GLOBAL CHALLENGES
– EUROPEAN ANSWERS
The Rise of Glocality in Europe

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Introduction

This volume is a result of a series of intensive debates during seminars, workshops and international conferences held during the crisis ridden years of 2010-2013. These academic events were organized by ISES, a Jean Monnet Centre of Excellence and predominantly held in Kőszeg and Budapest.

As reflected in the volume, their character was highly multi- and interdisciplinary.

The editors are strongly convinced that the interwoven, multilayered and manifold global crises that have in many ways seriously determined the crisis of the EU, cannot be understood and sufficiently analyzed in a conventional, ‘disciplinary’ way. Consequently, no valid solutions and alternatives can be found if we remain within structurally separated disciplines. The multidimensional and rather complex approach of political scientists, experts of international relations and European Studies, sociologists, economists, representatives of development studies, historians and philosophers provides fresh, new and complex insights as well as practical policy proposals for policy makers and politicians on both national and EU levels.

Internationally recognized academics and young researchers are looking for answers to global challenges and outlining the contours of a newly emerging glocality in European contexts. The interrelated topics discussed in the volume include the nature and roots of global crisis and the alternative therapies; the capacity of the EU to move out from the present deadlock by implementing proper policies in efficient ways in order to successfully deepen and widen integration; the obsolescence of conventional integration methods and the emerging new methods and visions of European construction; the possible new role of civil society and education in giving new life to a European public sphere and transnational democracy and in understanding and reconsidering citizenship and sovereignty within the new context of glocality; the role of European macro-regions such as East and Central Europe as well as the new ways of cooperation with decisive partners and potential allies such as Turkey and India, etc.
The editors wish to express their gratitude to the Lifelong Learning Program and Jean Monnet Action for the support of ISES as a Centre of Excellence which supported the publishing of this volume and the academic activities behind it, and to the authors of the volume for their valuable contributions to a deeper understanding global challenges and to emerging European ‘glocal’ answers.

November 2013,

The editors
Global crises: Is the Keynesian recipe relevant if applied under a global governance? (Some revisited issues)¹

Tamás Szentes

Lessons from the first global, structural and institutional crisis

The crisis in the early 1970s was the first global (and not simply “internationalised”) crisis of the world economy which in one way or another, sooner or later, affected all the countries of the world, and testified more than anything else that the world economy is a single organic system with extensive and intensive interdependencies between its parts, among all the countries, whether they were its integrated components or somehow (more or less) de-linked from it. Unlike the Great Crisis of 1929 which erupted in one of the countries (the USA) and spread via the monetary and financial relations of the international banking system to other countries, i.e. became “internationalised”, the crisis in the early 1970s was much less related to one particular national economy (even if the abolition of convertibility of US dollar to gold in 1971 did also contribute to its eruption), but from the very outset appeared as being directly² or indirectly³ related to the international development gap, i.e. the centre-periphery relations, the North-South conflict, and global disequilibria of the world economy as a whole.

The former, “colonial” pattern of the international division of labour between primary producing developing countries and developed industrial

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¹ This paper is mostly based on some earlier writings of the author, but brings the conclusions further and reflects his rethinking of the revisited topics in the light of new phenomena, and under the spiritual influence of the excellent book of Richard Jolly et al. (2012).

² Such a direct relationship was clearly demonstrated by the oil embargo, which was introduced by the petroleum exporting countries of the Middle East in the very context of the conflict between the West supporting Israel and a group of developing countries.

³ An indirect relationship appeared in many ways. For example, insofar as the growing need and claim of the South for international financial assistance increasingly challenged the international monetary system. Or insofar as the efforts of the US government to prevent the extension of Soviet influence in the South led to excessive spending on military and financial aid, thereby worsening the US balance-of-payments and the position of the US dollar, on which the Bretton Woods system had been built.
countries, which inherently involved the tendency of *disequilibria* and the uneven development of these two groups of countries, increasingly became outdated and suffered functional troubles since the Second World War and particularly since the mid-1950s. This followed as a consequence from changes in technologies, industrial structures, and consumption patterns in the developed countries, decolonisation itself and new investment policies of TNCs. The decreasing world market prices of primary products in the second half of the 1950s, the general *deterioration of the terms of trade* for the developing countries from then right through to the early 1970s and the increasingly cumulative process of *indebtedness* of the latter were already warning signs that this unequal division of labour with its lopsided specialisation of the developing countries could not be maintained for ever.

In the eruption of the world economic crisis in the early 1970s, a certain role was played – apart from some extraordinary events like the temporary oil embargo imposed by the petroleum exporting countries or the decline in world food production caused by extremely unfavourable weather conditions in 1972 – by the coinciding of certain *cyclical changes* in the developed market economies, too. But beyond these factors there were also more fundamental factors causing, apparently the first time, a *structural and institutional crisis* of the world economy as an organic whole. Namely, the decline and transformation of the former (“colonial”) pattern of international division of labour with built-in structural disequilibria, and the failure of the prevailing institutional system both of the world community and the nation-states to regulate efficiently the economic processes which increasingly cross the state borders.

As a consequence of the outflow or transfer of several outdated manufacturing industries from the developed to less developed countries, and/or of an ever sharper competition, caused by cheaper products exported by low-wage countries (which those old industries still remaining in the developed economies had to face), the earlier, almost “perfect” equilibrium with full employment which was achieved by post-war (Keynesian) anti-cyclical policy, necessarily broke down in the absence of co-ordinated structural and social adjustment policies. In some cases this has also undermined the position of

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4 After the Second World War, for a relatively long period the business cycles of the developed market economies had not only been mitigated (by successful anti-cyclical policies) but also desynchronised (by such waves of investment as resulting from post-war reconstruction, decolonisation, arms race and technological revolution etc., which affected quite unevenly the individual countries). By the early 1970s, however, the business cycles of the USA, Western Europe and Japan became again more or less synchronised and turned into a recession.
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certain strata of the working and middle classes. Thus, by the changes preparing or following the crisis, the basis of the welfare state was already affected not only economically but also socially.

In view of the above, it was obvious enough that as long as deep structural inequalities maintaining and increasing the development gap characterise the prevailing system of the world economy, which are manifested in non-symmetrical interdependencies among its parts, and necessarily result various disequilibria in it, the very background and soil of crisis survive even if its management temporarily and partially succeeds in overcoming its most acute effects. It became also obvious that as long as crisis management remains in national framework it cannot be successful but partially and temporarily only, because a crisis of global nature necessarily requires global or at least internationally organised and coordinated management.

Thus the structural and institutional aspects of the crisis as well as its management appeared quite clearly. The above conclusions were empirically proved by a series of crises since the early 1970s, which despite the differences in their concrete form and geographical location manifested a global or globalized nature as well as structural and institutional features. It is also a fact that even the relatively most successful policy was able to restore stability and equilibrium within a national economy only at the expense of unemployment remaining on high level and/or to the detriment of other countries. No doubt, the forging ahead of the neo-liberal monetarist wave of economic policies did also play a significant role in the failure of preventing new crises, moreover in generating the tendencies towards them.

Before discussing the reasons of the change-over in paradigms and both the failure of the Keynesian and the subsequent neo-liberal monetarist ones, it is worth paying some attention to those non-symmetrical interdependencies manifesting the structural aspects of global inequalities, and to their relationship, moreover interaction with the socio-economic structures within countries, i.e. intra-society inequalities.

The asymmetrical pattern of interdependencies implies interdependencies between unequal partners. Unlike the concept of “dependence” which refers to only one side and creates the naive assumption about the possibility of real independence in an increasingly globalized world economy, non-symmetrical interdependence is not only a more realistic concept but also points to the dependence even of the dominant part. The distinction between various forms of non-symmetrical interdependencies provides a broader perspective both for analysis and action, and reveals also some manoeuvring facilities for
the weaker part, too. Without going into details which can be read elsewhere, it seems enough to note that asymmetries may appear in the pattern of the following variants of economic interdependence:

(a) International trade relations and structural positions in the world division of labour (as manifested in the disproportionate export and import structures, i.e. in the geographical and commodity patterns of trade, which make some countries more intensively dependent, more vulnerable vis-à-vis foreign markets, and in the unequal pattern of specialisation, i.e. in the disequalising distribution of the various roles in production and service activities of the world division of labour)

(b) International ownership relations (not only because of differences in natural endowments or a given condition of factor endowments in general, but also and mainly because of the non-symmetrical flows of foreign direct investment capital and the resulting inequality in the stock of foreign capital assets)

(c) International financial relations, namely between creditors and debtors as well as those providing and those receiving international financial assistance (which are manifested in the growing, cumulative indebtedness of a number of countries and the heavy reliance of the less developed countries on external financial resources, making them subject to the control or influence of the creditors and donors)

(d) International monetary relations, i.e. in respect of the international role, relative position, value, reserve base, and stability of national currencies, as well as their supply and demand conditions, and their relationship, exchange rate changes, etc. (which all show not only a large-scale inequality in the monetary position of countries but also a hierarchic order, a pyramidal structure of the monetary system with a few leading and also reserve currencies on the top, many convertible but weaker currencies in the middle and numerous „soft”, non-convertible or not fully convertible currencies on the bottom)

(e) International technology transfer and technological relations, namely between those developing, producing, selling or transferring modern technologies, and those receiving or buying and adopting only the technologies developed by others (which results from and also tends to reproduce the very unequal distribution of research and develop-

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ment capacities and technology production among countries, even if no country can do without imported technologies today)

(f) International labour migration (however limited, administratively restricted it is), which besides a less significant two-ways flow is characterised by the regular outflow of unskilled or semi-skilled cheap labour from the less developed regions, seeking for employment in more developed countries, and by the immigration of the most qualified, highly educated manpower, particularly scholars, scientists and artists into the most developed countries (i.e. brain drain)

(g) International flows of information, namely in the relations between those producing, providing, selling, disseminating, spreading information and those receiving or buying them, which cause great many disadvantages for the latter not only in cost and time but also in reliability and cultural effects.

(h) International relations between those initiating changes in the pattern of production and consumption, and those compelled to adjust to them.

The conventional explanations on “underdevelopment” emphasised and blamed the internal factors only such as the conditions and policies of the countries concerned, while the opposite explanations, criticising them, stressed and accused the external forces, imperialist actions and adverse trade conditions only. Reality, however, does not verify any of such biased, one-sided explanations.

The major determinants of economic development of nations (more precisely: societies within state frontiers) have been changing in the history of the world economy and have also varied from regions to regions, from country to country.

Whatever internal factors are blamed for „underdevelopment”, each of them may result from the unequal international conditions, from non-symmetrical interdependencies, while whatever external, international forces, factors or effects are taken as its cause, they may follow from the given internal conditions, too. (Such a note does not mean a tautology, a circular reasoning, because the cause-effect relationship can always be determined but only in terms of concrete places and time.6 This is what we may call “dialectical cause-effect relationship”)

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6 As long as a country was under colonial rule, it was obviously the latter which primarily determined its underdevelopment. This does not mean that decolonisation necessarily put an end to the predominance of external factors.
The structural distortions (disintegration) of the economy and society, manifested in the rise of enclave sectors of economy and in the alienation of a narrow elite from the masses of society, clearly wear the marks of external effects, unequal international relations. However, an economy and society with such structural distortions (disintegration and lack of cohesion), once coming into existence, necessarily create a basis for asymmetrical interdependencies, i.e. unequal international relations. All these point to the interactions of external and internal conditions.

While the existence and survival of a disintegrated, dualistic structure of the economy and society in the developing countries refers to the historical causes and roots of „underdevelopment”, the mechanism of such an economy and behaviour of such a society, and the complexity of the resulting effects and tendencies already show the relative autonomy and self-reproducing spontaneity of underdevelopment as a historical product. This sheds light on the historically and logically determining relationship between the external and internal aspects of underdevelopment, i.e. between the interactions of the “internal” and “external” causes of it.

Although great many changes have taken place in the world economy and its various parts since the 1970s, both the asymmetrical pattern of global interdependencies and the problem of socio-economic disintegration have remained. Moreover, the former has extended and deepened further, the latter (while dwindling in a few countries) became manifest even in several developed countries, too – as consequences of the changes in the world economy.

The lack of integration in the economy and of cohesion in society, i.e. a disintegrated socio-economic structure does not only provide a basis for unequal international relations, i.e. non-symmetrical interdependencies, but also hinders the development of the countries concerned, due to its various effects on their human resources, accumulation and use of capital, domestic market, social behaviour, culture, etc. It creates or increases disequilibria within their own economy which affect others, too.

Consequently, an appropriate development strategy requires efforts both to improve the position in the global patterns of interdependencies and to promote or maintain integration in the national economy as well as cohesion in the society. Since disequilibria within national economies tend to lead to

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7 See Szentes, 1971: Part Two, Chs. II and III. or 2003: Ch. III.
crisis, and hardly remain isolated in a globalised world economy, more or less the same requirements are valid for crisis management, too.

The lesson from the first global, structural and institutional crisis of the world economy is quite simple and easily understandable. Like a human body which cannot remain healthy and operate normally if its parts are supplied and develop very unevenly, and the resulting disequilibria, unless treated, cause as a crisis danger for life, the world economy which has become also an organic system cannot avoid crises unless its deep inequalities and structural disequilibria are overcome. Thus, instead of palliatives, real therapy is needed.

**Major Changes since the First Global Crisis**

As usual, quite many changes followed the crisis which implies not only a danger of catastrophe but also a new opportunity for progress. The major changes can be summarised as follows:

(a) The unfolding of new waves of technological revolution, mainly in the spheres of communication and information
   - reinforcing the primary role of human (particularly intellectual) capital in development,
   - opening new fields for dynamic sectors and activities in the economy,
   - providing better opportunities, accordingly, for some less-developed countries with appropriate type of (educated, trained or easily trainable, and disciplined) labour and R&D capacities, to catch up with more developed ones.

(b) The rise of new generations of NICs in South-East Asia and a kind of rejuvenescence of the economy, under a reoriented policy, in some Latin American countries (such as Brazil, Argentina, Mexico, Chile),
   - leading to the appearance of new development poles in the world economy, which are complementing and also challenging TRIAD.

(c) The triumph (temporarily) of neo-liberal and monetarist paradigms based upon conventional orthodoxy of economics,
   - resulting in the “Washington consensus” and
   - promoting further progress in liberalisation of international trade and capital flows as well as
   - world-wide spread of an economic policy shaped by liberalisation, deregulation, privatisation,
• enforcing “structural adjustment” (practically reduced to balance-of-payment adjustment and fiscal austerity measures) on the indebted less-developed countries.

