Local outdoor market in Campo de Flori, Rome, Italy.
Photo: © Emily A. White.

chapter 3

Europe

The last of the major groups to migrate into Europe were the **Slavs,** who began arriving in the AD 400s. During the next few centuries, Slavs pushed as far west as the Elbe River in the middle of modern Germany and as far south as the Adriatic coast and into the Balkan peninsula, threatening the Greeks. The Slavs are divided into three major groups: western, southern, and eastern. Poles, Czechs, and Slovaks are western Slavs. Slovenes, Croats, Serbs, and Bulgarians are southern Slavs. The eastern Slavs are Russians, Ukrainians, and Belarussians (see Chapter 4).

The groups thus far mentioned account for most of the modern European peoples and represent considerable diversity. Yet a few other groups migrated into Europe at this early stage and left their mark. Latvians, Lithuanians, Estonians, Finns, Hungarians, Albanians, Roma (Gypsies), and Basques are the most well known.

The Rise of European Global Power

Our global economy is fundamentally free market, or capitalist, in nature. **Capitalism,** the practice of individuals and corporations owning businesses and keeping profits, traces its origins to Mediterranean and Western Europe. In the late 1400s, mercantile capitalism flourished as merchants invested in trade expeditions that brought profit in the form of precious metals (gold and silver). It began in 1418 when Prince Henry of Portugal established an institute at Sagres, where he brought together scholars to improve and teach the methods of navigation to Portuguese sea captains. He hoped that better skills would lead to the discovery of a sailing route around Africa and on to the Spice Islands in the east. In 1441, a ship finally sailed far enough south to reach wetter parts of Africa south of the Sahara. Portuguese explorers captured men and women for slavery and found gold. News of this event sparked enthusiasm for exploration, and many new voyages were launched. The Portuguese and Spanish, later followed by other Western Europeans, discovered and conquered new lands, radically altering and frequently destroying many local economies and cultures of indigenous peoples as they began a new era of **colonialism** and **imperialism.**

The best known of the new voyages was made by Christopher Columbus in 1492. Funded by the Spanish crown, Columbus sailed westward in the belief that he would get to India by a quicker route. He did not know that the Americas (supposedly later named after another Italian sailor, Amerigo Vespucci) lay in his path. At the same time, Vasco da Gama led the Portuguese explorations around the southern tip of Africa to India. Portugal and Spain both gained huge wealth from trading with and colonizing the Americas, Africa, and parts of Asia. The French, Dutch, and British followed them in the 1500s and 1600s. Wars in Europe and declining home economic bases reduced the roles of Spain and Portugal, whose rulers spent their New World wealth on armies to maintain their positions in Europe. Home-based merchant wealth shifted power toward the northwestern European countries. The Dutch emerged as a maritime power in the 1600s, establishing colonies in the East and West Indies but losing territory in North America to Britain in the 1660s. Over the following century, Britain won a competition with France for supremacy in North America and India, creating the basis for its worldwide empire.

European exploration did not simply result in the spread of European culture and practices. Europeans experienced many things in their travels and brought much back to Europe that they incorporated into their cultures. European diet is one aspect of culture that changed dramatically because of exploration. For example, what would the Irish, German, and Polish cultures be without the potato? Yet the Europeans knew nothing of this tuber until they traveled to the Americas. The potato, along with maize (corn), is significant because it has much greater yields than the grains that were grown in Europe until that time. Subsequently, the potato contributed to population growth that fueled further exploration, migration, and even the Industrial Revolution. Through this exploration, the Europeans learned about cotton, tobacco, tea, cocoa, and a wide range of other products that they commonly use today. From their encounters with the Chinese, they learned about such technologies as the compass, gunpowder, paper, and printing. The Europeans were able to explore rapidly and build trading networks by exploiting Arab, Indian, and Chinese ports and links.

Industrial Revolution

The growing overseas trade and merchant wealth of the countries of northwestern Europe led to increasing demands for manufactured goods, stimulating a series of technological innovations and organizational changes. The resources of cottage weavers and blacksmith forges were hard pressed to fill the expanding markets for cloth and metal goods. From the mid-1700s, machinery, at first driven by waterpower, increased productivity in the metal and textile industries. The concentration of machines in factories that were soon powered by steam from coal-burning furnaces required growing amounts of capital and numbers of workers. This led to the expansion of urban–industrial centers on or near coalfields (Figure 3.11) and to systems of banking and investment. Rivers, canals, and the sea were the initial forms of transportation used to assemble raw materials for the new industries and to distribute their products. Huge port facilities grew in the estuaries of major European rivers. During the 1800s, railroads increasingly gained in prominence, connecting ports and coalfield industries.

