

THE EU UNEMPLOYMENT UNDER THE RECENT DEVELOPMENTS OF THE GLOBAL ECONOMIC GLOBALIZATION

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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. The paper 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". Structural unemployment trends, such as the long duration distressing people's skills and motivation, as well as youth unemployment, which has stimulated immigration and led to the departure of skilled young people, have greatly reduced their potential for growth. GDP declined, corporate failures increased, as did unemployment and poverty. Governments have greatly limited their spending, particularly at the social level, in order to meet the targets, set in the adjustment programs. In addition, countries no longer have financial conditions to implement measures to stimulate the economy, in order to promote a faster recovery. It has recently been surprising that the escalation of globalization has put people in a precarious employment position, who felt they were protected from the competition of low wages. This paper, also, reflects on the effects of the recent global financial crises in the EU members, which especially hit the Euro zone.

Keywords: *Globalization, Indicators, Justice, Unemployment*

1. 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 centre 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. Particularly, the labour market and the deregulation of financial markets have contributed to growing social inequalities and territorial disparities within countries (Herr, 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 centre 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. 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 (Hernandez & Kriesi, 2016). In this context, the paper 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. The paper analyzes the impacts that the economic and financial crisis, which occurred after 2007, had on social justice indicators, especially on access to the labour market, in the various groups of European Union countries, i.e. those that integrate or not the European Monetary Union. The paper is considered relevant from the point of view of the literature, as, to the best of our knowledge, this is the only paper so far that analyzes the impacts of the recent financial crisis on the twofold levels of globalization and social justice and unemployment. Additionally, the paper 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.

2. TRADITIONAL INTERNATIONAL TRADE THEORIES AND DISTRIBUTION OF TRADE GAINS

Traditional theories of international trade, including the classical approach and neoclassical models, provide rationality for countries' economic specialization and advocate trade as a creator of wealth. These theories thus justify economic globalization as the result of a worldwide liberalization process in which countries specialize according to their comparative advantages and from which everyone can benefit. They do not attach much importance on the distribution of trade gains by countries and economic agents and, as such, have not provided coherent answers to understand some current trends in globalization, especially with regard to the growing inequality in income distribution in the world within countries. In our opinion, it justifies to stress the argument of these theories and to counter the criticism of the unrealistic assumptions on which they are based. Thus, the emphasis we give to these theories in the literature review allows us to gauge their limits and the need to seek more robust theoretical frameworks that take into account the specificity of resources and the quality of production factors available in the several countries. This makes it possible to understand the criticism of the way economic and financial liberalization has taken place and the growing marginalization of less skilled labour in income sharing. Therefore, considering the interaction between the dynamics of globalization and the variables of social justice, being complex, is entirely pertinent. The term "globalization" used today involves multiple and complex features, ranging from culture, technology, politics and economics, to the notion of interdependence as the standard of personal relationships. In reality, people are increasingly dependent on each other, in the various territorial levels that we consider, reflecting the growing number of contacts made, mostly financial and commercial, generating a greater flow of goods, services and technologies on a global scale, which reinforced the economic dimension of the phenomenon. The increasing dependency of relations on a global scale is at the heart of globalization, although there are different perspectives in the various social sciences that deal with the subject. Thus, since Wallerstein (1974) the approaches recognize the disparate effects of dependence on the geography and nature of economic flows, emphasizing their effects on global inequality. The dependency ratio is explicitly characterized by asymmetry in per capita income, since most of the wealth is concentrated in developed countries, and at the same time there is a growing divergence in income distribution within countries, regardless of their level of development. In economic terms, globalization has been treated as a phase of the world capitalist system, whose

