Chapter 2

Have the Recent Dynamics of Economic Globalization Biased Social Justice in the European Union?

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ABSTRACT

The literature recognizes that the gradual countries’ involvement in the economic globalization has generated competitive environments that stimulate innovation and economic growth. Yet, globalization has also apparently led to the increase of inequality, contributing for waves of populism and discontent, claiming for justice in sharing these benefits. Thus, it is not surprising that the interaction globalization/social justice is paying attention to politicians and academics, seeking to identify if there is reason to fear that the globalization leads to increase inequality. This chapter deals with the link between globalization and social justice, measured by updated indicators that improved the data quality and broadened their baseline. In what globalization concerns are applied the renewed KOF index, including de facto and de jure perspectives. Concerning social justice, are used the latest “EU Social Justice Index”. The study reflects on the effects of the recent global financial crises in the EU members, which especially hit the Euro zone.

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INTRODUCTION

The link between globalization and social justice plays a key role in the current political debate, based on the general conviction that the inequality caused by globalization is a major stimulus to populism (Pastor & Veronesi, 2018). Overall, globalization seems to support the gradual convergence of incomes across countries, even as trade liberalization has allowed many emerging countries, especially China, to achieve very substantial and sustained levels of economic growth over a long period (Harger, Young & Hall, 2017).

However, the center of the current discussion focuses on income inequality within countries, particularly in the more developed and industrialized economies. Not surprisingly, the United States, for example, is widely recognized as the country experiencing the most pronounced increase in income-inequality, partly because competition from emerging economies has affected the jobs of less qualified people (Saez, 2018).

While research recognizes and identifies a number of factors which have influenced those trends, there is also some consensus that the trends in economic globalization, technological change, especially in the field of information and communication technologies, biased reforms in tax systems. In particular the labor market and the deregulation of financial markets have contributed to growing social inequalities and territorial disparities within countries (Herr & Ruoff, 2015).

This global economic and financial crisis that has hit the European Union, particularly some euro zone countries, has caused unsettling symptoms of opposition to the European project and the growth of waves of populism and nationalism (Guiso et al., 2019). The US-initiated crisis quickly changed the center of gravity for Europe and revealed the fragility of some economies, notably the high levels of public debt of euro zone countries and the effects on their economic and financial sustainability and the single currency itself (Caetano & Sousa, 2018).

This process has resulted in the deterioration of economic conditions, provoking social unrest and contestation and even hostility towards the process of European integration, which has had electoral consequences in recent years (Hernández & Kriesi, 2016). In this context, the chapter focuses on the interaction between the levels of economic globalization of the countries that make up the European Union and the components that embody Social Justice. We aim to analyze the impacts that the economic and financial crisis, which occurred after 2007, had on social justice indicators, especially on access to the labor market, in the various groups of European Union countries, i.e. those that integrate or not the European Monetary Union.

We consider the study relevant from the point of view of the literature, as, to the best of our knowledge, this is the only study so far that analyzes the impacts of the recent financial crisis on the twofold levels of globalization and social justice. Additionally, the study explores the new indicators produced by the KOF, separating the *de jure* and *de facto* dimensions, as well as updated data from the EU Social Justice Index.

That being said, the rest of the chapter is structured as follows: Section 2 presents the genesis of the traditional theories of international trade, followed by the description of the neoclassical models of international trade, focusing on the sharing of the gains from trade; in its turn, Section 3 focus on the impacts of globalization on inequality and social justice; the data and methodology used in this chapter are presented in Section 4; a global overview of the relationship between globalization and social justice in the European Union (EU) is then offered in Section 5; which is followed by a detailed overview of
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