Beginning in Great Britain, the **Industrial Revolution** spread across the English Channel to the Netherlands, Belgium, northern France, and the western areas of Germany. In the late 1800s and 1900s, the Industrial Revolution diffused further to Central and Eastern Europe and to other areas of the world. Factories for metal smelting and fashioning, textile machinery, steam engines, and chemical refining were located

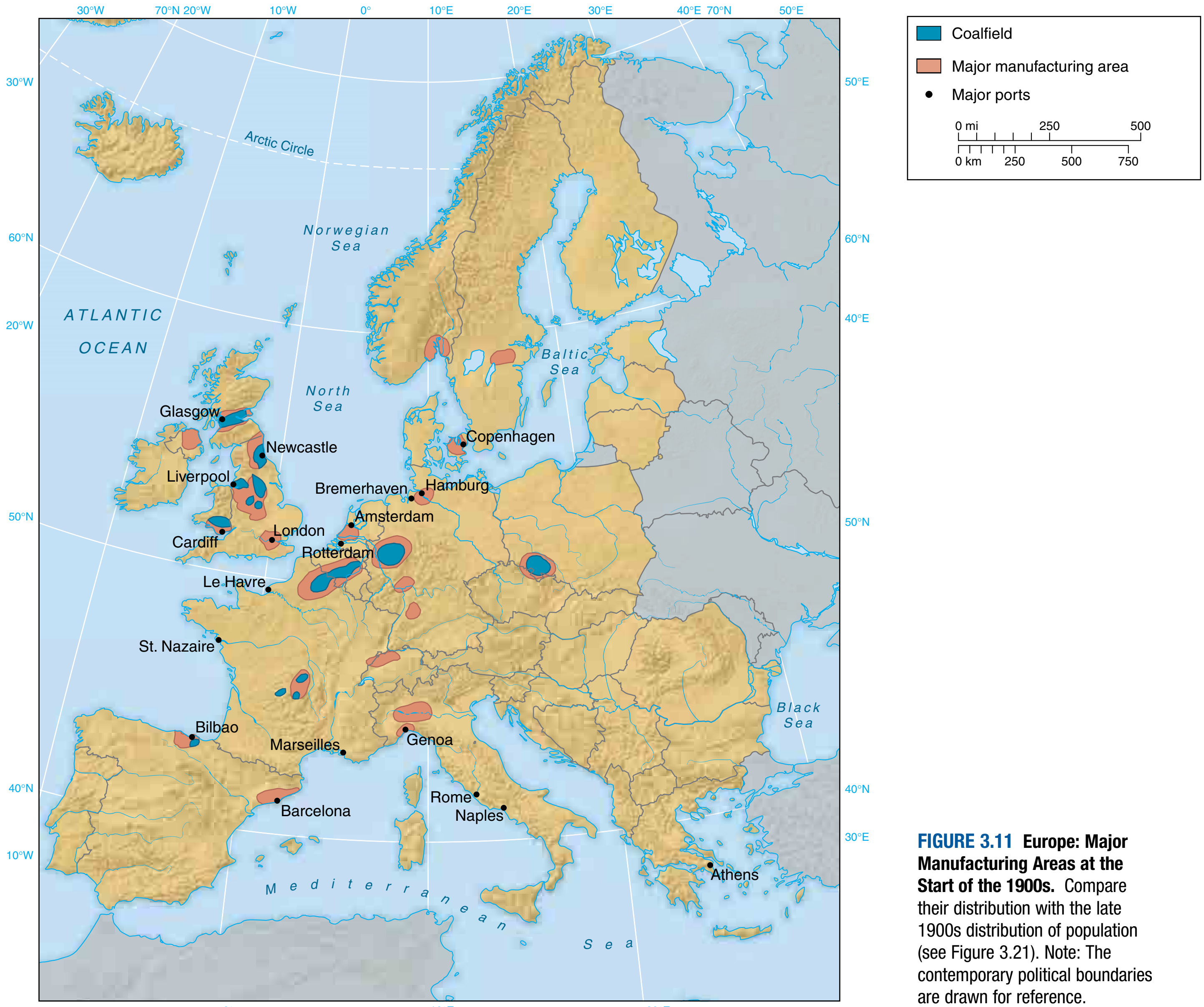

FIGURE 3.11 Europe: Major Manufacturing Areas at the Start of the 1900s. Compare their distribution with the late 1900s distribution of population (see Figure 3.21). Note: The contemporary political boundaries are drawn for reference.

in areas with plentiful coal resources. The European empires did not transfer their new manufacturing technologies to their colonies. Instead, they used their colonies to produce the raw materials needed in Western European factories. Cotton, wool, indigo, tobacco, and foodstuffs are a few examples. Forced to supply Western Europe with raw materials and having Europe as the only source of finished products, the colonies were pushed into economic dependence. Local economies and traditional ways of life were brought to an end as peoples in the colonies had to change their lives radically to produce exports for Europe.