main causal mechanisms stem from the economic requirements of multinational corporations penetrating foreign markets, resulting in significant competition and expansion of trade flows. Globalization is also seen as a form of convergence of interconnected production systems, basically from the neoclassical economic model that presents the convergence of prices of goods and factors such as the effect of market arbitrage. The modern economy emerged from criticism of the mercantilist tradition and builds the theoretical basis for the industrialization, international trade, and the building of European states. The basic principles of liberalism can be summarized by the competition in all markets and then by the creation of the gold-standard monetary system. Such conditions ensure the passage of individual interests into a global harmonious order, based on the invisible hand argument. Smith (1976) considers the territorial distribution of markets as a requirement of the division of labour, which he conceives as the principal source of the wealth of nations and defends free trade to generate prosperity for the various stakeholders. The theoretical foundation of free trade is due to Ricardo, by explaining the international division of labour on the basis of differences in labour productivity. The reasoning on the relative cost advantage grounds the conviction that trade can be a positive sum game if countries specialize in products where it has the lowest opportunity cost. So, all countries must participate in the world trade system for the benefit of all (Ricardo, 1970). Nowadays, this position on country specialization and free trade, as promoters of growth, is a powerful anti-protectionist reason in trade policy debates. This optimism on the economic and social effects of trade was strengthened identifying a set of positive political effects from trade liberalization (Hirschman, 1986). However, the optimism of free trade has also been challenged in terms of social issues when it became clear that large-scale poverty and subjection to the economic system left deep traces in allegedly wealth-generating processes. Nationalist and socialist ideas, in relation to the latter standing out the thought of Marx, assume that there are strong conflicts of interests in the functioning of the capitalist system, leading to the need for capital to expand in the various national markets in order to generate profits on a permanent basis as condition of their survival. Capital goes beyond the nation-state, but depends on it for its survival (Engels & Marx, 1969). In addition, labour exploited as a source of profit is reduced to poverty, accelerated by gradual automation and, as a consequence, consumer demand in domestic markets decreases. To explain the role of factor endowments in trade, the Stolper and Samuelson model (SS), based on factors - labour and land - and two goods, using different factorial intensities, predicts a linear relation between commodity prices and factor prices. Thus, the real wage will increase in both sectors (goods), while the real remuneration of the landowners will decrease in both productions. In an ideal world, free trade would tend to promote the equalization of prices of goods and factors of production. However, the persistence of trade barriers, transport costs and technological differences between countries prevents such a convergence in the real world from being verified, as evidenced by the empirical tests carried out (Deardorff, 1994). These models of trade and distribution of gains allow us to sketch the effects of price changes on the well-being of identifiable economic groups with severe distributional implications. There are similar results in models that show that under competitive conditions, as long as the importable good remains to be produced, there is at least one production factor that worsens its position with trade liberalization (Rodrik, 2018). That is, in an impressive way the trade generically always produces losers and winners. The pattern of gains and losses will depend on the details of the model. In the case of the SS model, the result is a relative change in workers' income, in favour of those with high skills. So, trade has an influence on the distribution of income within countries, for two reasons: first, because factors cannot move instantly and at no cost between industries and, on the other, because changes in product composition have effects on the demand for factors. Traditional trade theories show that trade equals an exchange of factors embodied in commodities, so buying them in a low-wage country implies procuring low-cost factors.

So, imports from low-wage countries threaten some labour in countries where wages are high. The distributional effect is that unskilled workers in low-wage countries earn from free trade as well as skilled workers in developed countries. The losers with free trade would be skilled workers in poor countries and unskilled workers in rich countries. However, the reality did not confirm such predictions. Skilled workers in poor countries have improved with globalization and the less skilled have lost, so most unequal distributions in income have arisen in poor countries. In fact, income distribution in poor countries has become more unequal as a result of globalization mounting (Hillmann, 2008).

