced by the poorer members of the EU, these transfer payments may reduce inequality within countries, just as they have fostered economic convergence between countries (for an analysis of economic convergence, or between-country economic inequality using the same measures of integration used in this article, see Beckfield [2005]). Conceptually, the contrasting effects of regional integration on income inequality within versus between countries also are consistent with Herkenrath et al. (2005:364), who argue for convergence and divergence as dual outcomes of globalization and regionalization.

Economic integration is measured as the percentage of a country’s total exports that go to EU countries, or the intraregional trade share. The intraregional trade share is the conventional measure of economic integration in the economics and political science literatures, and it captures the pattern rather than the level of trade (Caporaso 1976; Frankel 1997; Nye 1968; Sapir 1992). By these measures, economic integration increases if countries within the region trade with each other more, whereas economic integration decreases if countries within the

region trade with each other less, as a proportion of their total trade. Again, this measure captures the pattern rather than the level of trade. Data come from the International Monetary Fund's (IMF) Direction of Trade CDROM (IMF various years) .

Data on *direct investment outflow/labor force* (log base 10) are drawn from the IMF's Balance of Payments Statistics Yearbook (various years). This represents the book value of all investments made in a given year by nationals of country x to acquire managerial interest in enterprises sited in countries other than x (IMF 1977). Labor force data are from the OECD's Labour Force Statistics.

Southern import penetration/GDP (log base 10) is measured as manufactured imports from non-OECD countries in current US dollars. Manufactured imports are defined as Standard International Trade Classification (SITC) groups 5, 6, 7, and 8. Import data are from the OECD's Foreign Trade by Commodities series (various years). Current GDP in US dollars is drawn from the OECD's National Accounts (various years). The net migration rate is calculated indirectly from figures for population and the crude birth and death rates, and is expressed per 1,000 population. Data are drawn primarily from World Bank, supplemented with data from the World Tables (World Bank, various years).

The *net migration rate* is calculated indirectly from figures for population and the crude birth and death rates, and is expressed per 1,000 population. Data are drawn primarily from World Bank (1999), supplemented with data from the World Tables (World Bank, various years).

As in the studies of Beckfield (2006) and Alderson and Nielsen (2002) the analysis includes controls for year, real GDP per capita, social security transfers, and female employment rate. Year is included in the models to control for spurious associations among variables with common trends.

Similar as Beckfield (2006) and Alderson and Nielsen (2002) I use Random-Effects Regression models. For control I have also used Fixed-Effects models, without witnessing relevant changes in the results.

4. Results

As the results of model 1 show, the year has a significant negative impact on the income inequality in the countries of study. This indicates that for the 15 EU countries included in the study, we are dealing with declining income inequality for the period of 1993 to 2006. This is contrary to the study of Beckfield (2006) as well as Alderson and Nielsen (2002) whose models are based on a period of increasing income inequality. As model 2 shows, political integration measured as the number of so called cases of preliminary reference is not significant (neither in the further models). This is different to the findings of Beckfield who finds a significantly positive effect of this indicator on the Gini coefficient. The fact that this indicator is not significant in our model might be due to the fact, that the application of the preliminary reference procedure by national courts has changed in the post Maastricht period, which is hardly covered by the data used by Beckfield. In this period national courts have often used the procedure to gain autonomy vis à vis their national governments so that the indicator might less perfectly measure the degree of political integration but rather the propensity of national courts as well as citizens to aim for a preliminary reference procedure. In accordance with Beckfield, model 3 shows, economic integration, measured by the intra-EU-trade share of a country has a significantly positive effect on the Gini coefficient and thus a negative effect on income inequality. The square of the economic integration variable in turn has a significantly negative impact on the Gini coefficient. Beckfield attributes this to

the circumstance, that at very high levels of economic integration (for example in the BeNeLux countries), EU trade would have a positive impact in inequality as these economies profit above-average from the Common Market. These results (except for the squared economic integration indicator) are robust to a test by the GDP per capita, the social security transfers as well as the female employment rate.

Table 1: Europeanization of income Inequality

Random-Effects Regression on the Gini-coefficient of the EU-15 countries for the period 1993-2006

<i>Variable</i>	<i>Model 1</i>	<i>Model 2</i>	<i>Model 3</i>	<i>Model 4</i>	<i>Model 5</i>
Political Integration		-.000 (.000)	-.000 (.000)	-.000 (.000)	-.000 (.000)
Economic Integration			.001* (.000)	.001* (.000)	.001* (.000)
Economic Integration ²			-9.42* (4.53)	-9.17* (4.54)	-8.77 (4.69)
Year	-.000* (.000)	-.000* (.000)	-.000* (.000)	-.000* (.000)	-.000 (.000)
GDP per capita					-2.34 (2.43)
Social expenditure					.000 (.000)
Female employment rate					-.000 (.000)
Constant	1.52* (.530)	1.78* (.526)	2.01* (.528)	1.81* (.539)	1.46* (.636)
N	156	154	148	145	144
R ²	0.0362	0.0600	0.1116	0.1044	0.1227
Unstandardized coefficients, standard errors in parentheses					
* = p ≤ .05					

As models 6 to 10 show, migration has a significantly positive effect on the Gini coefficient. This finding is in accordance with the findings of Alderson and Nielsen (2002). The southern trade penetration has – unlike in the study of Alderson and Nielsen – no significant effect on income inequality. The outflow of FDI has a significantly negative impact on the Gini coefficient, meaning that the level outflow of FDI is associated with a decrease in income inequality. This finding is contrary to that of Aldersen and Nielsen, who find a negative impact on income inequality in accordance to the theory.