Modern Countries: Nation-States

The current system of international relations and the character of peoples' identities began in Europe. Beginning shortly after AD 1000, the identities of Europeans changed as people began to shift their loyalties from more local feudal leaders to their emerging countries. An important step came with the Treaty of Westphalia in 1648 that marked the end of the Thirty Years' War, a bitter religious war between Roman Catholic and Protestant leaders. The treaty laid down rules for religious toleration and ended the arbitrary behavior of monarchs by establishing a legal system of international relations. Monarchs retained considerable power but had to explain to their people why their actions were in the best interests of their country rather than in their own personal interests. Though the rules of the Treaty of Westphalia have been modified, the current system of international relations is still referred to as the "Westphalian system."

The Westphalian system led to the development of **nation-states,** first in Europe and then in much of the rest of the world. As noted in Chapter 2, a nation is an "imagined community" of people who believe themselves to share common cultural characteristics; **states,** often called "countries," are politically organized territories with independent governments. Europeans developed the idea of the nation and combined it with that of the state to form the **nation-state ideal,** which is the belief that each nation should be free to govern itself and can do so only if it has its own state (country). Thus nations become linked with states. However, the nation-state ideal is just that, an ideal and not reality in most cases. The French nation, for example, believes that the French state should be solely inhabited by the French nation. However, France contains peoples such as the Basques, who regard themselves as a separate nation. Since the age of nationalism beginning in the late 1700s, many dominant European nations imposed their national cultures on other nations living within their borders in an attempt to make the nation-state ideal a reality. In response, many minority peoples resisted, and some—like the Basques—have tried to establish their own nation-states. The nation-building projects of dominant peoples who try to homogenize their states and of minority peoples who try to declare their own nation-states resulted in much violence, even war.

To use the terms nation, state, and nation-state correctly, remember that nations are peoples and states are countries. Thus, for example, the French are a nation and France is a state. Because France is inhabited mainly by the French nation, it is a specific kind of state known as a nation-state—that is, a state inhabited by or intended for a single people. It is incorrect to refer to France as a nation because France is not a people. However, France can be called a country, a synonym for state. Indeed, some prefer the term country instead of nation-state because few nation-states truly fit the definition of the term.

The grouping of peoples into nations was brought about not only by the Westphalian system but also by technological innovations such as the printing press, gunpowder, and modern militaries. The scientific ideas of the Enlightenment contributed greatly, too. After Gutenberg invented movable type for the printing press in 1447, books became common. One no longer had to be wealthy to obtain books. As literacy rose in conjunction with Enlightenment ideas of individuality, freedom, and rational thought, common people saw fewer differences between themselves and their rulers. By the 1700s, many questioned the privileged positions of the aristocracy, turning their loyalties instead to one another and their countries.

As literacy spread, governments had to choose language standards. Regional dialects broke down as people throughout their countries conformed to the same rules of spelling and writing. Until this time, the dialects of any language were so distinct that people could hardly communicate with one another, though they spoke the same language. Moreover, dialects frequently changed every few miles. The printing press and language standardization made it possible for larger groups of people to communicate with one another. In many countries, a Bible translation was the main means of spreading the new language standard.

Gunpowder, too, helped bind people together. It led to the development of rifles and cannons that required soldiers to drill together constantly so that they could work as a team. The individuality of medieval knighthood was replaced by modern armies of soldiers who dressed and acted alike.

Though the new technologies and Enlightenment ideas changed society, people were reluctant to challenge the supposedly divine authority of monarchs. After people in the 13 British colonies in North America rebelled against the British monarch and defeated the British military, people in Europe saw that their monarchs were not invincible, protected by the hand of God. The American Revolution soon inspired the French Revolution. Napoléon Bonaparte fed the new nationalist zeal in France, formed a new national army, and defeated the imperial forces of Europe. It required the British and Prussian national armies to defeat Napoléon's national army. Though Napoléon was defeated, he demonstrated that the nation-state, with a population that saw itself as one people and supportive of the state that represented them, was an efficient form of government. The death knell was rung for empires, city-states, and the like, though many hung on for another hundred years before being replaced by nation-states.