3. INFLUENCES OF GLOBALIZATION ON INEQUALITY AND SOCIAL JUSTICE

Most traditional theories do not consider the effect of trade on the income distribution is a reason to limit it. Though, the distributive impacts have to be taken into account and must therefore be considered and regulated by the action of the states in their economic and social policy. In the 1980s and 1990s there were significant developments in favour of government intervention in trade policy orientations. On the one hand, the emergence of strategic trade policy (Brander & Spencer, 1985) provided additional reasons for countries to derive gains in promoting industries considered strategic. On the other hand, criticisms of globalization, centred on their effects on workers in less developed countries, but also on workers in industrialized countries, are strongly appearing. Many authors expressed their distress with some results of globalization. Stiglitz's position in *Globalization and its Discontents* is a clear example and an inexorable landmark (Stiglitz, 2002). He acknowledges that, while markets are efficient and provide the basis for growth, they are also a source of injustice because income earned and accumulated wealth are inconsistent with social equality standards. Thus, the author sustains that it is the responsibility of governments to moderate social inequality arising from the play of markets through public policies in the fields of taxation and income redistribution (Stiglitz, 2017). Globalization hampers the distributive effects of social justice, limiting the ability of governments to intervene with effective distributive policies. In integrated capital markets, the mobility flows occur to places where taxes are lower (Benassy-Quere et al., 2005), so, if capital is mobile and does not escape the highest taxes, the tax bases will then be limited to the income of immobile labour. Thus, capital cannot be taxed as labour, making globalization socially unfair and undesirable, while acting as a brake on redistribution policies. For some, globalization is seen not only as a barrier to social justice due to the constraints it imposes on governments, but it is the main reason for the inequality in the distribution of income because of the injustice of the markets (Ravallion, 2018). Equality in income distribution is generally seen as one of the determinants of social justice, making it a topic of greater concern, where the search for it allows one to confront the efficiency of markets and public policies oriented towards equity. Social justice is a salient topic in public discourse and political decision, as politicians vow to promote social justice. Globalization has been a widely studied phenomenon in different variants and some care is acknowledged in whether it is consistent with social justice. The debate has been controversial, even because the different concepts of social justice show that it is multifaceted, which makes measurement very difficult. An essential question concerns what gives rise to or impedes social justice and there several studies have tested the causal links between the two phenomena (Merkel & Giebler, 2009). Contestants of globalization admit that it has negative effects on social justice for whom the poor have been penalized by the waves of globalization. They assume that social justice is limited when social spending is reduced or when labour markets are deregulated. Stiglitz believes that trade liberalization so quickly has gone too far at the cost of rising unemployment, with the problem being the way it has been managed (Stiglitz, 2006). The political prescription is that governments must protect social agreements and if they collide with the demands of the global economy, it is this that must give way (Rodrik, 2011).

The empirical evidence is contrasted in relation to the link between globalization and social justice. We will briefly highlight some results obtained in the search for interaction between the two processes. Kauder & Potrafke (2014) investigate how social justice correlates with globalization between 1991- 2007 and the results show that OECD countries with a rapid globalization process enjoy greater social justice, suggesting that voters demand active governments when globalization is intensified, validating the compensation thesis. According to Meinhard & Potrafke (2012), a higher social security benefit due to the risks of international competition induces the State to broaden its intervention in order to ensure welfare levels, rising social spending in the course of globalization. In another sense, Sinn (2003) considers that globalization influenced the attributes associated with social justice, mainly reducing the weight of the public sector and the social state, limiting cohesion in the countries. In short, most studies acknowledge that the most globalized countries, with the highest insertion in value creation chains worldwide, also display higher levels of social justice. It is under this background that we will then develop our empirical application by testing the interaction between various dimensions of economic globalization and social justice in the countries of the European Union. It should be noted that the EU member-states are very different realities, both in terms of economic and technological development, as well as in the way in which their social and political models are organized and operated. The application covers the period 2008-16, which means that the impacts of the latest economic and financial crisis are assessed in the paper.