(d) The aggravation, due to the inevitable penetration of external effects of global crisis, of all the inherent anomalies in the centrally planned economy of the so-called “socialist” countries (such as shortage of demanded consumer goods, overproduction of poor quality industrial goods, obsolete structure of manufacturing industry, overburdened and underdeveloped agriculture, artificial prices, irrational allocation of resources by central authorities, monopoly over foreign trade, centralised decision making, restrictions on citizen rights, etc. – all corresponding to a war economy)⁸

• leading to increasing social and political unrest, “illegal” strikes, demonstrations, moreover revolts or exodus of people, and to a final collapse of the soviet type system in Eastern Europe as well as the Soviet Union and its military bloc,

• thereby resolving the East-West confrontation, ending the arms race and ideological struggle, but also

• weakening, on the other hand, the international position and bargaining power of the South vis-à-vis the North, and its manoeuvring opportunities.⁹

(e) An intensive acceleration of the globalisation process which has made the world economy extended “horizontally” to all the countries and deepened its “vertical” interdependencies among them, as being fuelled by

• the progressive reintegration of the former “socialist” countries in the world economy,

• the technological revolutions in communication and information,

• the global networking and worldwide activities of transnational companies,

• progress in trade and “capital account” liberalisation and spread of neo-liberal-monetarist government policies,

• the increasing interconnection among international money markets, stock exchanges (giving birth to “contagion” phenomenon).

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⁸ See Szentes, 2003: Ch. IV.
Globalisation has got a double-face. It causes both favourable and unfavourable effects and consequences. It tends to bring the peoples of the world, all nations and ethnic groups closer to each other, promoting mutual understanding, solidarity and a kind of planetary consciousness, but, on the other hand, it reinforces the existing inequalities and sharpens competition for global resources and power between states. Like regionalisation, it may help and may also hinder national development.

Under the present conditions shaped by the changes outlined above, and in the light of the increasingly obvious failure of the neo-liberal-monetarist policies to overcome or prevent crises, numerous scholars, including some of those formerly outstanding representatives of the neo-liberal mainstream of economics point to the very crisis of the latter and reject the applicability of the conventional paradigms of neo-liberal orthodoxy.

The concept of Keynes (or even Marx) is getting fashionable again, and an increasing number of economists suggest a growth promoting Keynesian economic policy instead of austerity measures for equilibrium.

The Relevance (if any) of the Keynesian Conception

Large-scale unemployment is a very undesired phenomenon not only economically, as reducing the aggregate performance of the economy and its growth rate, but also socially, as depriving many people of their means of existence, and politically, as causing social unrest and working for extreme radical political forces. In view of this, Keynes’ conclusion was that the governments must act in order to overcome it. According to him the market economy cannot be left to operate spontaneously because its “invisible hand” can ensure, indeed, neither the maximum economic efficiency nor social justice and equity. Moreover, under “laissez faire” conditions a market economy necessarily suffers deep cyclical motions, including regularly returning crises with mass unemployment.

10 The ambiguous concept of „national competitiveness” and the resulting ideology which is disseminating by the reports of the World Economic Forum creates the assumption of a bellum omnia contra omnes, thereby hindering the badly needed cooperation. – For a detailed critique see Szentes, 2011 and 2012.

11 Keynes stated: “The central controls necessary to ensure full employment will, of course, involve a large extension of the traditional functions of government. Furthermore, the modern classical theory has itself called attention to various conditions in which the free play of economic forces may need to be curbed or guided” (1936: 378-380.)
The cyclical motion of the economy implies changes in the level of (imperfect) equilibrium, i.e. fluctuations in the level of employment. Crisis – according to Keynes – erupts when the “marginal efficiency of capital” reflecting expectations on future returns on investment, suddenly collapses, and liquidity-preference sharply increases. He adds that unfavourable psychological factors also contribute to the worsening of the business conditions.12

The psychological factors, as it appeared, play an important role in the Keynesian concept of equilibrium and growth. Among the “ultimate independent variables” determining the growth in national income and employment (including “the wage-unit as determined by the bargains reached between employers and employed, and...the quantity of money as determined by the action of the central bank”) Keynes mentioned “three fundamental psychological factors, namely, the psychological propensity to consume, the psychological attitude to liquidity and the psychological expectation of future yield from capital assets.” (1936: 246-247.)

A change in the expectations concerning the future profits may suddenly cause a drop in investments, first in the given sector and then, because of interlinkages among the various sectors of the economy, in all the other sectors as well. Keynes added that “a decline in investment primarily caused by a reversal of expectations about the expected rate of return over cost (i.e., the collapse of the marginal efficiency of capital)” is aggravated by “a sharp rise in liquidity preference - and hence a rise in the rate of interest,” which “renders the slump so intractable.” His conclusion was: “In conditions of laissez-faire the avoidance of wide fluctuations in employment may, therefore, prove impossible without a far-reaching change in the psychology of investment markets such as there is no reason to expect. [Thus]...the duty of ordering the current volume of investment cannot safely be left in private hands.” (1936: 317, 320.)

Thus, it is Keynes’ conviction that the State must intervene (but, of course, not by means of commands and direct instructions as in the “socialist planned economies”), and regulate, by anti-cyclical measures, by various monetary and particularly fiscal policies, the operation of the market economy.

Keynes correctly noted: “The authoritarian state systems of to-day seem to solve the problem of unemployment at the expense of efficiency and of freedom. It is certain that the world will not much longer tolerate the unem-
ployment which, apart from brief intervals of excitement, is associated - and, in my opinion, inevitably associated – with present-day capitalistic individualism. But it may be possible by a right analysis of the problem to cure the disease whilst preserving efficiency and freedom.” (1936: 381.)

The Keynesian “recipe” for indirect government interventions in the market economy is logically based upon the consideration of demand-constraints caused by over-saving and liquidity preference, i.e. the high propensity to save of the richer people and/or their refraining from spending their incomes on consumption or investments. Consequently, the government should directly or indirectly encourage investments and spending, by such measures of the fiscal policy as e.g.

- financing from the central budget public works, welfare programs (for education, public health, social security, etc.) or other, “unproductive” expenditures (including, perhaps, military ones) and
- also some purchases from or support to (e.g. in research and training) private companies,
- and/or redistributing incomes via progressive taxation in favour of the poorer people with lower saving propensity, etc.
- which may all lead to increased effective demand in the market.

The government should also apply such measures of monetary policy as influencing the rate of interest to decrease, making thereby money “cheap” and encouraging investors to borrow, while inducing the propensity to consume to increase.

Although such a fiscal and monetary policy necessarily creates a deficit in the central budget which is financed by inflationary emission and credit creation (leading to a “deficit-financing” type of inflation), the resulting increase in national income is supposed, or at least hoped, to cause a growth also in the revenues of the central budget, thereby eliminating the former deficits. As long as this really occurs, inflation may not only support economic growth (in the demand-constrained economies) but can also remain temporary and be kept within narrow limits.

13 “...public works even of doubtful utility may pay for themselves over and over again at a time of severe unemployment” - Keynes, 1936: 127.
14 “...measures for the redistribution of incomes in a way likely to raise the propensity to consume may prove positively favourable to the growth of capital.” - Keynes, 1936: 373.
15 “The expectation of a fall in the value of money stimulates investment, and hence employment generally, because it raises the schedule of the marginal efficiency of capital, i.e. the investment demand-schedule...” - Keynes, 1936: 141-142.
Failure of the Keynesian Recipe?

The post-war period witnessed a more or less general introduction of the policy of (indirect) *state intervention in the economy* of the Western countries (to counteract downturns in the business cycle), and also welfare measures, i.e. a transition from the “organised capitalism of cartels and trusts” \(^{16}\) (or as often called: “monopoly capitalism”) to a system of capitalism with “regulated”/“state-controlled” market economy and “welfare state”.

The application of *Keynesian recipe* of state intervention (first, already before the war, in the form of the “New Deal” in the US) and the rise of the “welfare state” in the advanced Western countries after the war were the responses of the system in the centre to those accumulation and overproduction crises causing dangerous socio-political tensions, which followed from the spontaneous operation of the market economy with its tendency of capital concentration, centralisation, monopolisation and internationalisation. Just as the former transition, namely from “competitive” (or “classical”) capitalism to “organised” (or “monopoly”) capitalism had by no means eliminated competition, but had merely given the latter new, monopolistic or oligopolistic forms and methods, so this transition to a “state-regulated”, “welfare” (or “state-monopoly”) capitalism with a “social market economy”, could by no means eliminate the fragmentation of the control of capital \(^{17}\) and market spontaneity. It did not fully transform the system but *substantially modified* it not only by the application of “indirect state intervention” in the economy but also by a (further or re-) democratisation of the political system. All these were also connected with the aim of preventing a communist rule and Soviet influence, and with the efforts to demonstrate the vitality and superiority of the capitalist (market) system versus a communist, Soviet-type “socialist” one.

The *modification of the system* of market economy and its operation within the developed countries implied a new “social contract” seemingly between the working classes and the capitalist class \(^{18}\) as well as between the latter and the State. It damped down “class struggle” and involved the

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16 See Weiner, 1985: 2.
18 Such a rather clear-cut division line between the working and the capitalist classes as existing in the 19th century and considered by Marx, has been increasingly blurred since then, as a consequence of differentiation within both classes and appearance of intermediate and marginalised strata.
trade union bureaucracies and/or (social democratic) labour parties in the management of business and state politics, respectively, thereby allowing such “countervailing forces” of capitalism to reform and to a certain extent correct the operation of the latter after the Second World War. Differences, of course, appeared among concrete variants, depending on the world position of the countries concerned, such as between a welfare state with a so-called “social market economy” and a more individualistic, liberal variant coupled with the dominant role of a “military and industrial complex”, or a kind of corporative system. Nevertheless, what is called capitalism has become quite different in the developed Western countries from the one criticised by Marx and others in the 19th century or even the one which was existing and burdened with enormous social conflicts and economic disequilibria there before the Second World War.

In the post-war period the governments in Western Europe, almost without exception, applied the Keynesian anti-cyclical policy to treat and diminish disequilibria in the economy, to avoid or eliminate mass unemployment, great cyclical recessions and over-production crises. Such a policy applying progressive taxation to redistribute incomes in favour of the poor, and various fiscal and monetary measures to stimulate production and investment by increasing expenditures on public health, education, social care, science and culture, proved quite efficient in the period of (at least) the first two decades after the Second World War, and contributed to the development of the welfare state and social market economy in the Western countries.

However, the spectacular success of the Keynesian economic policy did not last long in the advanced West.

As a consequence of the outflow or transfer (by TNCs) of several outdated, mainly labour-intensive manufacturing industries from the developed to less developed countries, and/or of an ever sharper competition, caused by cheaper products exported by low-wage countries (which those old industries still remaining in the developed economies had to face), the earlier, almost “perfect” equilibrium with full employment which was achieved by the post-war Keynesian anti-cyclical policy, necessarily broke down in the absence of co-ordinated structural and social adjustment policies. This fact itself, together with the growing legal or illegal immigration of people from the less developed countries necessarily undermined the position of certain strata of the wage and salary earning classes of the developed countries. Thus, by the changes preparing or following the crisis, the very basis of the welfare state has been affected not only economically but also socially.
Towards the end of the 1960s, the Keynesian economic policy, which was elaborated for and applied within the national framework of economy, regulating the economic processes by market-conform methods within the latter, became less and less efficient, moreover, led finally to increasing inflation together with a slowing down of economic growth, i.e. to “stagflation.” Its “failure” was most likely due to the fact that progress in globalisation and regional integration as well as the expansion of the TNCs’ activities have made the national framework of regulation of economic processes increasingly outdated and irrelevant.

The decreasing efficiency of the anti-cyclical (Keynesian) policy and the increasing difficulties in applying its methods of state intervention to regulate the operation of market economies in the centre in order to reach or keep “perfect” equilibrium, necessarily followed from a sharpening contradiction between, on the one hand, the national framework for which such a policy was elaborated and its tools were applied, and, on the other, the actual sphere, much wider by far, of those real economic activities to be regulated. Globalisation as well as regional integration have sharpened this contradiction between the framework of institutional competence and that of activities.

The expanding activities and global networks of transnational companies have “internalised” an increasing part of international trade in the form of transfers between their own subsidiaries operating in different countries. The consequence of this is exemption of them from national control and normal market mechanisms. Since TNCs follow the strategy of a more or less “global optimisation” and “global sourcing,” they may respond to government measures of regulation in a given country quite differently or even contrary to how the national firms would do. Consequently, state regulations and anti-cyclical government policies may not be as effective in their presence as without. By using their subsidiaries to shift certain activities (really or seemingly only) to another country, the TNCs could easily escape from the effects of state regulation in a single country. This fact itself points to the inadequacy of the institutional framework of competence of “nation-states” for regulating the increasingly transnationalised economic processes and actors.

Another factor undermining also the competence and ability of the nation-state to regulate economic processes has been, of course, regional integration, particularly the one proceeding in West Europe which resulted first in a common market (also for factors of production), and developed further to an economic union.
A certain *paradox* appeared: The post-war period until the late 1960s saw the Keynesian policy of anti-cyclical state intervention in national economies being widely introduced and rather successfully applied in individual Western countries, while the same period also witnessed the growth of counteracting tendencies which undermined its basis and the very framework within which such a policy was and could be successful.

The world-wide activity of TNCs, regional integration, and the progress, in general, in globalisation, all resulting an expansion of world-wide interdependencies, would have already called for a machinery of regulation also on a global, world-economic level. However, the existing *international institutions* proved inappropriate and unable to effectively regulate the economic processes crossing state borders,\(^{19}\) while nation states have lost their ability to regulate their “own” national economy.

Consequently, it was *not* the very concept of Keynes which has failed, but the changes of circumstances deprived it of relevance for individual countries.\(^{20}\) The monetarist “counter-revolution” versus the Keynesian “revolution” missed to recognise the appropriate logic of the Keynesian recipe if applied within a more or less closed system. (Namely the very logical assumption that a moderately expansionary fiscal policy aimed at mobilising development resources and a temporarily inflationary monetary policy encouraging investments under demand constraints and underutilised capacities, may not lead to growing budget deficit, nor to an inflationary spiral, in so far as the economic actors respond normally, i.e. by increasing demand in the market, followed by increased investment, which result in economic growth, consequently in increase in budget revenues and in demand for money.)

What seems to follow is that the same policy, if applied to the global framework of the world economy, may be appropriate and efficient. However, the case is *not so simple*. The recent crises have revealed some other aspects of their causes and also considerable differences in “demand constraints.” Moreover, a global application of the Keynesian policy requires specific conditions in the institutional system, including a mechanism of

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\(^{19}\) “The current governance arrangements are faulty on two basic grounds. They are ineffective: the structures do not have the coherence and the leverage required to address the complex challenges of globalisation. And they are unrepresentative and therefore deficient in terms of legitimacy: they still essentially reflect the structure of world economic power and influence as it was in the mid-twentieth century.” – Jolly, et al. 2012: 54.