Nationalism and World Wars

As nationalism grew in Europe, it was fanned by the competitive nature of capitalism. Economic competition turned into nationalist competition. Before long, the armies that Western Europeans created to conquer and colonize the rest of the world were turned toward one another. In 1914 war erupted between the European powers, later to be known as World War I. Though Germany and Austria-Hungary were decisively defeated in 1918, the trouble was not over. The war costs and protectionism caused European economies to slump in the postwar 1920s and 1930s, bringing hardship to millions of individuals and families. Discontent and resentment grew in the defeated countries. The nationalist competition became more bitter and fed the more extreme but opposing ideologies of fascism and communism, two other concepts Europe gave to the world. A European war engulfed the rest of the world once again between 1939 and 1945, known as World War II. The intolerant side of nationalism under fascism led to the extermination of millions of people of specific ethnic groups such as Jews and Roma (Gypsies), a phenomenon called **genocide.**

3.2 TEST YOUR UNDERSTANDING

Summary

Europe set into motion many of the global processes that we experience today. Although individual countries are now less powerful than they were early in the 1900s, many European cultural characteristics are part of other world cultures.

The current human geography of Europe grew out of varied influences, including the movements of Mediterranean, Germanic, Slavic, and Asian peoples. Europe developed global trading links from the 1400s and dominated the Industrial Revolution of the 1700s and 1800s. Europe also developed new political ideas concerning governance.

Questions to Think About

3.2A What were Europe's historic contributions to the development of the world's present economic order? How did they affect Europe Itself?

3.2B What were Europe's historic contributions to the development of the world's present political order? How did they affect Europe itself?

3.2C Which factors promoted European migration and colonization from the 1600s to the 1800s?

3.2D What led to the development of nations and the nation-states?

Key Terms

Greeks	colonialism
Celts	imperialism
Romans	Industrial Revolution
Germanic peoples	nation-state
Vikings	state
Slavs	nation-state ideal
capitalism	genocide

3.4 GLOBAL CHANGES AND LOCAL RESPONSES

Europe after 1945

After World War II (1939–1945), Europeans seriously reevaluated their role in the world and their relationships with one another. The war was so devastating that even the winners suffered destruction and huge financial, political, and cultural losses. In Western Europe, the United Kingdom, France, and the Netherlands were confronted with independence movements in their colonies at a time of weakness. Commonly fueled by the ideologies of nationalism and communism that originally came from Europe, four centuries of building colonial empires on which "the sun would never set" ended.

At the same time, the politically and economically weak European countries faced the United States and the Soviet Union, which emerged as new world powers. At the end of World War II, the Soviet Union showed its strength when the Red Army moved into most of the East Central European countries and fostered the establishment of **communism.** The Communists believed that capitalists used their riches to manipulate their governments in order to protect, even increase, their privileged positions in society and keep the majority of society, especially the working classes, powerless and in relative poverty. Instead, Communists argued for **democratic centralism:** the belief that the Communist Party, the political party of the working class, was the only true representative of the people and, therefore, the only party with the right to govern. To keep capitalists and others from taking advantage of the people, Communists also believed in **state socialism:** governance by the Communist Party, actively running the political, social, and economic activities of the people. The state owned all the businesses and decided what was produced. The capitalist practice of competing companies producing similar products was seen as unnecessary. Rather, large corporations owned by the state made each product. The state, not the free market of consumers, decided what needed to be produced through a **planned economy.** At the same time, the other new superpower, the United States, supported the revival of the countries of Western Europe, where the Marshall Plan injected huge sums to assist economic recovery and where the threat of Soviet expansionism was met by the establishment of the North Atlantic Treaty Organization (NATO). The Soviet Union responded in turn with the Warsaw Pact in 1954.

With Soviet Communism firmly established in East Central Europe by the early 1950s, many Europeans felt that their nationalist notions and capitalist practices were threatened. Europeans in countries about to lose their colonies knew that their countries were too small to compete individually with the Soviet Union and the United States. Moreover, the two world wars revealed the ugly sides of nationalist political competition, economic protectionism, and capitalist competition. Competition could lead to failure as well as success. On the other hand, cooperation in a noncommunist form was thought to result in everyone's success.