4. DATA AND METHODOLOGY

Here we will use two recently updated and renewed indicators with new methodologies that seek to cover the diverse dimensions of globalization and social justice. We refer specifically to the KOF indicators on globalization produced by the KOF Swiss Economic Institute¹ and the Social Justice indicator compiled by the Bertelsmann Stiftung. In methodological terms, we will use regression and correlation analyzes between the variables of interest, after their graphic visualization. As we have seen, the impacts of globalization on different economic and social aspects have been widely discussed in the literature. To analyze such effects in the analytical level it is necessary to have variables that allow to measure globalization as a multidimensional phenomenon, which suggests the use of multifaceted indicators. Such indicators should reflect how the process manifests itself in the lives of the citizens of the various countries that communicate with each other, exchange goods and services, ideas and information, or governments that cooperate to address global political problems. Thus, the measurement of globalization is usually made using composite indicators that try to capture the different manifestations of the phenomenon. Indicators such as KOF are presented as a solution, allowing the combination of different levels of globalization in a final index, becoming the globalization indicator most used in the literature. The KOF indicator was created by Dreher (2006), updated in Dreher et al. (2008) and has recently broadened its scope with the work of Gyglia et al. (2018). Inherent in composite indicators is the risk of excessive simplification, which may result in misinterpretation of the results. Therefore, instead of building an index based on a broad definition, the new version of the KOF allows the flexible aggregation of different dimensions and characteristics of globalization, introducing the clear distinction between *de facto* and *de jure* measures. Thus, while *de facto* measures of globalization include variables representative of flows and activities, *de jure* actions encompass variables that represent policies that generate flows and activities. Quinn et al. (2011), had already shown that the use of measures of *de facto* or *de jure* financial opening produced very different results in the causal link between the growth of financial integration and economic opening. This separation between *de facto* and *de jure* variables was applied to all sub-dimensions of the index.

¹ <https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html>, accessed on March 2, 2019

The new version also introduces a differentiation in the economic dimension between the commercial and the financial side that proved to be very useful in the results obtained in our work. In addition, some 70 experts from different countries were asked to collect opinions on qualitative measures of social justice and also included the general indicator, which then included variables of a quantitative and qualitative nature. Based on Merkel & Giebler (2009), the dimensions of poverty prevention, access to education and inclusion in the labour market have been given a greater weight and are therefore a weighted and normalized indicator on a scale of 1 to 10.

5. A GENERAL OVERVIEW ON GLOBALIZATION AND SOCIAL JUSTICE IN THE EUROPEAN UNION

In this section we will study the dynamics of the relationship between globalization and social justice in the European Union; see Kauder and Potrafke (2015) for the OECD case. As European Union countries will be considered, our sample is made up of the, to date, twenty-eight member states. With regard to these, there are data for the SJI, for 2008, 2011, 2014, 2015, 2016, and 2017. With regard to data for the KOFGI, there are no restrictions on the data set, since they exist for all EU member states on an annual basis, long before 2008 and until 2016. In empirical terms, it seems acceptable to consider that the process of globalization through which countries have passed is accompanied by changes in the level of social justice, with some time lag. Thus, the correlation coefficients between the time series of the KOFGI and the SJI were determined for the different countries, considering time lags between 0 and 4 years. For most countries, the highest correlation between the KOFGI_t and the SJI_{t+s} (s = 0, 1, 2, 3, 4) was obtained for a 2-year lag. In addition, the correlation signal for this lag is also equal to that of the lag with even greater correlation, in all the other cases. Following this procedure, the KOFGI data for the years 2006, 2009, 2012, 2013, 2014 and 2015 were then selected for the countries under analysis. Figure 1 corresponds to the graphical representation of the six pairs of years under analysis, considering the data for the KOFGI_t and SJI_{t+2}. It shows clearly that there is a positive association between globalization and social justice in the period under review, albeit with a (slight) tendency towards a fall in the degree of association between those two variables. The dynamics of the relationship between globalization and social justice, as can be seen in Figure 1, over the period under analysis, can best be understood by analyzing the evolution of regression lines in terms of their intercepts, slopes and explanatory power. Figure 2 thus corresponds to the graphical illustration of the six pairs of years under analysis, considering the data for the de facto KOFGI_t and SJI_{t+2}. In general terms, it confirms the above stated, i.e. that there is a positive association between globalization (in this case, de facto) and social justice, although the degree of association between these two variables has been declining throughout the period under analysis. Comparing the results with the previous ones, it is undoubtedly relevant to note that an increase in the de facto KOFGI exerts, in general terms, a smaller effect on the SJI, than in the case of the KOFGI, which indicates that the effect will be greater on the SJI resulting from an increase in de jure KOFGI. In what concerns de jure globalization, Figure 3 confirms the positive association of this measure of globalization and social justice in the EU. However, it should be noted that, unlike the previous cases, the degree of association between the variables increased until the pair (KOFGI_{dj}2012, SJI2014), having, from only then on, decreased. As anticipated, comparing the results with the previous ones, it is certainly important to note that an increase in the de jure KOFGI generally has a greater effect on the SJI, than in the case of the KOFGI. As is well known, the globalization index reflects several components, namely economic, social and political. Thus, it becomes relevant to understand which of these dimensions is best related to social justice.