\(^{20}\) It is to be noted that the relevance of the Keynesian policy was already questioned, moreover denied for the case of underdeveloped economies in the mid-1960s. – See e.g. Rao 1964.
regulating economic processes on world level, orienting investments and consumption towards basic human needs,\textsuperscript{21} a management of global public goods and non-renewable resources, a kind of world budget and global public sector financed by international taxes, a redistribution of incomes in favour of the handicapped, a control over the worldwide activity of TNCs and big financial institutions, etc. In other words, it requires a system of “global governance” empowered with enforcing means, and sufficient support for reforming accordingly the prevailing institutions and/or creating new ones for the above task.

\textbf{New Aspects and Factors in Global Crises}

Most of the explanations on the causes of crises fail to reveal, and all the prevailing policies of crisis management fail to treat the deeper roots and general background of global crises, particularly the increasing crisis propensity of the world economy as manifested in \textit{international and intra-society inequalities}. Moreover, they \textit{also} fail to recognise some \textit{new aspects and background factors} behind the recent crises.

While the global \textit{economic crises} of various types and with different epicentres are cyclical, there is an almost \textit{permanent crisis of the world society}, which is \textit{multidimensional} in nature, involving not only economic but also socio-psychological, behavioural, cultural, moral, and political aspects. It has developed because of the \textit{extension of the operation of the market} being dominated by capital \textit{beyond the economy and the normal frontiers of its original functions}. Such fields of human life, too, have become subject to the rules of the market as politics, culture, arts, science, education, and sport, moreover environment protection and human bodies as well. Consequently, the spirit of selfish individualism, blind nationalism, cut throat competition has been fuelled with an assumed hope in a zero-sum game.\textsuperscript{22}

As a paradox, the very success of the Keynesian economic policy in overcoming the demand constraint has generated (together with the

\textsuperscript{21} The idea of „basic needs oriented development” was originally raised by Louis Emmerij and his associates in ILO, and it has been repeatedly emphasised by a few scholars. See: Emmerij 1976, and also Streeten, et al 1981.

\textsuperscript{22} For a critique on the perception of ”national competitiveness” as an ideology of \textit{bellum omnia contra omnes}, see Szentes 2011 and 2012.
political intention to demonstrate superiority of “capitalism” over “socialism”) such a conspicuous consumerism in the developed Western countries as far surpassing and even moving away from real human needs. It has proved hardly sustainable in longer run. The spread of this consumerism in the West after the Second World War, and its demonstration effects on other parts of the world also contributed to the eruption of the recent crises which therefore can hardly be explained by demand constraints in general, or even by purely economic factors. Conspicuous consumerism which is usually accompanied not only by deliberate quality deterioration of mass products, but also by squandering, ostentation, and artificially created waves of fashion, has become a social scale. It was originally based on the expanded credit system of the capital-rich Western economies as well as their still cheap energy and raw material imports from developing countries. The growing demands of the so-called “consumer society” spreading conspicuous consumption worldwide have, therefore, not only exerted an increasing pressure on the world’s non-renewable natural resources, but also made it vulnerable to the vagaries of traditional sources of supply as well as to domestic credit conditions.

The road and pattern of development which led to the rise of such a social behaviour as manifested in conspicuous consumerism along with growing indebtedness or even pauperisation, have thus also proved unsustainable in the light of the crises, expanding social unrest as well as ecological dangers. 23

In addition, the demonstration effects of this “consumer society” and its life style have biased the consumption and import patterns of those countries (more precisely their elites) imitating the Western example, and this has also contributed to the growth of disequilibria in the world economy.

Squandering and conspicuous consumption has been intensively promoted by continuous business propaganda of giant commercial companies as well as the on-going irresponsible credit policy of commercial banks since and despite the crisis they contributed.

23 “The extreme inequality in the distribution of the world’s income should make us question the current development model (development for whom?), which has accrued mostly to the wealthiest. Social discontent is becoming more widespread in Europe and all over the world, and governments are losing legitimacy.” – Jolly, et al 2012: 40.
While such austerity measures24 and restrictive economic policies as being, in general, applied nowadays25 have reduced the basic consumption of the poor in a drastic way, causing thereby spread of famine, malnutrition, and poverty, as well as decline in basic needs oriented production, they hardly touched upon the conspicuous consumption of the rich. The gap not only in development and income levels but also and particularly in the living standard and in general life conditions between a small group of the rich and the enormous masses of the poor both within most of the individual societies and in the world society as a whole has become more manifest than ever. It generates, besides causing disequilibria, a dangerous growth and spread of disappointment, unrest, hopelessness which provides the soil for the rise of extreme political forces and globalisation of terrorism.

In view of the multidimensional nature, deep roots and extensive effects of global crises the prevailing methods and policies of crisis management can hardly be efficient. At best they may mitigate some components and effects of one or another concrete crisis erupting in a specific field of economy, but cannot reach the deeper roots and broader social background of the crisis propensity of the prevailing system of world economy.

The neo-liberal monetarist approach to crisis management which focuses on monetary and fiscal disequilibria is by its very nature a purely economic one, representing short-sighted economism out of the context of social and international reality. Most of the advocators of austerity measures and restrictive economic policies aimed at balance of payment adjustment, cut of budget deficit and arrest of cumulative indebtedness and inflation, seem to neglect the fact that in so far as the restrictive fiscal and monetary measures increase social and/or international inequalities, they necessarily affect harmfully the real economy because of nourishing disequilibria. They also seem to forget that according to the modern monetarist theory monetary equilibrium can be restored not only by cutting down the excessive supply of money (mostly caused by deficit financing) but also by

24 “…austerity is bad economics, bad arithmetic, and ignores the lessons of history.” “…austerity measures have been reducing public expenditures for social goods and services in most countries, at a time they are most needed.” – Jolly, et al 2012: 1, 38-39.

25 Austerity is not necessarily bad, moreover it may be both necessary and socially favourable if it is applied to curb conspicuous consumption and spending on luxuries of the rich and to reduce prestige investments and bureaucracy of the State.
means of promoting economic growth which owing to increased amount of products may adjust the demand for money to money supply. They may have also forgotten the original idea of economic liberalism. The famous representatives of this idea (Adam Smith, David Ricardo, J. S. Mill, Alfred Marshall, and others) did by no means suggest the rule of the market over education, public health, culture, science, sport, and social care, etc., nor did they stand for an unlimited individualism and self-interest if it is hurting community interests. They expressed a strong social sensitivity and urged the reduction of poverty.26

There is also a certain contradiction between austerity and neo-liberal policy. The former represents massive state intervention to reduce deficits, indebtedness, inflation, while the latter promotes privatisation, liberalisation and deregulation.

Contrary to the neoliberal monetarist approach a kind of Keynesian approach seems indeed more relevant in so far as emphasises is put on the need to promote economic growth for restoring a dynamic equilibrium and on an income redistribution by progressive taxation in favour of the poor, as well as on a severe control and regulation over the financial sector. However, its application must be adjusted to the contemporary reality which is quite different from that in Keynes’ time. Most of the advocators of a Keynesian policy seem to neglect this fact and leave also other important conditions out of account. Since crises of whatever type and erupting in whichever country or market necessarily tend to become globalised, while nation states have lost their ability to regulate economic processes, the very framework of national economy is not any more appropriate for a Keynesian policy to be successfully adopted.27 While crises and recessions in the past were linked, indeed, with a general demand constraint which the Keynesian recipe wished to overcome by appropriate fiscal and monetary measures, the contemporary ones are linked both with a demand constraint in regard to mass products for basic needs, and with an excessive

26 For some details see Szentes 2002.

27 The case of a few Asian countries, mentioned in the booklet of Jolly et al., 2012: 14-16, as an example to be followed, where the „adoption of national Keynesian policies and controls” helped to overcome the economic crisis of 2007, can hardly be generalised. Under the conditions of accelerating globalisation and internationally unregulated worldwide activities of TNCs, governments in most countries, particularly in less developed ones, are too weak, or heavily influenced by the latter and international financial institutions are incapable to regulate their national economy.
demand for luxurious items, which is supported by demonstration effects, business propaganda and credit policy. In so far as the Keynesian policy is to be applied on global level, which is a relevant and rational suggestion, it requires not only an adequate institutional set-up but also a new, global “social contract” as well as “global governance” based upon worldwide co-ordination of economic policies.

What follows from all the above is that the choice is not simply between the neo-liberal monetarist approach and the Keynesian one. While both have certain, more or less relevant points, which can complement each other, their reconsideration, including the prerequisites of application, is necessary in the light of the prevailing conditions of reality.

No doubt, a certain combination of the above mentioned approaches may promise a way out of certain economic crises, in so far as austerity is properly differentiated and combined with progressive taxation. In other words, if restrictive measures to reduce deficits and restore equilibrium are addressed to unnecessary, luxurious spending, and if the higher rates both of income and value added taxes are applied to increase proportionally the share of the rich in burden and to discourage conspicuous consumption, respectively, while the resulting incremental budget revenue is used to promote investments and economic growth. However, the very implementation of such a combined policy primarily (though not exclusively) depends on the political leadership in the countries concerned.

The narrow-minded, election-oriented, selfish behaviour motivated by thirst for power and wealth, which still characterise the political leadership almost all over the world, is not only an obstacle to lasting solutions but also a component of the global crisis.

Political democracy also suffers a crisis even in the most advanced countries, while it hardly exists in many countries. Nor is it prevailing internationally, in UN bodies either. Such fundamental principles of indirect (representative) democracy are completely neglected as prescribing for the elected delegates to represent the views, opinions, wants and interests of those who elected them, and ensuring the rights of the electing communities to withdraw those delegates who fail to do so.

As a consequence, neither the State in the individual countries, nor the international institutions (like UN) are efficiently controlled democratically by the civil society. This very fact makes indeed difficult to treat properly the crises within countries and also to apply even a modified, adjusted Keynesian policy on world level which obviously requires global governance.
The Idea of Global Governance

The concept of global governance has become a very fashionable term. Its definition has quite many variants, each pointing to some relevant aspects. What appears from all definitions is that “global governance” is not (or not yet) a global government, a world state, but only a required method for solving our global problems by common efforts, which must be based upon worldwide cooperation.  

In the light of the badly needed cooperation in order to overcome global crises, and also in view of the prerequisites of the application of a Keynesian-type economic policy on global level, perhaps a few concrete steps may be suggested on the perspective road of solution. Such as:

- first of all, coordinated actions in the struggle against poverty, unemployment and conspicuous consumption, as well as militarization and armament,
- reforming the UN system by changing its representation and voting order in favour of global NGOs representing social strata or professions, and civil society organisations (e.g. by establishing – as was already suggested earlier – a second chamber of Assembly consisting of representatives of the latter, or at least by applying the tripartite system of ILO in all UN bodies, and by adjusting the voting system to such changes, etc. – as gradual steps),
- establishing a kind of “global public sector” which besides the assets of existing institutions would involve extended UN services and specific investments to preserve and make use of “global goods” and a related “world budget”, both managed by a democratically elected economic governing body of the UN, which may also use such a public sector and budget as important means for a global anti-cyclical policy,
- introduction of a progressive international income taxation crossing state borders, but making the individual states responsible for the collection of such taxes and their transfer to the “world budget”,
- international standardisation of value added taxes in such a way as extending them to the financial sector, too, and prescribing high rates on

28 According to Jolly et al (2005:47) global governance “refers to concrete cases of cooperative problem solving” and also “to the complex of institutions, mechanisms, relationships, and processes between and among states, markets, citizens, and organizations to articulate collective interests on the global plane, establish rights and obligations, and mediate differences”.

luxurious goods, armaments and all those products and services that are harmful for health and environment, or propagate such,

• establishing “cohesion funds” and “structural funds” (like those within EU) in the UN, financed from the “world budget”, serving to reduce development gaps and help structural changes in favour of less developed regions, and distributed in accordance with the real needs, on the one hand, and own efforts of the countries concerned, on the other, in developing public health, education, job creation and social care,

• making some fundamental, democratically reached UN decisions and resolutions compulsory, binding ones, and

• empowering the UN to enforce their implementation (by applying at least such methods as used by EU, IMF, WB, WTO), and so on...

It would be, of course, naïve to assume that such and similar changes could easily be achieved without a strong pressure on the dominant powers, the political leaders of the most developed countries, the representatives of international institutions, and the economic elite of the giant transnational companies. Such a pressure should come from below, hopefully not in the form of terrorism or an ecological catastrophe but instead in that of international social movements (the “greens”, “the conscious consumers”, the various trade unions, youth and women organisations, professional and scientific association, religious organisations, etc.) representing, if remaining independent of the states and business circles, a “countervailing power”.

The membership with full rights of the representatives of this “countervailing power” in the UN, their participation in interest reconciliation and decision making processes also of global enterprises, transnational companies, i.e. the appearance of “countervailing power” on the level of global governance can be the only guarantee against a tendency under the label of “global governance” towards further concentration of power and/or bureaucratic centralisation.

Efficiency of the role of “countervailing power” on global level depends on the progress in globalisation of social movements, on their worldwide

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30 An increase in unemployment is not only a consequence of crises but also a major obstacle to overcome it. It hinders economic growth as well as social cohesion which are badly needed for restoring equilibrium in the economy and society, respectively. Mass unemployment is an enormous waste of economic resources and a social disease humiliating great number of people.

31 Emmerij and Weiss noted: “In many respects, a countervailing power is required for the planet... acting on a global scale to redefine the responsibility of states.” (2001: 137)
cooperation and common actions which can and should be supported by an appropriate, purposeful enlightening work of those teachers, professors, journalists, TV reporters, and others engaged in education or mass media, who feel responsibility for the future of society.

All these point to the need in general for a “New Enlightenment”\textsuperscript{32} which liberates social science from ideologies, religions from political manipulations, deprives patriotism of nationalist demagoguery, eliminates the myth about the rule of humankind over Nature and also about the war of different civilisations or cultures, and develops a planetary consciousness. (Needless to emphasise that the above mentioned educators should play the pioneering role in it.)

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\textsuperscript{32} This idea about a “New Enlightenment” has already been raised in some other publications of the author. See e.g. Szentes 2003, 2004, 2009.


Challenges to Democracy at the National, EU and Global Levels: a Cosmopolitan Way Forward?

_Ferenc Miszlivetz and Jody Jensen_

[There has been a shift] in the character and goals of international society: away from minimalist goals of co-existence towards the creation of rules and institutions that embody notions of shared responsibilities, that impinge heavily on the domestic organization of states, that invest individuals and groups within states with rights and duties, and that seek to embody some notion of the planetary good.¹

Crisis Symptoms and the Emerging New Age of Uncertainties

The social sciences are critisized for failing to predict fundamental social, political and economic upheavals in the past in the case of 1989/91, and the outbreak of global financial and economic crisis in 2007/2008, and most recently in the case of the Arab Spring and the Occupy! movements. Trapped in the logic of the nationstate paradigm, political imagination and analysis remain largely restricted. Even if capable of recognizing problems, without adequate cognitive frames, the capacity to provide solutions or identify alternatives is lost. In this context, potential solutions, therapies or aspirations are considered as utopian or idealistic; and political actions organized around them are widely viewed as the ‘politics of impossibility.’²

In turbulent times often repeated clichés and conventional wisdoms quickly become obsolete and are forgotten. For example, we know very well today that counter to Fukuyama’s prediction neither history nor politics is over.