NATO and the European Union

Immediate cooperation came about in noncommunist (Western, Northern, and Mediterranean) Europe with the **North Atlantic Treaty Organization (NATO)** in 1949 (Figure 3.12). NATO included the United States, which was seen as an ally against the Soviet military threat then dominating East Central Europe. After the breakup of the Soviet Union in 1991, many questioned the need for NATO. Others feared that Russia would eventually become a formidable power again, though the Soviet Union no longer existed and Russia was weak. Having emerged from more than 40 years of Soviet domination, East Central European countries were eager to join NATO. Russian objections and the cost of expansion delayed NATO expansion. NATO accepted Poland, the Czech Republic, and Hungary as new members and is currently considering other countries. In 2002 NATO formed a partnership with Russia, the country that NATO was created to defend against! Post–Cold War NATO is actually more focused on resolving or policing disputes within the expanded Europe and its immediate neighbors—as in Bosnia, Kosovo, and Macedonia.

To compete successfully again in the world economy over the long run, Europeans in the noncommunist countries created the European Economic Community (EEC), known today as the **European Union (EU)** (Figure 3.13). In 1949, not long after the end of World War II, Belgium, the Netherlands, and Luxembourg joined together in the Benelux customs union. In 1952 the Benelux countries joined France and West

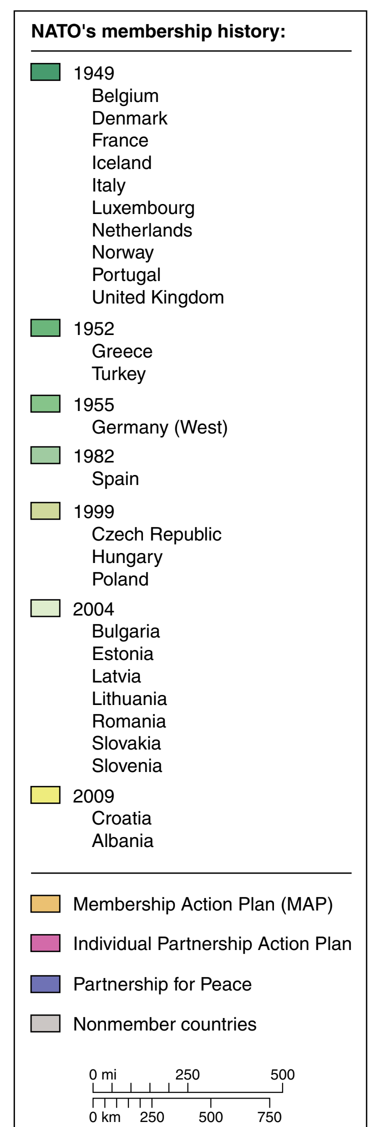

FIGURE 3.12 Europe: NATO. The North Atlantic Treaty Organization, showing countries that are members and those that are applying for membership. The United States and Canada are also original members. In 2002, Russia formed a special partnership with NATO.

FIGURE 3.13 The European Union: Its Growth to Date.

Germany to form the European Coal and Steel Community (ECSC). In 1957 the five ECSC countries plus Italy signed the Treaty of Rome, establishing the European Economic Community (EEC). The EEC was expected to create a common market in which goods, capital, people, and services moved freely between countries. The European Commission became the executive arm of the community and was based in Brussels, Belgium. In 1967 the EEC changed its name to the European Community (EC) to emphasize the move from economic toward political goals. Denmark, the Republic of Ireland, and the United Kingdom became members in 1973, Greece in 1981, and Portugal and Spain in 1986. By then the European Parliament, with elected members from all these countries, was created and located in Strasbourg, France. It forms the legislative branch of the EU along with the Council of the European Union (often known just as the Council of Ministers). The presidency of the Council rotates every six months among representatives from each of the EU's member countries. Other EU organs are headquartered in countries such as Luxembourg (Figure 3.14).

The Single European Act, signed in 1986 when Spain and Portugal joined, set out the steps needed to implement a single market. The Treaty of Maastricht (1991) attempted to set a timetable for monetary and political union and changed the name of the organization to the European Union (EU) in 1993. Austria, Sweden, and Finland joined in 1995. The Swiss and Norwegian referendum votes on joining were close but rejected membership at the time. The Swiss most likely did not want to give up their tradition of neutrality. It is believed that the Norwegians' desire to protect their fishing grounds and their practice of whaling played a major role in the rejection of EU membership. In 2004, 10 countries of East Central Europe, many formerly part of the Soviet bloc, joined the EU in the organization's

FIGURE 3.14 In Luxembourg, the European Union flag (blue with yellow stars) proudly flies with seemingly equal importance with the national flag. The historic central part of the once strongly fortified Luxembourg City looms in the background. Photo: © David C. Johnson.

largest expansion to date. Bulgaria and Romania joined the EU in 2007. Turkey's application has long been under consideration, and Croatia applied for membership in 2003. Many Europeans see the EU as good, while many others do not (see Point-Counterpoint: The European Union).