Table 2: Globalisation of Income Inequality

Random-Effects Regression on the Gini-coefficient of the EU-15 countries for the period 1993-2006

<i>Variable</i>	<i>Model 6</i>	<i>Model 7</i>	<i>Model 8</i>	<i>Model 9</i>	<i>Model 10</i>
Migration	.000* (.000)			.001* (.000)	.001* (.000)
South Trade (log10)		-.006 (.012)		-.016 (.011)	-.014 (.011)
FDI outflow/ workforce (log10)			-.006* (.002)	-.006* (.002)	-.008* (.002)
Year	-.000* (.000)	-.000 (.000)	-.000 (.000)	.000 (.000)	-.000 (.000)
GDP per capita					4.97 (3.03)
Social expenditure					-.000 (.000)
Female emplyomentrate					-.000 (.000)
Constant	2.06 (.568)	.958 (1.09)	.872 (.583)	.160 (1.09)	.702 (1.12)
N	154	150	122	121	121
R ²	0.0689	0.0326	0.1136	0.1657	0.2372
Unstandardized coefficients, standard errors in parentheses					
* = p ≤ .05					

The results of model 11 and 12 suggest that the effects of European Integration hold a test by the indicators of globalization. The indicators for economic integration, migration as well as FDI outflow remain significant, also when tested by the three control variables.¹

Table 3: Europeanization or Globalisation of Income Inequality		
<i>Random-Effects Regression on the Gini-coefficient of the EU-15 countries for the period 1993-2006</i>		
	<i>Model 11</i>	<i>Model 12</i>
Political Integration	-.000 (.000)	-.000 (.000)
Economic Integration	.000* (.000)	.000* (.000)
Economic Integration ²	-6.82 (4.30)	-6.63 (4.24)
Migration	.001* (.000)	.001* (.000)
South Trade (log10)	-.018 (.012)	-.016 (.012)
FDI outflow/ workforce (log10)	-.006* (.002)	-.008* (.002)
Year	-.000 (.000)	-.000 (.000)
GDP per capita		4.26 (.288)
Social expenditure		-.000 (.000)
Female employment rate		-.000 (.000)
Constant	.567 (1.12)	1.17 (1.14)
N	119	119
R ²	0.2536	0.3021
Unstandardized coefficients, standard errors in parentheses		
* = p ≤ .05		

5. Discussion

While this study has a number of implications, it is also important to note the limitations of the analysis. Perhaps the key limitation is the one that plagues many studies of national income inequality: the small-N problem. The best data on national income inequality in Western Europe come from the ECHP and now the EU SILC, and this dataset provides only

¹ I have tested all results by indicators such as trade union membership, a period dummy distinguishing between the data from the ECHP and those from the EU SILC, the percentage of employees in the agriculture, service and industry sector without finding changes in the significance.

156 country (EU-15) years for which information on the key independent variables is also available. The consequence of the small-N problem for this study is that there are simply not enough observations to incorporate all the controls that are suggested by the literature. The random effects and fixed-effects models used here help by statistically accounting for all those unmeasured time-invariant factors that might be included in synthetic models of income inequality, but these models cannot completely solve the problem.

Another limitation concerns the measurement of political integration. The concept of national polities joining together to form a regional polity with common, region-wide policies is difficult to operationalize in a way that captures cross-national and longitudinal variation in the process. The measure used here, a count of the number of cases forwarded from the national court to the European Court of Justice under Article-177 of the Rome Treaty (itself a modification of the measure employed by Fligstein and Stone Sweet [2002]), is appealing because it has face validity (in that more cases forwarded suggests that the national polity is ceding more judicial authority to the regional polity), and because it is relatively sensitive (in that it allows both international and longitudinal variation). The obvious alternatives seem worse. One alternative is an indicator variable for membership in the European Union, while another is a count of the number of years a country has been a member of the EU. These alternatives would introduce serious measurement error. Future work should pursue improved measurement of regional political integration.

A final limitation is that, by design, this analysis addresses only the political and economic dimensions of regional integration. Although Beckfield argues that the political and economic dimensions are essential in the context of European integration, future work should consider the role of cultural and social integration. That is, if it can be argued that European nations are becoming more oriented toward “Europe” culturally (possibly through increasing consumption of EU cultural goods or the increasing production of EU-wide understandings and meaning structures), then what are the consequences of this process for economic inequality? Moreover, if social interaction and migration patterns are becoming more regional as they are structured by the EU, this social integration may also have consequences for inequality. These questions fall beyond the scope of this study, but a full understanding of the consequences of European integration is impossible without appreciation of all its dimensions.

Limitations aside, this paper shows that income inequality within Western European societies is partly explained by regional economic integration as well as globalization. As Western European states have grown more deeply integrated into the regional polity of the European Union, and as national markets have opened to more intense international competition, income inequality has risen. This relationship between regional integration and income inequality appears net of statistical controls for other factors which have been offered as explanations for the “Great U-turn” on inequality (Harrison and Bluestone 1988), including economic development, welfare retrenchment, union decline, unemployment, corporatism, and, most prominently, globalization. The results show, that both economic integration as well as migration as well as FDI outflow (common measures of globalization) have a significant and independent impact on income inequality.

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