² Richard Falk, “Can We Overcome the Global Crisis: Obstacles, Options and Opportunities,” unpublished manuscript, 2012.
If anything is over, or at least seriously discredited, it is the neo-liberal credo with all of its various social, economic, political and cultural implications. As Joseph Stiglitz points out: “The crisis exposed deep flaws in notions of market fundamentalism, the theory that unfettered markets would lead to efficient and stable outcomes. So too the idea that markets could be self-regulating was shown to be the oxymoron that it was.” The present global crisis is not just the result of failures in the system, but of the system itself, its organization and principles, including its flawed institutional mechanisms.

The almighty dogma of market fundamentalism supported by media moguls and their global empires is increasingly rejected by both populist (often radical and extremist) movements on the one hand, and an emerging global civil society movement with its semi-latent networks and often less than transparent NGO-world, on the other. But the sudden collapse of firm beliefs and the erosion of powerful ideologies are only one the by-products of a deepening and increasingly manifold global crisis. As Immanuel Wallerstein has convincingly argued, it is part of a fundamental and irreversible transformation of the modern capitalist world system whose outcome is unknown. The path of this undetermined period of transformation deserves more careful attention, investigation and most importantly a new frame for interpretation. It needs changing the way we look at the world - in other words a ‘paradigm shift’, as many suggest. When trying to identify the deeper roots and interconnectedness of different sorts of global financial, economic and debt crisis, the ecological crisis, the crisis of the EU and the Euro-zone, and most recently and virulently the crisis of democracy and legitimacy, we need to find a new global perspective to replace that of the territorially confined nationstate.

Neither understanding the roots and interdependencies of the growing complexity, nor finding solutions or alternatives is possible from the perspective of restricted and particularistic national sovereignty. When we look for alternatives we also need to identify new players. New frames assume new actors, in other words, new structures need new agency.


5 Ferenc Miszlivetz, “ ‘We are in a Situation of Relative Free Will,’ Interview with Immanuel Wallerstein,” *Society and Economy* 32, 2010.
stubborn and hydra-headed global crisis, and the unexpected explosion of Middle-East dictatorships culminating in Arab revolutions, provoked a new genre of transnational – both regional and global – discourse and consciousness that might strengthen cosmopolitan stakeholdership and public opinion; perhaps even a new identification, we might cautiously call cosmopolitan citizenship.

The crisis of democracy as a set of legal regulations, procedures and institutions is one of the major and most outstanding and surprising symptoms of the current transformation. The entire set of institutional structures might disappear or get lost in the labyrinths of the global transformation, whereas new forms, structures, procedures, players and institutions might emerge. From Spain and Portugal via Greece to Turkey, from the new East Central European EU memberstates to Russia, from Scandinavia via Ireland and Great Britain to the United States, we see a worsening of life conditions. These include increasing uncertainties and pessimism about the future and decreasing trust in political parties and public institutions. There is a growing understanding of the crisis of democracy in general, or about ‘the crisis of capitalist democracy’, or about ‘the crisis of parliamentary democracy’. Even global market players and international guardian institutions such as the IMF have begun to worry about the vulnerability of democracy defined, confined and displayed by national politics. However, most of the warning signs are described in terms of symptoms and do not provide proper diagnoses and, therefore, suggested ‘therapies’ remain superficial, short term-oriented and ineffective. They clearly fail to satisfy an increasingly concerned public as they are unable to provide neither credible or acceptable financial/economic, or institutional/procedural action beyond the boundaries and political perspective of the sovereign nationstate.

One of the roots of the present crisis of democracy, we believe, can be found in the increasingly unequal and imbalanced relationship between representatives of markets, governments and societies – in Marc Nerfin’s words between the Merchant, the Prince and the Citizen. As Robert Reich

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observed, present day ‘supercapitalism’ has “invaded democracy: capitalism has become more responsive to what we want as individual purchasers of goods, but democracy has grown less responsive to what we want as citizens.”9 Behind the current symptoms lie various less obvious but profound contradictions and ambiguities such as the tension between the global and the local, between non-territoriality and territoriality, exclusion and inclusion, accountability on the local level versus unaccountability on the supranational level, democracy as an idea versus democracy as a set of legal procedures and formal institutions.

Perhaps most important is the tension between the territorially limited sovereign states, constrained by the de facto hierarchy of geopolitics of dominant states, on the one hand, and the unaccountability and lack of transparency of monopolistic global market players, on the other. This long-existing contradiction has produced new tensions as well as new social and political responses during the past half decades. These new developments have thrown light on the unsustainability and deeply undemocratic character of the present, in our interpretation, neo-liberal global economic, financial and institutional system and, against promises and expectations, have clearly revealed the inadequacy and weaknesses of both global and EU governance.

**Global Economic and Financial Meltdown and its Consequences for Democracy**

Many critics of economic globalization claim the processes of cross-border trade and investment together with cross-border capital markets operating within de-regulated markets undermine both national sovereignty and political democracy.10

Until very recently, social science theory paid little attention to the relationship between globalization and democracy. Trans-national, cross-border connections and interdependencies may automatically advance globalization further in some aspects (economic and technological) while not

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as much in others (politics and regulation, governance in general, citizenship and social welfare). In the case of the EU, political integration is lagging behind economic and market integration. For citizens at the national level there is no immediate political redress for market and regulatory failures through a system of EU-level political institutions. Business remains organized and regulated within a complex, opaque confusion of national, regional and global regimes that elude or obstruct democratic accountability. In addition, financial markets operate in nanoseconds 24/7, facilitated by information technology. Democracy, even at just the national level (let alone the EU level), however, operates across days, months and years. This mismatch of scopes and speeds creates enormous tensions, helplessness and uncertainty on all levels of existence. Resolution of this cognitive dissonance requires both greater transparency of global finance and its mechanisms and a greater commitment of financial actors to become more responsive to the claims of civil society and its democratic aspirations and demands for dignity. Both markets and states have largely failed to perform according to these expectations. If the situation is not resolved it will continue to produce disfunctional consequences including increasing social unrest and “It is only through robust debate among people who see the world through different lenses that the validity of different perspectives can be assessed.”

The Idea of Democracy and the Praxis of Democracy

Democracy is the slow, painful effort to put right the blunders that we have incorporated into our condition of life.

The idea of democracy has grasped the imagination of an overwhelming majority of governments and societies throughout the last century. This process accelerated considerably in the aftermath of WWII, most notably from the mid-1960s. As Alain Touraine noted, most countries have adopted democracy as a common good and this has serious consequences for both


the present crisis and the future of democracies worldwide. Expectations, and consequently disappointments, about the democratic performance of political parties, national governments and institutions is spreading and growing since the so-called ‘third wave’ of democratization gained momentum in the 1970s and culminated in 1989.

Thanks to many factors, like the globalization of human rights, the changing geopolitical constellation by the collapse of the Soviet Union and a consequent weakening of the United States concurrent with the transborder emergence of civil society movements and networks, democratic performance is measured now in comparison to its own standards rather than in contrast to non-democratic systems. The disappearance of bipolar logic, the collapse of the ideological, political and the military ‘threat of Communism’ in Europe left democracies alone with internal problems of legitimation and increasing public expectations. Behind growing expectations, two major driving forces can be identified: 1) the increase of freedom and choice aspirations and 2) the aspirations for the improvement of life chances or simply for human dignity and a sustainable ‘good life.’ These aspirations are closely intertwined even if they were separated for a long time by mainstream economic and political science theory as well as in the functioning democratic institutions.

There were and still are powerful economic and political interests evident in the daily practice of liberal democracy, Western consumerism and security systems that keep this separation intact and alive. The entire modern capitalist world system was built upon this separation and has been functioning and ‘developing’ accordingly. The tension which arose out of this division produced the dynamics and energy of what we call technical and economic development and innovation, which has both positive and negative consequences. This dynamic became exhausted when the capitalist world system reached its present phase of irreversible imbalance, uncertainty, unpredictability and unmanageability. Although conventional economic and social science theory (still seen by many as ‘mainstream’) suggests that this is only one of the maybe more serious and destructive crises to be followed by ‘business as usual,’ there are good reasons to believe that the perspectives and possible outcomes will be more severe in the medium and

14 Alain Touraine, Strong Democracy to Cope with Economic Crisis, speech delivered at the Parliamentary Assembly of the Council of Europe 21 June 2010.
long run. The transformation already began decades ago. The recent eruption and multifarious global manifestations of unprecedented social and political tensions can also be described as a result of this artificially maintained separation. More importantly, they are also manifestations of the accelerating and irreversible global transformation.

Scholars of world systems theory and development studies like Immanuel Wallerstein, André Gunder Frank, or Tamás Szentes have convincingly remarked that the modern world system and the global economy today are in a deepening structural crisis and have entered a chaotic, transitional period which will cause a systemic bifurcation and transformation into a new structure, since the system has lost its capability to rebalance itself. At the same time, the nature of the new structure has not yet been determined and, furthermore, cannot be predetermined.

The outbreak of the 2007–2008 global financial and economic turbulence made this crystal clear. Many interdependent social and political dimensions, expectations and demands were revealed in the Arab revolutions and the Occupy! protest movements in the US and later in Europe. The decreasing legitimacy and increasing disappointment of voters in ‘archeо’ democracies, demonstrates that the present system of political and institutional regulations, dominated by centuries old visions of successful Western European nation states, and their Westphalian system of alliances, is not maintainable and has begun to erode. The epoch of Eurocentrism is over.

Instead of leading the 21st century, both the EU and the US are in disarray facing increasingly unmanageable social, economic and political change. Many, often contradictory causes have been put forward for the recent events in the Southern and Eastern European periphery: economic (unemployment and austerity measures), political (institutionalized corruption and failure of education), cultural (religious and ethnic discrimination) or ideological (the return of nationalism). But the most prominent reaction of
commentators has been incomprehension. This was and is a major criticism of the Occupy! movements. There is no one political organisation directing these insurrections, no single ideology motivating them, no overwhelming demand put forward. The persistent question, ‘What do they want?’ often leads to the conclusion that the events are not political because they cannot be integrated into existing analytical frameworks. What seems to unite the protesters is simply refusal: ‘No more! Enough is enough’. A stubborn negation of the existing system characterized the protests and insurrections. Is this a new type of politics after the decay of democracy? – Insurrection and righteous ‘indigNation’ as a human immune system response to the reality of a dysfunctional and inbalanced global system which reproduces hierarchy, inequality and polarization? In biology when a bio-system is jeopardized, the system begins to link more of itself to itself. This could be what we are seeing in emerging and expanding networks of protest, like Occupy! and Anonymous and other transnational, global protest movements. It is clear that the reponse is no longer organized only at the national level, but increasingly at the global level facilitated by technology.

In addition to the indignation and insurrection that results from political invisibility at national levels, unregulated global capitalism can be charged with creating wealth but not effectively distributing it. This is recognized as one of the most destabilizing components of the global crisis. In additional, the current system of global capitalism takes no account of what it cannot commodify, neither the social relationships of family and community nor the environment, which are vital to human wellbeing and survival, and indeed to the functioning of the market itself. Ultimately, the increasingly global and interdependent system proves to be progressing towards self-destructive. This circumstance may provoke the criticism of utopian discourse which had its origins in Marxist theory formulated some 150 years ago, but the system has in fact revealed its self-destructive characteristics many times during the long 20th century. It has experienced several severe crises but has successfully recovered by finding ways and means to re-balance itself. There are many signs and good reasons to believe that this is not the case anymore.

The insurrections can be recognised as events of radical change only retrospectively, if the rules of politics change. This depends on who will uphold the possibility of changing the rules of what counts as political. There are certain moments in history when significant change is possible, but changing the system according the ‘horizon of desire’ or the ‘horizon of necessity’\textsuperscript{21} is not a certainty, only a possibility. In Wallerstein's terms it is only in moments of systemic imbalance during the structural transformation that actors have the most freedom of action, because when a system is well-balanced and operates smoothly, political behavior is determined by the nature of the structure. At moments of transition, individual and collective action become more meaningful, and the transition period to a new structure is more ‘open to human intervention and creativity’. These are the moments of ‘relative free will’\textsuperscript{22} It is very difficult for any single act or national response to actually set the ‘momentum’ for change in motion. But when that historical wave arrives, it can be guided. We are in one of those moments now.

In other terms, democracy as we know it needs to be reinvented. Democracy as praxis, as a set of institutions, regulations and legal guarantees defined and confined by the sovereign nation state faces fundamental challenges and is already on the way to deep transformation. At the same time, democracy as an idea has a more profound appeal than the global economic system with its fragmented political units known as ‘democracies’: it entails the eternal desire of the individual and groups of individuals for freedom and dignity and a greater recognition of the necessity of human cooperation and mutual support and interdependence on a global scale. Saskia Sassen has formulated a similar thought in a slightly different way:

We have indeed entered a new phase, but we are at its beginning. We don’t know what’s coming. But I don’t think it will be about the national vs. the global. I see, rather, a multiplication of what is beginning to happen today: the formation of partial, often very specialised, assemblages of bits and pieces of territory, of authority, of rights, that used to be lodged in national states. Some of these assemblages will be private, some public, some will continue to inhabit national spaces but be actually denationalised, others

\textsuperscript{21} Richard Falk, "Can We Overcome the Global Crisis: Obstacles, Options and Opportunities," unpublished manuscript, 2012.

will be global. The future we are entering may turn out to be very, very bad, or it may turn out to be reasonable. We don’t know, partly because it will be shaped not only by technology and power but also by the dispossessed. The past shows us that history has also been made by the excluded. We can make politics even if we lack power.  

The Infinite Process of Democratizing Democracy

Philippe Schmitter raised a number of highly relevant questions about the future of what he calls the ‘REDS’, that is, ‘reality existing democracies’. One of his first concerns is that there is little to no consensus among political scientists, experts and practitioners about the definition of democracy. As Larry Diamond formulated it: “defining democracy is a bit like interpreting Talmud (or any religious text): ask a room of ten rabbis (or political scientists) for the meaning, and you are likely to get eleven different answers.” Avoiding hopeless academic hurdles of definition, Schmitter talks straight about reality, that is about ‘democracies’ recognized as such by themselves and by others (mostly by politicians, political scientists and political experts). The number of such entities has increased dramatically during the past half a century which can be seen as a result of both changing values and growing freedom and choice aspirations globally, as well as the consequence of hazy rules and vague and abstract criteria. Except for China, North Korea and perhaps Cuba, very few countries remain that are without aspirations for being called democracies. Even within the explicitly non-democratic, one-party systems there is growing fear about the spread of the spirit of democracy and aspirations for freedom from tyranny. In North Korea, for example, the government suspended university education for an entire academic year and sent students to the countryside to do agricultural work. In China, the Chinese Communist Party tries to control internet usage and banned certain words such as ‘Egypt’ from search engines.