The European Union represents yet another idea emanating from Europe: **supranationalism.** Supranationalism is the idea that differing nations can cooperate so closely for their mutual benefit that they can share the same government, economy (including currency), social policies, and military. During the Cold War, Soviet Communists tried to offer a form of supranationalism, but after 1990 most Europeans abandoned the Communist experiment, leaving those in the EU as the primary advocates of supranationalism. Members of the EU are still working out the details of their cooperation, but what they have accomplished is remarkable, considering that the more predominant nationalist idea, subscribed to by most of the world, holds that such cooperation is impossible between nations. Nationalism may still preclude total political union in Europe.

It remains to be seen if supranationalism will work. The combination of NATO security in the Cold War and linked economic policies enabled Europe, by the later 1900s, to regain a major place within the global economic and political system. For example, European countries have many of the highest GDPs per capita in the world (Figures 3.15 and 3.16).

Devolution within European Countries

As Europe moves toward greater economic and possibly political integration, it is simultaneously experiencing **devolution:** local peoples desiring less rule from their national governments and seeking greater authority in governing themselves. The desire for complete independence is known as **separatism.** Devolution occurs in the United Kingdom, for example, where Scots and Welsh seek greater autonomy and recently obtained their own parliaments with limited powers. Estonia's, Latvia's, and Lithuania's independence from the Soviet Union and the breakup of Czechoslovakia and Yugoslavia were other forms of devolution. Devolution is also seen in the bloody campaigns fought by the Basque peoples straddling the Spain-France border and the Catholics in Northern Ireland.

Devolution pressures are not coming only from ethnic and national minorities. They are also coming from the people of provinces that straddle neighboring countries. For example, Strasbourg is the major city in the mid-Rhine Valley, providing goods and services that the smaller cities do not. Though Strasbourg is in France, it is on the German border, making it a city that is closer to many Germans than German cities of a similar size. Thus many Germans obtain goods and services in Strasbourg. High unemployment rates on the French side of the Rhine River and high-paying jobs in neighboring Germany lead to many French desiring to work in Germany. In the past, differing government policies of bordering countries—customs, border guards, different currencies—made it difficult for citizens to travel

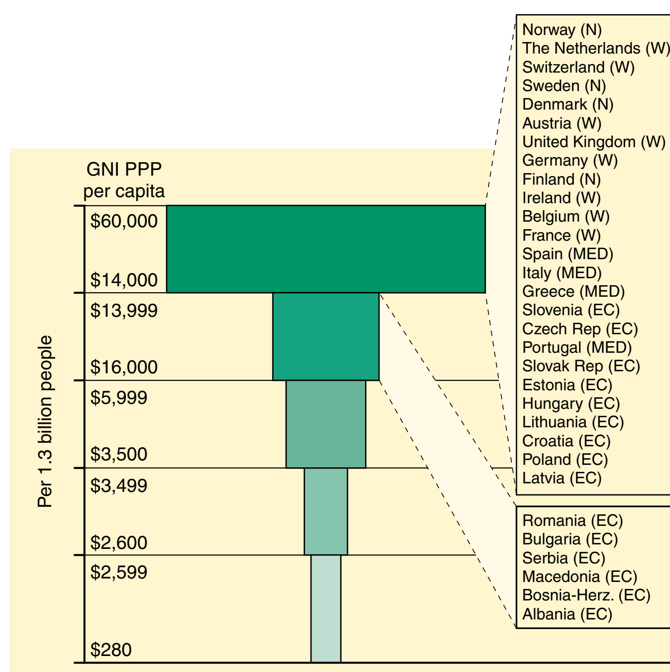

FIGURE 3.15 Europe: National Incomes Compared. The countries are listed in the order of their GNI PPP per capita incomes. Compare the relative material wealth of the countries in Western (W) and Northern (N) Europe with those in Mediterranean (MED) and East Central Europe (EC). Compare with Figure 2.26. **Sources:** Data (for 2008) from *World Development Indicators*, World Bank, and Population Reference Bureau.