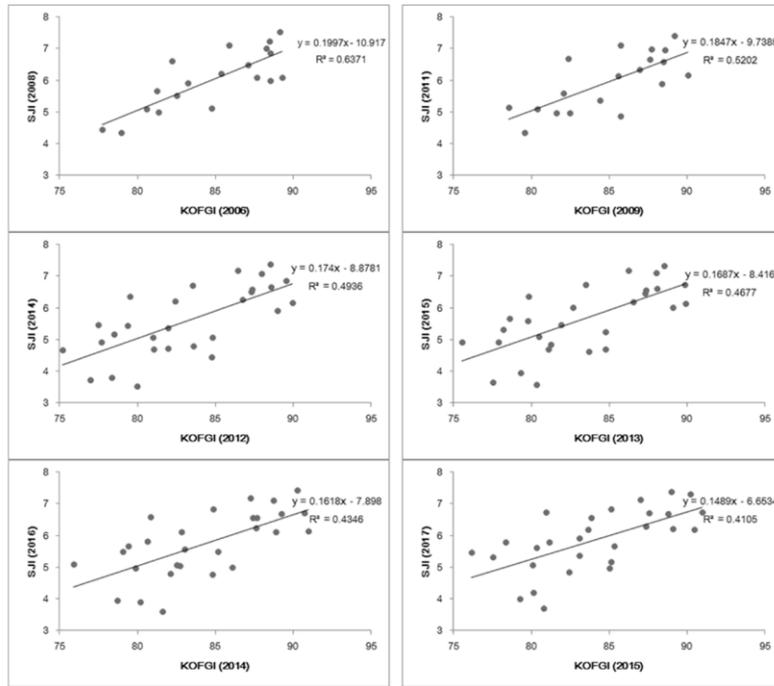


Figure 1: The association between globalization and social justice in the EU

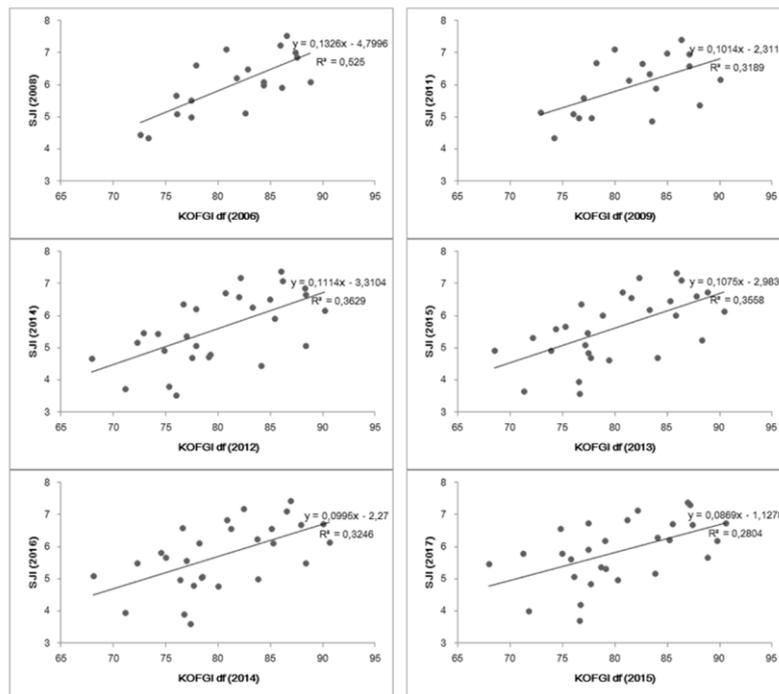


Figure 2: The association between de facto globalization and social justice in the EU

The arguments presented above justify a more detailed analysis in terms of the two strands of the globalization index. As mentioned, we consider data for the revised version of the KOF by Gygli et al. (2019). These authors distinguish de facto globalization as meaning of actual flows and activities from de jure globalization as a means of policy measures that, in principle, facilitate or aim to facilitate globalization. Indeed, if globalization can have positive consequences, in particular an increase in social justice, de jure globalization can be expected to present itself more clearly, possibly even more than defacto globalization, since this reflects less controllable exogenous aspects by the economic authorities of each country.