This opens the way for both almost limitless governmental cynicism and arbitrariness of self-interpretation and for growing popular, bottom-up, self-organizing and mobilizing civil societies and subterranean political and social networks worldwide. The growing gap between aspirations and realities can be interpreted as a ‘crisis of democracy’. This leads us to what Schmitter calls the ‘great political paradox of our times’: at the exact historic moment of the unexpected blossoming of new democratic aspirations in parts of the world seen as hopeless for democratisation, old established democracies are facing deepening crises and becoming lost in the turmoil of global and national transformations which they obviously cannot predict, interpret, manage or control efficiently in harmony with each other.

Following the path of Robert Dahl, Schmitter rightly emphasises the ever changing forms and content of democracies in terms of size, scale and scope. Some of these ‘revolutionary’ changes – like the professionalization of politics or the ‘associational revolution’ – are recognised and accepted features of democratic regimes, whereas other changes are not yet completely understood or recognised. One of the great challenges is the increasing role, for example, of international ‘guardian institutions’ such as the World Bank, the IMF, the EU or the European Central Bank. Especially new democracies, often with weak and exposed economies like the post-Soviet, post-Communist countries, can partly be described as ‘no choice democracies’ by their respected constituencies. Local and national politicians, the only ones who can be made accountable for their decisions, refer to the faraway and unaccountable guardian institutions as leaving them no choices in fundamental decisionmaking. This tendency has serious and far reaching consequences: first of all, it empties out national sovereignty and delegitimises democracies on the national level; it supports the general feeling that ‘nobody can be held accountable’; and consequently, further strengthens the tendency of growing mistrust of democratic institutions, political parties and politicians.

The decreasing public trust in politics and democratic institutions is a worldwide phenomenon. Although the process of crossborder/regional/transnational democratisation, as well as the establishment of an effective and democratic multilevel governance, have been held back, the democratisation of democracy might gain new momentum with the awakening in MENA countries and the world-wide spread of the spirit and praxis of Occupy! movements followed by the anti-austerity and anti-IMF protests throughout the European peripheries.
The uncontainable Arab Spring had a domino effect throughout the entire Middle East. Unexpected freedom and choice aspirations surfaced one after the other from Tunisia through Egypt, Morocco, Bahrain, Yemen, Jordan, Syria and Libya. The great transformation of the Arab world is far from over and we are certain to face backlash and long and painful transformations paradoxical in nature. Political change has not yet crystallised and violence could not be avoided. It is obviously too early to predict the outcome of the eruption of the desire for freedom, but it has been clearly proven that the idea of democracy has an undeniable and growing global appeal and that the democratisation of democracy or rather reinvention of democracy is unavoidable.

The European Paradox

In close connection with the emptying out of democracies and weakening of the nation state, another important ‘revolutionary’ change in the scope of democracies is multilevel governance. Obvious failures of the nation state to cope with global challenges such as terrorism, organized international crime, the escalation of violence, human trafficking, global warming, legal and illegal migration, ageing and overpopulation, increasing poverty and polarization, could be well compensated by introducing new levels of aggregate decision making. This was the case, first of all, in post-WWII Europe where the process of integration produced conceptions and policies that delegated political responsibilities and decisionmaking on interconnected but distinct sub-national, national and transnational levels.

In the post-1989 euphoria, expectations were high about introducing and empowering new players on the mezo-level. Regional decisionmaking, however, was taken off the agenda by EU memberstates pursuing overwhelmingly centralized national interests. Successful efforts of intergovernmentalism have not materialized and nation states as EU memberstates could not ‘deliver’ the expected public goods. This has created a second ‘European paradox.’ In the case of the European Union, nation states became new member states of a larger supranational entity, freely delegating decision making and, as a consequence, part of their sovereignty at the supranational level. At the same time, their own democratic legitimacy has been emptied out at home while the new supranational entity is unable to reach full democratic legitimacy.
Voters can only hold their elected politicians accountable at the national level for decisions being brought by the new collective, semi-sovereign (EU) on the supranational level. This discrepancy in the process of European construction of multilevel governance offers the opportunity for national politicians to blame the EU for unpopular decisions which in turn further alienates citizens from EU institutions and undermines public trust in supranational guardian institutions. When EU leaders try and remove European integration from national politics, the EU’s legitimacy becomes weaker and calls for more democracy stronger, and space is left open for the emergence of populist parties. The reverse is also possible, as in Italy, Greece and possibly Hungary where a technocratic backlash followed by demands of ‘ordo-liberalism’ can result in national populism and even extremism. Therefore, the dialectic is rather mutually reinforcing.

There is a tendency among political scientists and analysts of European integration to believe that the EU itself is responsible for the crisis of democracy at the national level. They claim that transnational decision-making weakens the functioning of democratic institutions on the nation-state level and, at the same time, does not lead to automatic democratisation at the transnational/European level. There is an undeniable element of truth in this observation. But presumably we need to dig deeper if we want to find the core of the problem and remember where the very roots of creating multinational governance stem from. Jean Monnet emphasised that European democracies have yet to invent and build up a new kind of unprecedented political power. It is up to the capability (or for the time being rather the lack of capability) of European democracies to construct such a new political power that is at stake.

Obviously, to create and implement effective multilevel decision making and governance is not an easy job, especially under circumstances of crisis, austerity measures and the erosion of public trust in political institutions. This is a task which requires time and serious and concerted effort, accompanied by political courage, and maybe even just good luck, for stakeholders to seize the right moment to take corrective action. Falling back to the nationstate (or ‘state-centric’) paradigm will certainly not help to find the right methods for such an unprecedented project, but it might help indirectly by highlighting the limits of the nationstate in an irreversibly globalizing world and therefore open the path for new players, methods and perspectives.
Can the Politics of the Impossible become the Politics of the Possible?

Beforehand, the sovereign state was for its subjects an iron cage whence they could communicate legally with the outside world only through narrow bars. Under the pressure of necessities of life, those bars have progressively loosened. The cage is starting to wobble. It will eventually fall to bits. Men will then be able to communicate beyond the frontiers of their respective countries freely and without any hindrance.\(^{26}\)

It is widely recognised by recent social and political science literature that in the present era of globalisation we face “a strong growth of transboundary problems.”\(^{27}\) Although de-territorialisation is not at all a new phenomenon, its intensity has reached a critical level today. It is undeniable that our social existence cannot be reduced to territorially bounded units called nationstates. As Jan Aart Scholte has observed social and political space “is no longer wholly wrapped in terms of territorial places, territorial distances and territorial borders.”\(^{28}\)

This robust and irreversible tendency poses serious and inevitable questions for both the praxis and theory of democracy. Stepping out from the iron cage of the nation state, there are no clear answers to questions like: who is responsible to whom? or where are the boundaries of democracy? or, can one imagine democracy without boundaries?

According to a powerful argument made by those who believe we need to reconsider the basic assumptions of conventional democracy theory and consequently the framework and actio radius of democracy, “nationstates are no longer able (...) to guarantee the successful realisation of their basic principles of justice and democracy.”\(^{29}\) As a consequence, exposed citizens have to pay for the one-sided decisions of ‘sovereign players.’ To overcome the democracy deficit of the nationstate paradigm, democracy needs to be expanded and established on the transnational and regional, as well as

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global level. As global and transnational democracy theorists and activists argue “whoever is affected by a public decision should be included in the democratic process that makes the decision.”30 This principle again poses new questions about a transnational, global constituency: who are ‘we’? who is able to define who is affected? what kind of common identity supports global/transnational democracy? Must citizens of all kinds of democracies share a common identity, in other words, is it true that a unique identity is the condition sine qua non of democratic self-determination? can democracy bypass the insider versus outsider, friend versus foe assumption? In other words, can democracy become non-exclusive?

As Chantal Mouffe asked a long time ago “why does every definition of ‘we’ imply the delimitation of a ‘frontier’ and the designation of ‘them’?”31 We won’t find clear answers to these profound, new and old, questions rapidly or easily. Most likely blended versions of different forms, frames and content for democracy will emerge on transnational and global levels. The process of hybridisation has already begun in global governance,32 but this does not mean that we can predict what shape effective institutions and mechanisms of global governance will take.

The current crisis cannot be overcome by returning to the same principles of free market ideology and austerity measures. The social costs would be too great and there is no logic in trying to reform a system through the same structures and ways of thinking that created the problems and the chaos in the first place. One path or approach to better match financial and economic globalization with effective political globalization might be to increase global political cooperation by constructing ways to facilitate the inclusion of the citizens’ concerns (not just elites) in political and economic dialogue and processes.

What can be said with some certainty today is that in order to shape a new global democratic order, without exclusionary politics, the divided parts of democracy, that is, human dignity and human rights on the one hand, well being, ‘good life’ and economic democracy on the other, need to

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be reconnected. Although democracy today seems to be lost in the labyrinths of intertwining transformations, at the same time, it is gaining new strength and reinventing itself in unexpected and unorthodox ways. This means that it is not democracy per se or certainly not the idea of democracy that is lost in transformation, but all of those forms, procedures, power structures and political and financial regulations which proved to be unable deliver local, regional and global public goods in an increasingly interdependent and interlinked world. The increasing realization of the existence of de facto transnational, regional and global public goods and the necessity of citizens’ concerns sans frontiers may aggregate into an unexpected yet de facto cosmopolitan momentum.

During the past, post-1989 decades, resource-rich actors (guardian institutions, the EU, global philanthropists, among others) have increasingly promoted the notion of civil society, adopting its language and compromising its aspirations with their particular power or profit interests. This conceptual interventionism produced mixed results. It is partly responsible for the global diffusion of the concept of civil society and the widespread debate about it today. Such conceptual interventions are similar to other forms of military, diplomatic or economic interventions that altered the socio-political constellations into which they intervene without being able to predict or control their consequences. The growing discrepancy between words and deeds, between the civil society language used by representatives of the Merchant and the Prince, on the one hand, and the Citizen, a genuine civil society of self-organizing citizens on the other, proved to be a creative confrontation. It is an expression of the growing role of civil society in settling global matters.

The pluralistic character and increasing fragmentation and fragility of modern societies demand the further crystallisation of new forms of social imagination which is self-reflexive and at the same time self-restricting. Most importantly, it needs to view all forms of institutionalised democracy as by nature transitory. These forms must always be open to transformation in the future. This approach radically points beyond the way in which democracy is interpreted today, which is essentially elitist and reduced primarily to questions of the rule of law and legality within the boundaries of decreasingly

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effective political fragments called sovereign national states. It is based on the assumption that legality and formal, procedural stability cannot constitute sustainable democratic regimes in the 21st century anymore.

Most democracy theories and theoreticians agree that one of the great and paramount characteristics of democracy is its capacity to renew and even more to re-invent itself. This self-reinvention is not easy or automatic in the context of the perplexities and complexities of the present profound transformation and the diverging expectations and aspirations of decisive players. Nothing remains from the arsenal of the post-WWII economic, legal and social institutions that is incontrovertable. Nationstates, supranational regional institutions, such as the EU, international guardian institutions such as the IMF, the WB or the European Central Bank, not to speak of powerful and unaccountable media empires, seem to be in disarray and are increasingly unable to convince the more attentive, informed and networked global public about their ability to manage, solve and control rapidly changing realities. As the global crisis unfolds, it is less and less possible for these formally unquestionable and formidable players to hide their weaknesses and decreasing legitimacy. Public trust is today at its lowest level concerning economic, political and legal institutions, be they on the national, regional or global level. Both markets and democratic legal-political institutions are made by human beings and are reflections of public and individual needs, expectations and trust. If this complex consensus and respect which legitimates their existence and functioning is seriously eroded, they become disfunctional, redundant and sooner or later disintegrate. Except for some nationstates, most of these players were created after WW II as economic, political, legal, and institutional guarantees of democracy and even a democratic world order. These partly imagined, partly real guarantees have seriously eroded and evaporated today. We have arrived at a stage where we need a new, inclusive and decisive debate about different possible interpretations, meanings, and institutions of democracy on all possible levels. The process of deliberation and redefinition will be neither rapid nor without conflicts. The harmonization of regulations and interests on global, regional and local levels is rather a politically correct slogan than a reality today.

The ‘fourth wave’ of democratisation that started with the revolutions in the Arab world has resulted in a major shift of focus in interest and action. Democracy has received an irreversibly global dynamic, initiated and led by unexpected actors who were almost completely out of the scope of democracy debates and discourse dominated by politics, media and other
institutions of the West. Since many Western democracies have become or are becoming ‘no choice democracies’ and therefore loosing their legitimacy, democracy is out of joint in the Western world; meanwhile, the idea of democracy, the spirit of freedom and dignity, is rapidly and unexpectedly spreading in ‘impossible’ regions. This global stretch of the boundaries of possible democratisations not only heralds the end of a set of Western prejudices and racist conceptualisations such as the ‘clash of civilizations’. It also requires new methods and approaches to dialogue and analysis. In a conventional sense, following the conventional state-centric paradigm, it might be true that democracy assumes congruence between the state, the people and the territory. But facing the realities of the 21st century, such as the formidable increase of migration, the uncontrollable global financial capital flows, the unaccountability of international and domestic guardian institutions, we need to find new configurations for matching the expectations of an increasingly de-territorialised and growing global public. This might be the historic moment when cosmopolitanism becomes everyday practice, moving from its status as an utopia of wishful thinkers, visionary intellectuals and marginalized groups, to a viable de facto option for upcoming generations clamoring for rights in a global public space.

The growing tension between the ‘horizon of feasible’, the ‘horizon of necessity’ and the ‘horizon of desirable’ might give birth to new approaches to reality and to new, unexpected (‘impossible’) agents of political change. These new actors – be they crossborder networks of civil initiatives, concerned professionals, independent investigative journalists, Occupy! activists or human rights movements and student organizations operating via social media combined with street demonstrations, conglomerates of cities and universities or individuals identified as ‘cultural creatives’ – in alliance and collaboration with each other might push further the boundaries of the possible. They are already crossing outdated political and ideological boundaries as well as the boundaries of sovereign nationstates and they may have the potential to turn the ‘politics of the impossible’ into a new politics of the possible.
The EU “Club”¹
The Spread of Differentiated Integration in the European Union

Boglárka Koller

Introduction

“I just don’t want to belong to any club that would have someone like me for a member.” The memorable quote from the Woody Allen movie, Annie Hall (1977) rightly defined the essence of the club membership: exclusivity. As long as we are watching the club from the outside, we desire admittance; but as soon as membership becomes possible, the club doesn’t seem so attractive anymore. EU membership could also be considered a “club” for which European nation-states made significant sacrifices in the past to join. Today, however, it seems that a significant part of the EU population does not want to remain part of this club any more.

