The European Union was a liberalization project from the very outset – it was never about expanding the welfare state. In the European Single Market, movement of goods, services and capital was liberalized and attempts made to press ahead with free movement of workers. As a consequence, its engine stoked by globalization, competition grew between the member states. Competition for the location of investment intensified, while, domestically, social policy standards were watered down. At the same time, member states found that their social policy options were narrowed by European framework agreements: the Maastricht criteria and the European Central Bank's monetary and interest rate policy represent a tight corset. Furthermore, what the member states lost in terms of social policy options, the EU was unable to make good, since it lacked the relevant competences, and in any case, in the Union's multi-level policy-making, social policy plays only a subordinate role.

In Issue 1/2008 of INTERNATIONAL POLITICS AND SOCIETY, Stephan Klecha demonstrated the difficulties surrounding the negotiation processes aimed at strengthening the European social model. Although the Community's social orientation looms large in its legend and, moreover, there is consensus on the close connection between economic and social development, the Union has made little progress towards a European social model and a European social policy. Even the opportunity to move forward with the development of the social model presented by the fall of Communism was missed. A balance between social policy and market economic integration is, therefore, yet to be struck and this must involve the strengthening of the social dimension and further development of the welfare state.

To be sure, the welfare state model characteristic of the classical industrial labor economy must be adapted to current circumstances. The classical model was based on more or less full employment for men, lifelong, uninterrupted working lives, and the predominance of full-time work. Nowadays, there is a high level of core unemployment; at the center of the labor economy, where life chances are allocated, things have become tight. The outcome is discontinuous working lives, a high proportion of part-time work, and an increasing low-wage sector. Some sort of solution to all this must be found in terms of social welfare. Further challenges include demographic ageing, migration, the repercussions of globalization, and, most recently, the global financial and economic crisis. The effect of the latter is to consolidate long existing tendencies accentuating social differences and inequalities, and many now fear that a process of exclusion has been set in train which could shut out certain groups and split society.

In this issue of INTERNATIONAL POLITICS AND SOCIETY, Wolfgang Scholz, in his review of the current state of EU social policy, comes to the conclusion that European social policies are in a wretched condition. They are heterogeneous and fragmented and are in no position to prevent increasing social disparities. This situation is unacceptable, but it can be improved considerably at reasonable cost. Scholz proposes a benefit equalization system, the first step towards which would benefit the poorer states. However, the relevant legal and institutional instruments must first be created.

The post-communist member states are largely responsible for the EU's social policy imbalances, having put their faith in radical free-market ideas. Björn Hacker goes into the reform processes in the ten east and central European accession states in some detail, showing that different paths have been taken in order to reduce the costs of social security and to increase the system's efficiency. But while the other countries aimed above all at eliminating the redistributive elements, Slovenia and the Czech Republic pursued a gradualist strategy and stood out against the general trend towards the individualization of risk.

Michael Ehrke turns his attention to a larger group of countries, namely Eastern Europe, including the non-EU states. These countries have been particularly hard hit by the global financial crisis, owing to specific vulnerabilities arising from the transformation process, as reflected in the high balance of payments deficits of every country in the region.

This »growth with imbalances« was extravagantly financed by loans from foreign banks. The local middle classes took on debt in foreign currencies, in the belief that the convergence of material living standards within Europe would continue as a matter of course. The disappointment of these expectations could have political consequences, and the integration success story of Europe's eastern and south-eastern periphery could come to an abrupt end.

The focus of Jonas Grätz's analysis also lies to the east, in the form of Russian–European energy relations. The powers-that-be in Russia use energy as a means of bolstering the country's international power position. EU actors find this power politics based on state economic control hard to cope with. The preference of the larger member states – such as Germany, France, and Italy – for bilateral barter transactions ultimately serves to shore up the incumbent Russian elite and undermines EU attempts to negotiate universal rules.

As an adjunct to the main themes, Marc Saxer addresses the problems facing current approaches to democracy promotion; Hans-Jürgen Bieling describes the transformation of ideal models of the state since the 1970s; Uwe Becker shows clearly that there is no direct relationship between R&D expenditure on the one hand, and innovation and competitiveness on the other; and Henri Vogt elucidates the foundations of Scandinavian internationalism.