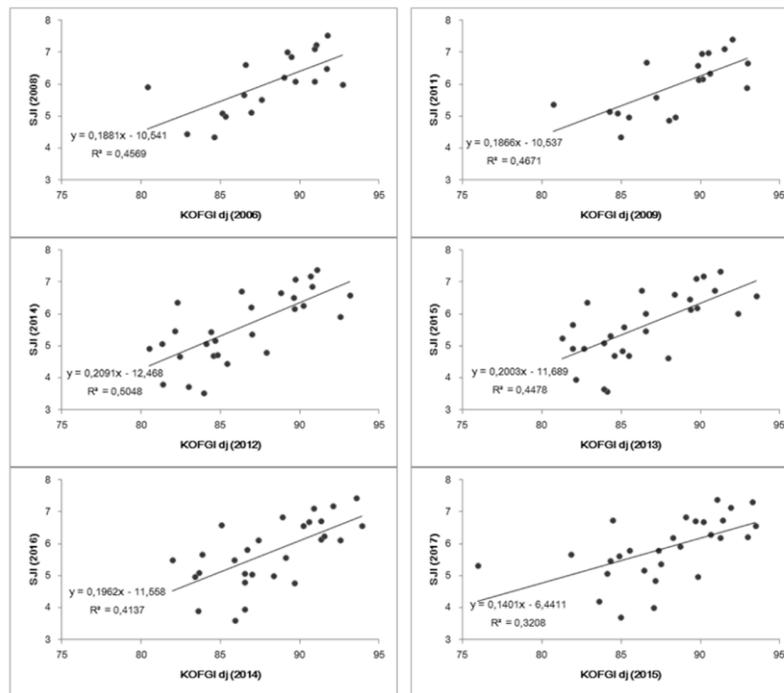


Figure 3: The association between de jure globalization and social justice in the EU

6. FINANCIAL GLOBALIZATION AND SOCIAL JUSTICE IN A DETAILED OVERVIEW ON THE EUROPEAN UNION

As we have seen, economic literature remains somewhat divided in the debate on the effects of free trade on income distribution. With regard to financial globalization, the application of the principles of liberalization, by allowing savings to be channelled to countries where returns are highest, have also been unquestionable for many years. In fact, capital flows between countries enable inter-temporal consumption between them as a result of external borrowing and allow investors to diversify portfolios globally. In the period after the financial crisis of 2007, several studies were carried out on the impact of financial globalization on inequality in world terms. For example, Jaumotte, Lall (2013) and Furceri et al. (2017) report the existence of negative impacts of financial integration on inequality. In general, studies have argued that the liberalization of external capital flows has led to significant and lasting declines in labour participation in National Income and to corresponding increases in inequality, which can be observed in the changes registered by the Gini coefficient. In this perspective, financial globalization seems to have complemented the impacts of trade by exerting downward pressure on labour share in the National Income. The question has therefore been asked to understand why financial globalization contributes to this situation. There seems to be no great analogy to the theorems of neoclassical theory of international trade, so that, as Rodrik (2018) acknowledges, to some extent, the distributive effects of financial globalization are a real surprise. In fact, the extreme volatility of financial flows is abruptly depressing the countries most exposed to international markets, which significantly reduces their ability to react and the effectiveness of any adjustment measures. Also in the euro area, financial integration has played a major role in the dynamics of globalization and, in particular, in the evolution of social justice in those countries. As a first step, monetary unification and the creation of the euro in 1999 led to the reduction of risk premiums in countries where it was higher, such as Greece, Spain and Portugal, leading to the convergence of borrowing costs amongst member countries. Such developments have enabled the emergence of large current account deficits and the accumulation of significant levels of external debt (Baldwin & Gros, 2015). Sectors that produced non-tradable goods were boosted in the countries receiving foreign investment, to the