Since the 1980s where there was a clear division between full member-states and outsiders of the European Community, membership has become more differentiated. Currently, being a full member of the European Union only represents one kind of membership among the overlapping layers of surrounding circles of communities. The Schengen zone, the Euro zone, the European Economic Area, the Baltic or the Danube macro-regions as well as the evolving fiscal and banking unions all represent various clubs.² This chapter analyses the spread of differentiated integration in the EU. Differentiated integration as a concept exists since the Rome Treaty, but only became a new direction of European integration in the 1980s. Moreover, since the Big Bang enlargement waves in 2004 and 2007, differentiated in-

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¹ This paper is based upon previous publications of the author: Koller Boglárka (2012): „The takeoff after Lisbon. The practical and theoretical implications of differentiated integration.” World Political Science Review, Volume 8, Issue 1, Published Online. and Koller Boglárka (2012): „Klubtagságok az EU-ban. A differenciált integráció gyakorlati és elmeleti vonatkozásai” Politikatudományi Szemle. XXI. Évf. 2012/1. szám, pp. 32-58.

² Differentiation appears not only within the EU but also outside the EU as well. The European Danube Region Strategy, non-members are also involved.
tegration has become the leading thread of European integration. To support this claim, the evolution of the concept is introduced here with special emphasis on political, legal and academic interpretations. Then, in order to understand this typology, the particular forms of differentiated integration are introduced (multi-speed Europe, variable geometry, a la Carte Europe etc.). Beyond this, it is argued that differentiated integration is an approach that reinterprets existing theories of European integration (federalist, liberal, intergovernmental, neo-functionalist, MLG theories etc) both from the process and the outcome of integration, and provides new ideas for the self-definition of the European Union too. Finally, the possible integrating and disintegrating effects of differentiated integration are examined through examples of various forms of emerging club memberships inside and outside the European Union.

Political, Legal and Academic Concepts

Differentiated integration is defined as a kind of integration or cooperation in which only some states (members and non-members) participate. This results in the emergence of various political and legal attachments within and outside the European Union. Differentiated integration has been in the focus of scientific investigation for long a time. Indeed, since the accomplishment of the last two enlargement waves (2004 and 2007) an increased interest emerged around it, and the concept was put into the limelight by both politicians and theorists. Some tend to see differentiated integration as a natural outcome of the “two big” and “increasingly heterogenic” Union. As De Neve argues, for example, European integration today resembles an onion, which is “a visualization of governance in Europe segmented not only by policy areas and levels of government — as has been the conventional wisdom — but also by subgroups of European states.” (De Neve 2007: 504) European integration is becoming differentiated not only by decision-making levels and policies but also by various groups of member states; as a consequence it becomes differentiated territorially as well. Differentiated integration has a long history. The political, legal and the academic concepts of differentiation emerged in line with the progress of integration.

When the European integration was established along the idea of Jean Monnet and Robert Schuman – the common objective of the six founding states was to establish a united Europe in which all the member states take
part to the same extent. Despite this, the logic of differentiated integration appeared in the Rome Treaty establishing the European Economic Community by referring to the existing union between the Benelux countries. Accordingly, the approach to maintain a higher level of integration among the three Benelux countries within the EEC was accepted by the Rome Treaty itself.

Indeed, in the blooming years of the fifties and sixties with only six members of the European Community there was no need to further develop the idea of differentiated integration. At that time the objective of establishing an ever closer union in Europe was not challenged by differentiating tendencies. It was in the seventies when differentiated integration was brought back to political and academic discourses. This was the time when European economics were seriously affected by the oil crises and when three newcomers – UK, Ireland and Denmark – were knocking eagerly at the door of the EU. Due to the changed economic circumstances and the first wave of enlargement, differentiated integration appeared in the speeches of politicians and proposals of integration elites. Willy Brandt in his address to the Organisation Francaise du Mouvement Européen in Paris in 1974 referred to the possibility of letting the stronger member states cooperatemore closely in the EC. A year later, in 1975 the Belgian prime minister, Leo Tindemans similarly emphasized the openness of the emerging flexibility towards those member states who are unwilling or not able to participate in certain types of cooperation:

“It is impossible at the present time to submit a credible programme of action if it is deemed absolutely necessary that in every case all stages should be reached by all the States at the same time... It must be possible to allow that those States which are able to progress have a duty to forge ahead...This does not mean Europe à la carte: each country will be bound by the agreement of all as to the final objective to be achieved in common; it is only the timescales for achievement which vary.”

Although Tindemans’ proposal was not put into practice in the seventies, politicians often used his report as a reference for the need of different-

3 Article 233, Treaty Establishing the European Economic Community.
tiation in European integration in order to be able to progress. Differentiation appeared in the primary law for the first time in Article 8C of the Single European Act.\(^6\) Further, Article 100A of SEA introduced the possibility that a member state can decide to not participate in forms of cooperation and “apply national provisions” that can be interpreted as the first formulation of the possibility of “opting out” from a policy (Ehlermann 1995:9). The evolution of the legal concept of differentiated integration continued in the Treaty of Maastricht, which provided examples of various forms of differentiated integration. At that time the European Community was enlarged with three new members (Greece, Spain, Portugal) whose economic performance were much below the average of the EU. Additionally, the change of the regime in the Eastern-European countries required further conceptualisation of differentiated integration.

The most known example of differentiated integration is the Economic and Monetary Union. The Maastricht Treaty declared the three phases of the EMU and laid down the convergence criteria for joining the Euro-zone. It turned out from the preceding debates on the EMU that there were significant differences between the interests and aspirations of member states in regarding EMU implementation. Not all member states and not at the same time could implement the objectives (Arató and Koller 2009: 185-190).

Therefore, Article 109 of the Maastricht Treaty declared: “If the Council has confirmed which Member States fulfil the necessary conditions for the adoption of a single currency, ...those Member States which do not fulfil the conditions shall have a derogation... Such Member States shall in this Treaty be referred to as “Member States with a derogation.” The Treaty also declared the conditions and institutional consequences of this derogation. As indicated later, that it is the Community’s overall objective to enter into the third stage of EMU and is not allowed for any of the member states to stop this process. Consequently, derogation provided the means for those countries that are not able to fulfil the conditions of the EMU is a temporary one. This kind of differentiation fits into the category of multi-speed Europe (explained later). But there was another type of special derogation provided for Denmark and the United Kingdom in the Protocol of the Maastricht Treaty related to the EMU.

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Denmark and the United Kingdom decided not to participate in the EMU not because of their inability to do so, but for political reasons. Therefore, Denmark’s and the UK’s opt-outs from the EMU indicated another form of differentiated integration, i.e., the so-called a la Carte integration which denotes not a temporary but a permanent differentiation between the group of member states that do or do not participate in a certain policy within the EU and they pick-and-according to their national interest. Europe a la Carte appeared in the Protocol of the Maastricht Treaty on Social Policy too and allowed the United Kingdom to opt-out from this policy. Furthermore, differentiated integration appeared in the second pillar of the Treaty as well. According to Article J4 (5): “The provisions of this Article shall not prevent the development of closer cooperation between two or more Member States on a bilateral level, in the framework of the WEU and the Atlantic Alliance, provided such cooperation does not run counter to or impede that provided for in this Title.”

After Maastricht, differentiated integration became the focus of political debates. In 1994 two German politicians, Wolfgang Schäuble and Karl Lamers, proposed the establishment of a core Europe that would lead integration in the future. The German Chancellor, Helmut Kohl, argued for a multi-speed Europe in 1996: “The slowest ship must not be allowed to determine the speed of the convoy in the long term. If individual partners are not prepared or able to participate in certain steps towards integration, the others must not be denied the opportunity to move forward and develop increased co-operation in which all partners are welcome.”

The intergovernmentalist, British Prime Minister John Major, rather favoured the Europe a la Carte concept and advocated for the pick-and-choose solutions in the EU. While the French prime minister, Eduard Balladur, was for a model of concentric circles. Parallel to this, heated academic debates emerged around this topic in the 1990s which contributed to the conceptualisation of the concept.

The Amsterdam Treaty further contributed to the evolution of the legal concept of differentiated integration. In Article K.15 of the Treaty the provisions on closer cooperation were laid. According to these provisions, the majority of member states could establish a closer cooperation among themselves in cases to further the objectives of the Union and with respect to the principles of the EU. It was also declared that closer cooperation is only to be used as a “last resort,” and where the objectives of the Treaties could not be attained oth-

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erwise. As further conditionality of closer cooperation, it was stated that the majority of Member States should be included in the cooperation; the acquis communautaire should not be affected nor the competences, rights and obligations of non-participating members. Additionally, closer cooperation should remain open to all Member States at any time.\(^9\) Additionally, the Amsterdam Treaty incorporated the Schengen acquis into the framework of the Union and recognised it as a form of closer cooperation by “noting that the Agreements on the gradual abolition of checks at common borders signed by some Member States of the European Union in Schengen on 14 June 1985 and on 19 June 1990, as well as related agreements and the rules adopted on the basis of these agreements, are aimed at enhancing European integration and, in particular, at enabling the European Union to develop more rapidly into an area of freedom, security and justice.”\(^10\) With regard to policy areas, the Amsterdam Treaty allowed closer cooperation in the first and third pillars, which was only later extended to the second pillar in the Nice Treaty (Arató, 2002: 109-140).

Under Title VII, the Nice Treaty codified the provisions of enhanced cooperation that were further completed by the addition of a clause that in those areas which fall within the exclusive competence of the Community, Member States cannot establish enhanced cooperation. Additionally, internal market, economic and social cohesion cannot be undermined; it cannot in any form be discriminative to trade and cannot distort competition. While in the Amsterdam Treaty it was stated that the majority of the member states should participate, the Nice Treaty explicitly declared that enhanced cooperation should involve a minimum of eight member states. It is similarly declared that it should be open to all Member States and should respect the competences, rights and obligations of the outsiders too. Additionally, the Schengen acquis, which is itself a great example of differentiated integration, emerged first outside the EC framework. It later became incorporated in the framework of the Union and named as part of the acquis that could not be affected by any of emerging new forms of enhanced cooperation.\(^11\)


Interestingly, while provisions emerged for enhanced cooperation that were binding for the participating states, it is also highlighted that they do not constitute part of the common acquis.

At the beginning of the new millennium, politicians handed off the baton again and contributed to further conceptualisation of the concept by participating in debates on the *finalité politique* of the EU. Joschka Fischer, German Foreign Minister, in a speech delivered on 12 May 2000 at the Humboldt University in Berlin, spoke about the emergence of a core Europe within the EU, i.e. a center of gravity:

The question of which countries will take part in such a project, the EU founding members, the Euro 11 members or another group, is impossible to answer today. One thing must be clear when considering the option of forming a centre of gravity: this avant garde must never be exclusive but must be open to all member states and candidate countries, should they desire to participate at a certain point in time. For those who wish to participate but do not fulfil the requirements, there must be a possibility to be drawn closer in. Transparency and the opportunity for all EU member states to participate would be essential factors governing the acceptance and feasibility of the project. This must be true in particular with regard to the candidate countries. For it would be historically absurd and utterly stupid if Europe, at the very time when it is at long last reunited, were to be divided once again. Such a centre of gravity must also have an active interest in enlargement and it must be attractive to the other members.12

Jacques Chirac in the same year spoke in the German parliament and called for a pioneer group including France and Germany to lead integration.

As demonstrated above, the multi-speed and core Europe concepts regularly appeared in the speeches of politicians and integration elites, thus the topic remained on the table. Nevertheless, due to the failure of the Constitutional Treaty, it was almost ten years until it appeared again in the primary law of the EU, i.e. in the Lisbon Treaty. As a continuation of the evolution of the legal concept, the Lisbon Treaty should be considered another step in codifying differentiated integration.13 The conditions for establishing en-

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12 'From Confederacy to Federation – Thoughts on the finality of European integration’ Speech by Joschka Fischer at the Humboldt University in Berlin, 12 May 2000.

hanced cooperation that were laid down in the Nice Treaty stayed mostly unchanged in the text, namely that enhanced cooperation should comply with the aquis communautaire, and should not undermine the internal market or economic, social and territorial cohesion or nor constitute a barrier to or discrimination in trade between Member States, or distort competition between them. Furthermore, any enhanced cooperation shall respect the competences, rights and obligations of those Member States which do not participate in it. However, the minimum of participating states was increased to nine countries in the Lisbon Treaty. In general, the Lisbon Treaty made it easier to implement enhanced cooperation. The “last resort” remained an integral element in the Lisbon Treaty too, although “it has been watered down by the new treaty by stating that the last resort can be established by the Council” (Tekin and Wessels 2008: 28). As far as initiation is concerned, member states can turn with their request to the Commission.15

According to the Treaty, member states can initiate enhanced cooperation in all of the policy fields (meeting the conditions set in the Treaty), though there are differences between the authorisation procedures according to the policy areas. In case of CFSP, beside the Commission and the Council, the High Representative for Foreign Affairs is also involved in the procedure.16 Additionally, the Lisbon Treaty increased the involvement of European Parliament in the authorisation of the enhanced cooperation, by requiring its consent in all procedures. (Tekin and Wessels 2008: 29) Additionally, there is an “emergency bake”, i.e. a possible veto of one or more states

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15 “Member states shall address a request to the Commission, specifying the scope and objectives of the enhanced cooperation proposed. The Commission may submit a proposal to the Council to that effect. In the event of the Commission not submitting a proposal, it shall inform the Member States concerned of the reasons for not doing so. Authorisation to proceed with the enhanced cooperation shall be granted by the Council, on a proposal from the Commission and after obtaining the consent of the European Parliament.” Article 329, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Official Journal C 83 of 30.3.2010.

16 “The request of the member states which wish to establish enhanced cooperation between themselves within the framework of the common foreign and security policy shall be addressed to the Council. It shall be forwarded to the High Representative of the Union for Foreign Affairs and Security Policy, who shall give an opinion on whether the enhanced cooperation proposed is consistent with the Union’s common foreign and security policy, and to the Commission, which shall give its opinion in particular on whether the enhanced cooperation proposed is consistent with other Union policies. It shall also be forwarded to the European Parliament for information. Authorisation to proceed with enhanced cooperation shall be granted by a decision of the Council acting unanimously.” Article 329, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Official Journal C 83 of 30.3.2010.
in the field of police and judicial cooperation in criminal matters too. The procedure of “joining the club”, i.e. accession to an enhanced cooperation within the EU framework is also regulated.¹⁷ In case of foreign and security policy the member state should notify the Council, the High Representative of the Union for Foreign Affairs and Security Policy as well.¹⁸ The provisions on permanent structured co-operations in the Lisbon Treaty are other examples of differentiated integration by providing the closer cooperation of member states that have better defence capabilities.¹⁹ To assess the significance of the Lisbon Treaty with regard to the evolution of differentiated integration, is not an easy task. Nevertheless, there are signs that the Lisbon Treaty marks a start of a new era in European integration.