as the most gender-equal country in the world, followed by Denmark, Sweden, Switzerland, and Norway. At a basic level, equality can be measured by life expectancy. For the region, men typically live 76 years on average, while women live to 82. Power often begins with education. In contrast to many other areas of the world, European women frequently receive a higher percentage of university degrees than men. In both Northern and East Central Europe, women receive about 60 percent of the university degrees. The number of female scientific researchers (those with PhDs) is about 33 percent compared to a world average of approximately 25 percent. Only four European countries have gender parity, with Latvia at 53 percent, followed by Lithuania (50 percent), the former Yugoslav Republic of Macedonia (50), and Serbia (47). With the other East Central European countries ranking close behind, it reflects the influence of Communism, which advocated that women were equal to men. At the other end of the spectrum are the Netherlands (18 percent), Luxembourg (18), Germany (21), and Switzerland (27). Finally, at the highest level of scientific decision making, namely scientific boards (where science and technology agendas are set), the percentage of women varies considerably for individual European countries. Sweden ranks the highest with 49 percent and is only one of six countries (mostly in Northern and East Central Europe) above 30 percent. Luxembourg is the lowest with 4 percent, with Poland and Italy not far behind.

European women have shown greater economic adaptability than European men as the modern world economy transitions from an emphasis on manufacturing jobs to knowledge-based service jobs in developed countries. Women were hired for 6 million of the 8 million new jobs created in the European Union from 2000 to 2010. Rising female employment also is increasing wealth for countries. For example, a Goldman Sachs study cited in the *Economist* claims that Italy's GDP will increase by 21 percent, Spain's by 16 percent, and those of the United Kingdom and Germany by 8 percent each.

Women's political power is measured by their representation in government. A look at the percentage of seats held by women in the lowest house in parliament shows that Northern European countries ranked among the highest in the world in 2009. Sweden placed second (after Rwanda) with women holding over 45 percent of the seats, followed closely by Iceland, Finland, Norway, and Denmark. The geographical pattern varied in the other subregions. Women generally held a high percentage of parliamentary seats in Western Europe (the Netherlands was sixth and Belgium was ninth), though France (64^{th}) and Ireland (84^{th}) were low. Women had poor representation in Mediterranean Europe, though Spain was notably high (14^{th}). The percentages of parliamentary seats held by women in East Central Europe spanned the spectrum despite generally high education levels among women. Overall, women had greater political representation in the vast majority of European countries than in the United States (73^{rd}).

Changes in Europe's Economic Geography

Two world wars and intervening economic depressions shattered the economies of European countries and their economic relationships with the rest of the world. After 1945, greater governmental intervention restored **productive capacity** (the amount of goods a country's businesses can produce) and now ensures education, health care, unemployment benefits, and pensions for all. In noncommunist Europe, older, "heavy" **(producer goods)** industries, such as steelmaking, heavy engineering, and chemicals located on coalfields, were replaced in value of output and employment by motor vehicles, consumer goods, and light engineering products. The availability of electricity spread, so that new products could be manufactured wherever there was plentiful semi-skilled labor, often in the larger cities that were also large markets for the consumer goods. This process led to greater material wealth in the cities compared to the older industrial and rural areas. The numbers employed in primary and secondary industries gave way to service industries—based in offices rather than factories. This further increased urbanization. The polluted old industrial centers declined, and unemployment in them rose.

In the second half of the 1900s, new industrial areas grew in places more suited to the needs of developing technologies and industries, though long-established production continued in the older areas. The major investments in factories, housing, human skills, and infrastructure made it too costly in financial and human terms to suddenly change the locations of existing production facilities. The advantages of producing goods in an area that already has a trained labor force, assembly and distribution systems, transportation, and financial and other services reinforce the original locational advantages, creating **geographic inertia,** even though costs may be higher than those in competing areas. Only when a substantial change in costs occurred, new products emerged, or demand for the original product declined did new areas develop and older manufacturing centers decline.

Furthermore, **deindustrialization** occurred when the numbers of jobs in manufacturing fell rapidly and factories became derelict in older industrial areas. A decline of 20 percent in European manufacturing jobs between 1970 and 1985 was more than balanced by a 40 percent rise in tertiary sector jobs. However, the skills of blue-collar miners and factory production-line workers were seldom convertible into the new white-collar office, hospital, or classroom jobs that were taken by younger and better-educated people. Those workers unable to retrain for the new jobs faced long-term unemployment. Older production workers, female workers, and young people with a poor education entering the labor force were particularly at risk.

Planning and Privatization

In noncommunist Europe after 1950, the problems of declining old manufacturing areas in particular became political issues and led to additional programs of social welfare, regional policies for siting new industries in the older industrial areas, and retraining programs. Governments tried to redress the differences in unemployment between new and old industrial areas by forcing manufacturers to locate new factories in materially poorer, rather than wealthier, areas of their countries. State industries were located in such areas despite higher operating costs. Italy, France, and Britain introduced such policies. Investment in southern Italy—the Mezzogiorno—is a major example of government-directed industrial location.