detriment of the tradable goods sectors. This imbalance led to an accumulation of current account deficits which, in the countries referred to, quickly became an economic and social collapse, due to the sudden stoppage of external capital inflows that provoked financial and economic crisis in the most indebted countries (Kang & Shambaugh, 2016). The crisis has shown that trade and financial integration processes are of a different nature and may have different effects on the stability of countries. Aizenman (2016) recognizes that trade impacts are deeper and more structural than the effects of financial integration, which are more volatile and revocable, affecting the countries involved and the European monetary union itself. This distinction results from the inter-temporal nature of financial flows, which is undoubtedly different from that of trade flows. Thus, financial globalization in conjunction with the monetary unification, joining countries with high structural divergences in their economies and with non-synchronized business cycles, has also produced adverse distributional impacts within the group of countries of the euro zone, more expressively than in countries that had their own currency (Raitano, 2016). It is in this background that we will further examine the empirical analysis of this work, taking into account the developments in some of the EU Member States regarding the KOF and SJI indicators in the period after the global financial crisis and the subsequent sovereign debt crisis that affected some of the more fragile economies of the euro zone. As is well known, despite all attempts at convergence, the European Union is made up of countries with considerably different characteristics. Firstly, a possible approach would be to separate countries according to whether or not they belong to the euro zone. Yet, within the euro zone, a group of central countries and a group of peripheral countries can be identified. Similarly, for countries outside the euro zone, a group of countries that have decided voluntarily not to join and another group that may join the euro zone (but do not fulfil Maastricht criteria) can be identified. Having this into account, we proceed with our analysis of the relationship between globalization and social justice in the European Union, in a detailed way, by considering the following four groups of member-states:

- Euro zone periphery (EZP) – Greece; Italy; Portugal; Spain.
- Euro zone core (EZC) – Austria, Belgium, Finland, France, Germany, Ireland, Luxembourg, Netherlands.
- Opting out (OPT) – Denmark; Sweden, United Kingdom,
- Visegrad group (VIS) – Czech Republic; Hungary; Poland; Slovakia.

Figure 4 shows the evolution of the relationship between globalization and social justice, between 2008 and 2016. The OPT group clearly constitutes a cluster with the highest levels of globalization and social justice, the relationship of which shows some dynamics, apparently in the direction of greater globalization, accompanied by a reduction of social justice. In turn, the EZC group is also plainly identifiable as a cluster, for which the dynamics of the link between globalization and social justice have not changed significantly. With respect to the VIS group, the dynamics of the relationship between globalization and social justice seem to point to an inverse association between both, being apparent an increase in the level of social justice. The EZP group stands out from the relationship between globalization and social justice, as globalization levels have increased, but this has been associated with increases, but also a sharp decline, from 2011 to 2014, in the levels of social justice.

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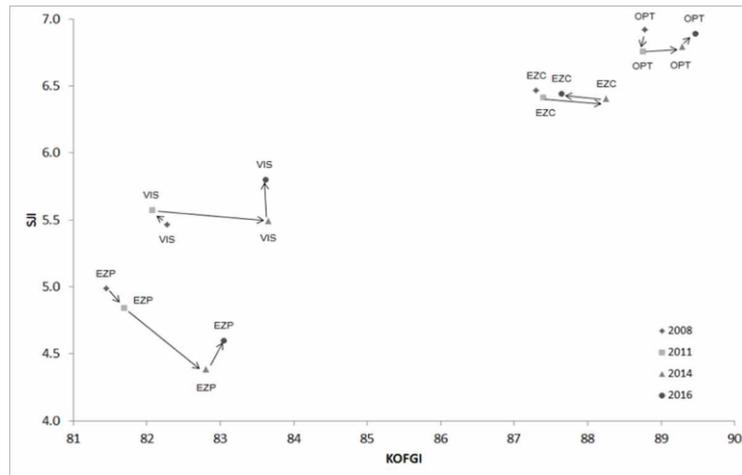


Figure 4: The evolution of the relationship between globalization and social justice