Although the Nice Treaty provided to possibility of using enhanced cooperation, despite its existence for 10 years, there was not any single example of enhanced cooperation that implemented this mechanism (Král 2008: 4). Before Lisbon it seemed that due to the already declared (Nice Treaty) strict conditionality of enhanced cooperation and the complex and rigid procedure, it could be only hardly defined on which field differentiated in-

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¹⁷ "Any Member State which wishes to participate in enhanced cooperation in progress …shall notify its intention to the Council and the Commission. The Commission shall, within four months of the date of receipt of the notification, confirm the participation of the Member State concerned. It shall note where necessary that the conditions of participation have been fulfilled and shall adopt any transitional measures necessary with regard to the application of the acts already adopted within the framework of enhanced cooperation. However, if the Commission considers that the conditions of participation have not been fulfilled, it shall indicate the arrangements to be adopted to fulfil those conditions and shall set a deadline for re-examining the request. On the expiry of that deadline, it shall re-examine the request, in accordance with the procedure set out in the second subparagraph.” According to Article 331, if the Commission considers that the conditions of participation have still not been met, the Member State concerned may refer the matter to the Council, which shall decide on the request.” In case of foreign and security policy the member state should notify the Council, the High Representative of the Union for Foreign Affairs and Security Policy as well. The Council shall confirm the participation of the Member State concerned, after consulting the High Representative of the Union for Foreign Affairs and Security Policy and after noting, where necessary, that the conditions of participation have been fulfilled. The Council, on a proposal from the High Representative, may also adopt any transitional measures necessary with regard to the application of the acts already adopted within the framework of enhanced cooperation. However, if the Council considers that the conditions of participation have not been fulfilled, it shall indicate the arrangements to be adopted to fulfil those conditions and shall set a deadline for re-examining the request for participation. For the purposes of this paragraph, the Council shall act unanimously.” (Article 331) Article 331, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Official Journal C 83 of 30.3.2010.


¹⁹ “Those Member States whose military capabilities fulfil higher criteria and which have made more binding commitments to one another in this area with a view to the most demanding missions shall establish permanent structured cooperation within the Union framework.” Article 46, Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union. Official Journal C 83 of 30.3.2010.
integration shall be established. Single market issues, including the common agricultural policy, transport, competition and cohesion policies belonging to the “untouchable matters” could not the fields of enhanced cooperation. Whether social policy and environmental policies could be targets of treaty based enhance cooperation is a question, because both of them strongly connected to functioning of single market. As potential targets, such heavy weight cooperation areas like the fiscal and economic aspects of EMU, operations within CFSP or police and judicial cooperation in criminal matters and lighter, marginal issues like civil protection, public health tourism etc. can fall into the category (Ehlermann 1995: 25-26).

The first ever example of enhanced cooperation was implemented after the entry into force of the Lisbon Treaty in June 2010, when the European Parliament approved the initiative of fourteen member states to harmonise their divorce law applicable in cross-country separation. Consequently, the real “take-off” appeared in a rather marginal area which is however very much affecting the every-days of the European citizens, therefore can be interpreted as a “bread and butter issue” for the 170.000 couples per year involved in such a separation and therefore be interpreted as a bottom-up process providing a usable framework to settle cross-border divorces. Thank to the growing mobility of citizens in the single market, the need to settle the cross border divorce disputes appeared on the agenda of the Commission before, however some states like Sweden for example blocked the procedure because felt its liberal divorce law threatened.

In 2008 eight member states initiated enhanced the cooperation in the harmonisation of cross border divorces and officially submitted the request to the Commission. During the procedure new countries joined the proposal and one country: Greece fell out from the initiative later. At the end, fourteen EU member states (Austria, France, Hungary, Italy, Luxembourg, Romania, Slovenia, Spain. Belgium, Germany, Lithuania, Latvia, Bulgaria and Portugal) decided to implement enhanced cooperation in divorce law. After getting the consent of the EP, the Council approved to implement enhanced cooperation in divorce law. The emergence of a “mini-aquis” in the field of divorce law inside the EU framework could be put into the catego-

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20 Franco Frattini, at that time Commissioner of Justice and Home Affairs proposed this harmonisation in 2006, but his plan could not be implemented because of the strong opposition of some member states. Current Commissioner for Justice, Fundamental Rights and Citizenship, Viviane Reding further pushed this initiative later and suggested to implement the proposal only in a circle of pioneer countries.
ry of a mixture of variable geometry and multi-speed Europe. Apparently, there are some states such as Sweden, Malta, the UK, Ireland or the Netherlands that are not going to participate in it. However, experiencing the practical advantages in the long-run, some countries may later accede and be part of that newly emerged acquis. Apart from this first precedent of enhanced cooperation, the Lisbon Treaty provided other examples of treaty based differentiated integration, in the form of a la Carte Europe, i.e. letting three of its member states to freely choose among the areas in which they would like participate and op-out from those that they would not. Although the Charter of Fundamental Rights is not an integral part of the text, The Lisbon Treaty made it legally binding. However, three member states, UK, Poland and Check Republic clearly expressed their standing away from the Charter because of various reasons. UK feared that its labour law would be threatened, Poland wanted to keep national control on family law and abortion, and Check Republic did not participate in it because of the fear of emerging possible property claims of WWII German expellees.

Along the recent appearance of heated debates in the context of economic and financial crisis management on the future of the European Union, the issue of multi-speed Europe was put on the politicians’ table again. In Jose Manuel Barroso’s State of the Union 2012 address to the European Parliament, the openness of differentiated integration was emphasised. “While deeper integration is indispensable for the Euro area and its members, this project should remain open to all Member States. Let me be very clear: in Europe, we need no more walls dividing us! Because the European Union is stronger as a whole in keeping the integrity of its single market, its membership and in its institutions. No one will be forced to come along. And no one will be forced to stay out. The speed will not be dictated by the slowest or the most reluctant…”21 It is also obvious, however, that this view of the president of the European Commission is not shared by all the political leaders. David Cameron for example has another view of differentiation. „Europe has many rooms” – he said and was strongly arguing for the “a la Carte nature” of integration.22


From “Multi-Speed” to “A la Carte”

While I so far in this article, I deliberately used differentiated integration as the overall concept, at this point it is essential to write about the terminology and the various forms of it. In general, there is a terminological chaos around it, mainly because the EU legal documents, politicians, and theorists use different concepts to describe the issue. Flexibility, core-Europe, Europe a la Carte, multi-speed, variable geometry, closer cooperation, enhanced cooperation, centre of gravity, pioneer group etc. all describe a form of differentiated integration.

One of the most comprehensive categorisation of differentiated integration came from Stubb, who defined the three main concepts of differentiated integration along three variables: time, space and matter. In this paper Stubb’s below defined three categories will be used for characterizing differentiated integration. As his first category, a “multi-speed EU can be defined as the mode of differentiated integration according to which the pursuits of common objectives is driven by a core group of member states which are both able and willing to pursue some policy areas further, the underlying assumption being that others will follow later”. As a second category, “variable geometry can be defined as the mode of differentiated integration which admits to unattainable differences within the main integrative structure by allowing permanent and irreversible separation between the core of countries and lesser developed integrative units.” A third category, a la Carte Europe, based on the culinary metaphor “allows each member state to pick and choose as from a menu, in which policy area it would like to participate, whilst at the same time maintaining a minimum number of common objectives” (Stubb 1996: 287-288). Stubb, later explained and worked out his categories in details by defining them along their temporary, permanent, general or specific nature, and argued that definitions and natures of flexibility often overlap (Stubb 1997: 44).

Similarly, Dyson and Sepos defined differentiated integration according to space, time and function and argued that differentiated integration is such a complex and multi-dimensional phenomenon that in order to understand the concept, a multi-disciplinary approach is necessary (Dyson and Sepos 2010:5).

Another widely cited author, Kölliker analysed differentiated integration from the perspective of integration theories. He argued that differentiated integration emerged along the increase in institutional flexibility in
the 1980s. According to his theory, due to the centripetal effects of closer cooperation of participating states, the initially non-participating states become also very much affected by the cooperation which long-term leads to a more united integration. Nevertheless, according to Kölliker, centripetal effects depend very much on the character of the policy area, in which the states would like to cooperate (Kölliker 2001:147). Further developing Kölliker’s idea on the centripetal effects of differentiated integration, de Neve argues that there are two options of getting the initially not-willing states on board and convince them to join the initiative of other countries. There is the so called ‘carrot’ centripetal effect, where the “prospect of being part of advanced structural cooperation, perceived to be in the interests of a state” therefore the state tries to accomplish as much as it can in order to be involved in this cooperation. Besides that there could be a “stick” centripetal effect too, which describes the “threat of being excluded from a more advanced degree of integration that pushes a recalcitrant member state to cooperate” (De Neve 2007: 511-12).

All of the above mentioned authors and others (Philippart and Edwards 1999; Tekin and Wessels 2008, Andersen and Sitter 2006) interpreted differentiated integration on the basis of existing EU treaties and legal arrangements, but it is important to highlight that differentiated integration can be interpreted in a wider sense.

One author, arguing for this, distinguished three different kinds of orders of flexibility. The first and most intense one is on the level of the primary law of the EU, and includes safeguard clauses, opt-outs and protocol-based derogations. The second order of flexibility is at the level of secondary EU law and encompasses legal techniques of minimum harmonisation, mutual recognition, interpretative solutions and derogative clauses. And finally, the third, and according to my opinion, the most interesting order of flexibility covers all the regulatory and legal regimes and cooperation which were born outside the Union’s framework and later did or did not become part of the aquis communautaire (Avbjev 2008). This third form of differentiated integration, I argue should be in the scope of further scientific investigation, because this latter could have unexpected consequences to the status of European integration and could influence significantly how the European Union is going to look like in the future.

Taking a more holistic approach, Dyson and Sepos argued that differentiated integration should be understood as “as a design principle and as a tool in the political management” that could be a tool to solve the classic
problems of collective action (Dyson és Sapos 2010: 3). They further emphasised, that differentiated integration has political, legal and socio-economic dimensions, thus should be defined including all these factors.

According to my opinion, differentiated integration should be looked at as a phenomenon that changes the underlying logic of European integration, since it reinterprets the meaning of EU membership, the relationship between member-states and non-members and thus marks new directions for the development of EU policies and re-interprets the role of EU institutions too.

**A New Theory?**

Differentiated integration is becoming the underlying logic of the European integration process. Yet, at the current stage, we could only guess about its effects on the future development of integration, its consequences on the relationship between member-states and non-EU members as well as the evolution of EU policies. Furthermore, we can now only predict how it is going to affect the self-definition and the legitimacy of the European Union.

Although many attempts were made to conceptualise differentiated integration, we are just at the beginning of theorizing it. This part of the paper aims to sketch the main dilemmas around the concept from a theoretical point of view and tries to define the possible routes of further scientific discourse. In order to be able to define the nature of differentiated integration, at first, we should turn to integration theories. Where is the place of differentiated integration among those “grand theories”? Is differentiated integration a new theory itself? – as some authors argue. De Neve for example foresees the end of grand theories of integration and writes that “all theories of European integration — both rationalist and constructivist — be revisited to come up with a satisfactory analysis of the processes of differentiated integration” (De Neve 2007: 515).

The central concept of *neo-functionalism* is the “spill over effect” (Haas 1958, Lindberg 1963). Lindberg defined it as “a situation in which a given action, related to a specific goal, creates a situation in which the original goal can be assured only by taking further actions, which in turn create a further condition and a need for more action and so forth” (Lindberg 1963). Thus, the development of common policies in the EC would automatically
generate the necessity to develop new policies at the Community’s level. As the theorists agree, there are various forms of spillover – functional, political, institutional, geographical (Tranholm-Mikkelsen 1991: 4-6), and thus it can be interpreted on the basis of a particular form of a spillover why a group of member-states initiates a stronger cooperation in a policy area. Nevertheless, on the basis of the neo-functionalist theories it cannot be explained why spillover succeeds in some policy areas and fails in others (Dyson és Sepos 2010:17).

The *intergovernmentalist* theories emphasises the role of the nation state in integration process, and argue that nation-states act according to their national interest (Hoffman 1966, Taylor 1982). Therefore, on the basis of intergovernmentalist theories it can be easily explained why a member-state is motivated to take part in a differentiated cooperation and why it decides to stay outside of another one. Nevertheless, the intergovernmentalist theories do not provide sufficient explanation why the negative externalities of staying away from a “club” do not motivate the member states to join the club at a later stage (Dyson és Sepos 2010:17-19).

The popular *MLG (multi-level governance)* theories (Hooghe és Marks 2008, Kaiser 2007, Ágh 2011) could be suitable for interpreting differentiated integration, since these theories argue for the existence of a multi-tier political community and vertically and horizontally divided multi-level governance structures. The MLG theories, however cannot explain why a member state joins or drops out from a differentiated cooperation. Nevertheless, since the MLG theories emphasises the role of the sub-national, region and local actors in policy-making, there could be good starting points to reinterpret the concept of differentiated integration that was so far mainly approached through the member states. At this point it is necessary to note, that not only the regional and local communities but the European citizens also could initiate a differentiated cooperation. According to Lisbon Treaty “Not less than one million citizens who are nationals of a significant number of Member States may take the initiative of inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens consider that a legal act of the Union is required for the purpose of implementing the Treaties.”

23 Article 11, Lisbon Treaty.
Similarly, the *constructivist* (Risse 2004) and the *institutionalist* (Pierson 1996) theories could contribute to explain differentiated integration. According to the constructivist theories, differentiation is a natural outcome of collective identity formation within the Union. On the basis of these theories however, can be hardly predicted which forms of differentiated integration are attractive to the individuals and which are not. The explanations of the institutionalist theories could also be useful to understand the role of EU institutions in initiating a differentiated cooperation, however cannot provide sufficient answers for the various forms of differentiated integration that were born outside the EU’s institutional and legal framework.

To sum up, the main theories of European integration represent significant value added for explaining the nature of differentiated integration, though they cannot be fully applied for understanding the evolution and functioning of the various form of differentiated integration. Consequently, differentiated integration is a novel phenomenon requires completely new theoretical explanations.