Beginning in the 1970s, EU regional policy took over from national policies aimed at redistributing employment opportunities. The European Regional Development Fund was established in 1975. There was a net flow of funds to the margins of EU countries, to their older industrial areas, and especially to the newer (and materially poorer) member countries in Mediterranean Europe. The main emphasis of EU regional policy was on granting loans to create jobs directly or indirectly. The loans were used mainly for infrastructure projects, especially roads, telecommunications, water supplies, and waste disposal. Job creation outcomes had modest success, with a few thousand new jobs created. Nevertheless, the EU continually modifies its policies for regional development funds to help the economically poorer areas of Europe. For the years 2007 through 2013, the European Commission will spend 336 billion euros on three priority areas: Convergence, Competitiveness, and Cooperation (Figure 3.26). Convergence funds are to stimulate growth and employment in the less developed regions. Competitiveness funds are to deal with anticipated changes in the rest of the EU. Cooperation funds are for harmonious development throughout the EU.

Regional development funds have improved the local living situation in the economically depressed areas of the EU. However, such policies produced a modest effect at great cost and, by focusing on internal issues, often made the countries uncompetitive in world markets. However, in Ireland in particular, many multinational corporations were attracted, and the wages they paid increased personal well-being.

A major shift in Western Europe in the 1980s and early 1990s moved these countries away from a relatively stable economic and social order in which those industries less able to compete were provided with industrial protection and welfare. Achieving this stability had meant that the countries of Western Europe had begun to price their products too high for world markets, resulting in reduced sales and thus reduced income. Management had laid workers off rather than lowering the prices of their products to boost sales volume. Increasing welfare costs put country budgets into deficit and raised internal demands for more tax revenue. To combat this economic problem, many Western European countries, led by the United Kingdom, moved toward practices followed in the United States, where private enterprise is encouraged. During the 1980s Britain led the way in privatizing state enterprises, many of which suffered financial losses and were a drain on tax income. The privatized concerns, including steelmaking and electricity, gas, and water utilities, commonly made considerable profits after this change, especially by cutting their labor forces, leading initially to more unemployment. However, by the early 2000s, unemployment rates decreased in countries where the most extensive privatization plans initially had caused the high unemployment rates. The United Kingdom, for example, had a low unemployment rate of approximately 5 percent, while countries like France, Germany, and Italy—which had modest privatization programs—had unemployment rates around 10 percent.

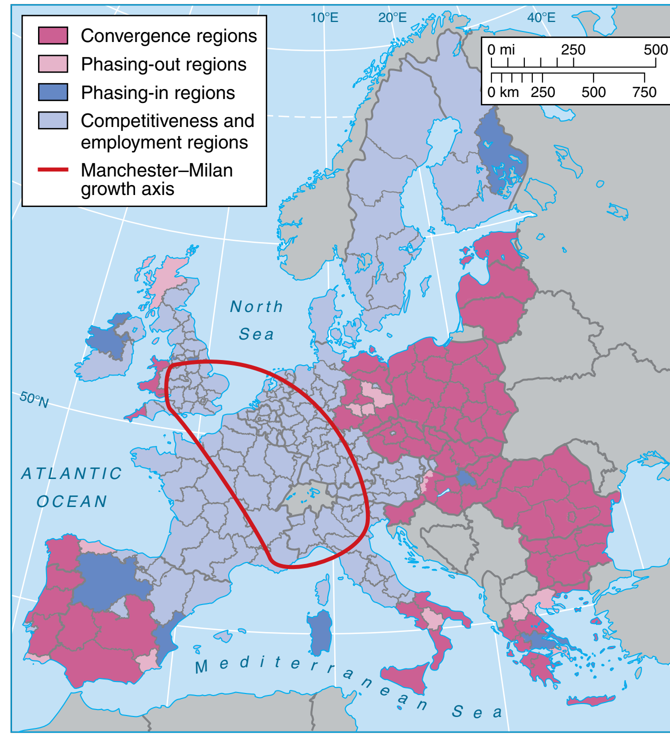

FIGURE 3.26 European Union Structural Funds, 2007–2013. “Convergence regions” are the poorest countries and regions and will receive 82 percent of funds to support regional growth agendas and to stimulate job creation. “Regional Competitiveness and Employment” will receive funds to support innovation, sustainable development, and better accessibility and training projects. Source: © European Communities, 1995–2007.