The situation previously reported did not have the same expression when we used the indicator of de facto financial globalization. In fact., despite the fall in access to the labour market, the level of financial integration of the EYP group remained unchanged during the crisis. On the other hand, the globalization of the trade side has risen sharply in these countries, settling to the loud rise in trade deficits in these countries, offset by Germany's strong trade surpluses. For many authors, the euro crisis has been seen as having at its origin the excessive fiscal deficits that lead to the accumulation of significant public debts. This diagnosis applies mainly to Greece and Italy, but also to Portugal and Spain, countries included in the EYP group. Implicitly, the analysis suggests that these countries had a lax behaviour in their fiscal policy, which removed their international competitiveness. It is a fact that the export-led growth strategy has generated strong trade deficits in some euro area countries in the first decade of this currency's life. When the global financial crisis hit Europe, trade deficits have become unsustainable. With the exception of Greece, neither public debts nor fiscal deficits were a major problem in euro zone countries before 2008 (Weeks, 2014). Of course, the euro zone is not a closed economy and its members are trading separately with the rest of the world, although most of the flows take place inside the euro area. This means that the largest share of the external demand of each member comes from within the monetary area itself. Therefore, the expansion or contraction in the domestic demand of each member has an impact on the external demand of the partners. Since countries use the same currency, in the case of the Euro, adjustments in relative prices cannot be made by means of nominal reductions in the exchange rate, which can then become deflationary and recessive for the whole area. In this way, asymmetric functioning within Monetary Union is generated which is not limited to adjustments in the current account, but is expressed in the crystallization of groups of creditor countries and debtors within the euro zone, influencing the political orientations of the respective countries.

7. CONCLUSION

A basic principle of economics is that real life involves choices and trade-offs. Economic globalization widens the influence of markets and limits the discretionary power of national governments, hence the dilemmas posed between the efficiency of global markets and the constraints in domestic markets to the redistributive policies of governments. The neoclassical models of international trade have spurred the expectation that trade liberalization would promote social justice, as the incomes of the less skilled in the poorer countries should increase. However, although often overlooked, they also predicted that the incomes of the low-skilled in developed countries should be reduced as a result of competitive imports from less developed countries. The question is whether our conception of social justice is global or strictly national.

The challenge of globalization then arises because it has increased the incomes of the most highly skilled people in all quarters, promoting the reduction of inequality between countries and, at the same time, aggravating inequality within (almost) all countries. There seems to be strong evidence that the situation of the less skilled (poorer) has deteriorated in relative terms, in both the more developed and less developed countries. At the same time, the welfare state that must protect the poorest has been threatened by migration and the strong mobility of the tax base, principally of capital. It has recently been surprising that the escalation of globalization has put people in a precarious employment position, who felt they were protected from the competition of low wages. The early stage of trade liberalization has led to deindustrialization in developed countries, plagued by the relocation of sectors to low-cost countries, and subsequently the liberalization of trade in services has exposed to competition those that produce services that were previously not traded. Thus, global competition creates widespread uncertainty and apprehension, which has grown as globalization has allowed the universal diffusion of models that have made the Western world richer. The results of the empirical application show that the countries with the greatest degree of globalization, regardless of whether or not they are integrated into the euro zone, have better resisted the impacts of the crisis and have not revealed significant declines in the social justice levels during the period. Also, the countries that most recently joined the EU and which have a lower level of globalization and maintain their monetary and exchange rate autonomy have not suffered losses in terms of social justice, especially in access to the labour market and poverty risk indicators. Finally, the southern countries that are part of the euro area and which have lower levels of economic globalization have seen their levels of social justice deteriorate significantly during the crisis, in particular as regards access to the labour market and the risk of poverty. Summing up, the results obtained attest to the relevance of the interaction between the variables considered in the paper: Globalization and Social Justice. Therefore, in later studies it is justified to deepen and to detail the analysis the characteristics covered by the new methodologies and variables considered in the indicators that we used. On the other hand, the results also justify the apprehensions of many authors about the deficient architecture and implementation of the European Monetary Union, which in a period of global financial crisis did not have the capacity to provide support for the states that are hardest hit by the financial markets and so to prevent the waves of contagion between the several member countries of the single currency.

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