Looking for further theoretical explanations, the process and the outcome of integration can be analysed (Wiener and Diez 2004: 3). With regard to the first approach, the process of differentiated integration can be interpreted as a functional drive for efficiency in integration, which at the end can contribute to greater Europeanization (Kölliker 2001, De Neve 2007). Along this argumentation it can be viewed as a tool to overcome deadlocks in integration process by letting some countries to progress in certain policy fields and reach higher lever of integration in the short term. The Euro-zone and the first precedent of enhanced cooperation in international divorce law are good examples for that. Without the approach of differentiation, none of them could have been adopted. Nevertheless, it seems that differentiated integration does not necessarily have this positive, strengthening role in the integration process, and it can be interpreted as a brake and a barrier to Europeanisation too. The list of opt-outs form Social Policy, EMU, Charter of Fundamental Rights etc. all fall into that category. These can be the symbols of the so called “downsizing effect” of differentiated integration (Tekin & Wessels 2008: 25), which rather serve as fostering the centrifugal than the centripetal forces in the EU. Assessing the future effects of differentiation on the process of integration, I believe that the kinds of differentiated integration, which include regulatory and legal regimes and cooperation that were born outside the Union’s framework and later did or did not become part of the aquis communautaire should be examined. These could either become
driving forces of integration or turn out to be exclusionary in character and contribute to slower the integration process. The Schengen regime is a good example of differentiated integration that contributed to deepen integration among its members first and then become fully involved in the EU framework by being incorporated into the Amsterdam Treaty. But as one author argues, even in case of Schengen there were many contingencies and ad hoc solutions that interfered with strategic calculations. (Gaisbauer 2010: 2). It seems logical to anticipate this in the future, and expect that the process of differentiated integration may have some unknown variables.

With regard to differentiated integration’s effect on the outcome of European integration, i.e. on the finalité politique of the EU, it is worth sketching the prospects. The evolution of differentiated integration in the European Union and also in relation to non-members is expected to results in significant changes in how we imagine the Union in the future, a topic that is going to be discussed in details in the next part of this paper.

An Opportunity or a Threat?

The spread of differentiated integration determines the shape of the European Union in future, since it fundamentally changes the meaning and the value of membership in the community. Foremost, it is necessary to emphasize that differentiated integration is a boundary issue. Forming a new club and delineating its boundaries also means including the joining members and excluding those who do not participate in a cooperation, therefore differentiated integration is also about defining “ins” and “outs” in relation to the club. For example, Hungary is a member of the European Union and the Schengen regime but to date, not yet included in the Euro-zone. Similarly, Norway is not an EU member-state, but because its membership in European Economic Area enjoys most of the advantages of the single market.

Moreover, in the last three years, differentiation of the EU accelerated along the financial and economic crisis management process and the steps taken to save the euro. Starting with the European Semester24 in 2010, con-

24 The “European Semester” is a cycle of economic and fiscal policy coordination within the EU. See http://www.consilium.europa.eu/special-reports/european-semester.
continuing with the Euro Plus Pact\textsuperscript{25} and then the Sick Pack\textsuperscript{26} in 2011 and later with the Two Pack in 2012\textsuperscript{27} it became obvious that only a deepened economic and monetary integration can lead the European Union out from a long-term and severe economic and financial crisis. This, however, also requires a stronger commitment on the member states’ side, i.e. a significant transfer of national sovereignty to the EU level. But, the member states of the Union are divided to what extent they are willing to transfer more power to the EU institutions. The in 2012 signed and in January 2013 entered into force Fiscal Compact, that introduced a balanced budget rule and an automatically triggered correction mechanism at the national level, thus aims to bring into life a more integrated budgetary framework was not welcomed happily by all members either: the United Kingdom and the Czech Republic abstained from joining to it. Consequently, while it seems that the European Union is heading towards achieving the “genuine economic and monetary union”, there is a great level of discrepancy among the members what level of national sovereignty they are willing to pull to achieve this goal.\textsuperscript{28} As Barroso in September 2012 stressed: “The decisive deal for Europe requires the completion of the deep and genuine economic union, based on a political union”\textsuperscript{29}. It is however; more than evident that among the 28 members of the European Union, there is not an agreement

\textsuperscript{25} The “Euro Plus Pact” stipulates a range of quantitative targets meant to strengthen competitiveness and convergence with the ultimate aim of preventing unsustainable financial imbalances See European Council 24/25 March 2011, Conclusions, Brussels, 20 April 2011.

\textsuperscript{26} The “Six Pack” includes Five Regulations and one Directive (that is why it is called six-pack); and does not only cover fiscal surveillance, but also macroeconomic surveillance under the new Macroeconomic Imbalance Procedure. See http://ec.europa.eu/economy_finance/articles/governance/2012-03-14_six_pack_en.htm. The “Two Pack” includes two regulations that build on what has already been agreed in the “Six Pack” legislative measures. They strengthen the legal basis of the “European Semester” economic coordination process and enable the European Commission to get a clearer view of how Eurozone countries are working to meet the fiscal targets set by the EU Stability and Growth Pact. They also lay down much clearer procedures for dealing with countries that are in severe difficulties or are receiving an EU bailout. See http://www.europarl.europa.eu/news/en/pressroom/content/20130304BKG62046/html/Economic-governance-two-pack-background-note.

\textsuperscript{27} The “Two Pack” includes two regulations that build on what has already been agreed in the “Six Pack” legislative measures. They strengthen the legal basis of the “European Semester” economic coordination process and enable the European Commission to get a clearer view of how Eurozone countries are working to meet the fiscal targets set by the EU Stability and Growth Pact. They also lay down much clearer procedures for dealing with countries that are in severe difficulties or are receiving an EU bailout. See http://www.europarl.europa.eu/news/en/pressroom/content/20130304BKG62046/html/Economic-governance-two-pack-background-note.

\textsuperscript{28} Towards a Genuine Economic and Monetary Union. European Council. 5 December 2012.

The Spread of Differentiated Integration in the European Union

on the content of this latter. Therefore, it is expected that the financial and economic crisis management leads to an increased level of differentiation in the future. Additionally, the crisis management in the euro-zone has proved that solidarity, and foremost financial solidarity is a subject of political bargaining. Therefore, an EU member state can never be assured that the other member states would help them out in case of financial problems. Moreover many of these decisions are taken in the European Council where the heads of the states and governments are present, thus are dependent upon short term political aspirations.

Or as the example of the recent bail-out of Cyprus revealed, there are very different values of membership in the euro-zone too. Moreover, formerly untouched principles such as the principle of private property can be left out of consideration as well. As an analyst rightly pointed out: “The euro zone may cloak this bail-out in the language of fairness but it is a highly selective treatment. Indeed, the euro zone’s insistence that this is a one-off makes that perfectly plain: with enough foreigners at risk and a small enough country to push around, you get an outcome like Cyprus. (That is one reason why people are now wondering about the implications of this deal for little Latvia, also home to lots of Russian money and itself due to join the euro zone in 2014.)”

To sum up, the highly questionable means that are used in crisis management contribute to increase the level of distrust in the EU markets and institutions in general, that could probably further undermine the legitimacy of the “Community method” and even more frequently lead to differentiated solutions. The results of the opinion poll surveys also support this argument. The attitude of European citizens towards the European Union has changed significantly in the last three years. While with the exception of the year 2003, until the autumn 2009, more people trusted the EU in general as opposed to those that distrusted it; from the spring 2010 on those that did not trust the Union outnumbered the people that trusted the EU. Moreover, since then, in each surveyed period the majority of European

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31 As one commentator highlighted: “What is happening in Cyprus is disgraceful. The principle that there is no division between your private property and communal property which may be appropriated by the government whenever it sees fit is an outrageous one in any system other than Communism.” The Telegraph 29 March 2013. http://blogs.telegraph.co.uk/finance/thomaspascoe/100023437/cyprus-bailout-this-bank-raid-sets-a-disgraceful-precedent/.
citizens answered that they did not trust the Union, which is clear sign of the loss of credibility of the supranational political community.32

We form our identities in the process of comparing ourselves to “others.” Nevertheless, in line with the spread of differentiated integration, the mirror of self-understanding of the Union becomes vague and uncertain. It is not easy to define who belongs to “us” and “they” any more. Being a member of the EU 28, the euro-zone, the Fiscal Compact, Schengen Zone, part of the European Economic Area or cooperating with the EU in frames of the Stabilisation and Association Agreement all represent a different type of “club membership” and all in a way exclusionary in nature. Apparently, the value of these club memberships differs to a large extent. Thus, differentiated integration can also be interpreted as forming new fragmentation lines in the Union: it is about establishing new boundaries inside and outside the EU as well.

Assessing the effects of differentiation in the future Europe, two other factors should be examined: the relationship of the EU to third countries (1), and the emergence of macro-regions (2). Foremost, it should be emphasized that despite an increasing fragmentation among the member states, the EU is still an attractive “club” for the outsiders.

European Neighbourhood Policy, could be interpreted as a new form of variable geometry outside the EU borders. The in 2003 launched new policy aims to share some of the benefits of the European Union with the neighbouring countries, without letting them to have their voice in setting its fundamentals. Thus, a new, in-between category, “the neighbours” emerges which indicates that these countries are attached to Europe in economic, social, cultural and political aspects but should not be considered as fully being part of the EU. Simply saying: “these partners are almost like us, but not us.” European Neighbourhood Policy requires wide range of commitments from the non-member countries to follow the “European way” in various fields of cooperation, while not offering them full membership. “The ENP is as much about the identity of Europe as it is about the handling of the relations to the neighbouring states” (Ifversen and Kølvraa 2007:3) The much criticised Eastern Partnership with the post-soviet countries also aim to establish stronger links between the EU and the Eastern neighbours while importing the European values, norms eastwards without letting these countries to contribute to this relationship. The Stabilisation and

32 Standard Eurobarometer 77.
Association Agreements with the Western Balkan states are different in nature because they explicitly include provisions for future accession and thus representing a step towards gaining full membership in the EU, therefore can be interpreted as multi-speed Europe outside the EU’s border.

The functional macro-regions such as the Baltic or the Danube Regions are new territorial forms of differentiated integration. Functional macro-region, indicates a territorial unit, which encompasses various states (EU members and non-members) covers different areas of cooperation and is interwoven with multi levels of competences (in that sense it is also an example of multi-level governance). A macro-region aims to find the lost consent of people to the whole European project at various levels of their activity, including the national level, the regional level, the local level and even the level of the individuals. It also aims to foster the better use of existing financial resources, institutions and legal framework in order to enhance the level of cooperation between the stakeholders of the region without establishing new institutions, financial and legal structures. It is, therefore rather a catalyst to get things moving in the society, economy and environment than a new establishment. On one hand, macro-regions as regional sub-groups in the European integration could work against the unity of the EU and create new fragmentation lines on the map of the continent. On the other hand, well-functioning macro-regions by fostering bottom-up processes could also represent opportunities and may become building blocks of a wider European space, thus contribute to the strengthening of the common Europe. This approach is in line with the variable geometry concept. It seems logical that in a Union of 28 member states manageable sub-groups, like the Baltic or Mediterranean cooperation evolve and work in unison for common projects and actions locally and regionally. The Danube Region could also be an example of that. And as we all know, it is not a recent idea: Kossuth and Jászi were both dreaming of a stronger cooperation in the Danube valley long time ago. The emergence of Mac-

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33 As it is defined by the Commission ‘an area including territory from a number of different countries or regions associated with one or more common features or challenges...geographic, cultural, economic or other’ (CoR, 2010).

34 Lajos Kossuth, the governor of Hungary, proposed the establishment of a Danube Confederation in 1862, which would have included Hungary, Transylvania, Romania, Croatia, Serbia and after the fall of the Ottoman Empire other south-Eastern European countries as well. Likewise the current Danube Strategy, geographically the proposed cooperation would have had an East-, southward axis. Or idea was brought in the limelight by Oszkár Jászi too in 1918 again, who was arguing for the United States of Danube Nations.
ro-regions, as new territorial forms of differentiation could lead to further conclusions. Among the fourteen countries of Danube Region Strategy for example there are old-member states of the EU (Germany, Austria) post-communist countries (Hungary, Slovakia, Check Republic, Romania, Bulgaria, Ukraine), as well as Balkan countries (Croatia, Serbia, Bosnia-Herzegovina). Moreover, on the basis of the religious argument, it can be claimed that the Danube not only crosses the nations’ and the EU’s borders but also crosses the boundaries of the civilizations, in this case the border of the European civilization too (Huntington 1993). Consequently, well implemented macro-regions could lead to a redefinition of the geographical focus of integration as well; the possibility to forget the old barriers and the opportunity to build new bonds.

Additionally, in line with the emergence of overlapping clubs inside and outside the EU, the concept of enlargement itself gains new interpretations. As the history of European integration taught us: new enlargement waves always constituted a complex challenge for the community. The inclusion of the newcomers proved to be a hard and long process in both the old members and the newly joined states. Transforming the “outs” to “ins” apart from resulting in obvious benefits also requires sacrifices depending on the value of the good and has transaction costs on both sides. In a new era of differentiated integration, we cannot any more talk about enlargement in a traditional way. Accession to the EU is only one form of enlargement in the future, and there are still many countries waiting for becoming full members of the EU. Nevertheless, accession to other clubs such as the euro-zone, the Fiscal compact, the Banking Union or the Danube Region Strategy constitutes different but valuable memberships. Accordingly, in the future we can only talk about enlargement in plural, i.e. enlargements of the various clubs and about continuous pursuits of some states to change their status of outsider to insider in policy areas like EMU, the fiscal union, the banking union or in a geographical entity like the Danube Region. Similarly, “deepening” should be reformulated too, because it could only be interpreted within certain clubs of the integration. Further, deepening integration in a club of the EU could lead to increase the value of club membership, and parallel to increase it exclusionary nature and make them less open to outsiders. Implementing “a deep and genuine economic and monetary union” including the issues of the fiscal union and banking union are examples of that. And as the Commission’s blueprint also warns: “serious accountability and governance issues would however arise if intergovernmental action of
the euro area were significantly expanded beyond the current state of play. This would in particular be the case if such action were used to influence the conduct of member states’ economic policies."35

Conclusion

Despite of the existence of a wide ranging literature on the subject, there are still many open questions that surround the concept of differentiated integration. Politicians, lawyers and academics all contributed to conceptualisation but it seems that we still know very little about it. While Treaty-based explanations dominate the discourse, less was written about differentiated integration in secondary law and even less in connection to the evolution of "new clubs" outside the EU framework (e.g. macro-regions or the fiscal compact), which are also examples of differentiated integration. New clubs of integration emerge that can reinterpret the widening and deepening debates in the EU. In line with that, the so far used theories of integration should be cautiously applied in explaining the nature of this new phenomenon. As it was also demonstrated, the spread of differentiated integration determines the shape of the European Union in future, because fundamentally changes the meaning and the value of the membership in the community. Finally, differentiated integration is considered as a boundary issue; therefore the emergence of centres of gravities and new fragmentation lines can be foreseen in the future.

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In the last two decades an increasing number of countries decided to con-
strain fiscal policy by adopting fiscal rules. While only seven countries ap-
plied fiscal rules in 1990, more than eighty did so in 2008, the year when
the global financial and economic crisis exploded (Kumar, et al 2009). Why
did fiscal rules become so popular amongst both developed and developing
economies during the years of the great moderation (the years of low infla-
tion and stable economic growth)? In principle, countries favoured fiscal
rules to discretionary spending because it allowed them to maintain fiscal
discipline and keep their economies on a sustainable track.

By definition, fiscal rules are such legal or non-legal constraints on dis-
cretionary fiscal spending which have been defined in terms of certain fiscal
aggregates (Kopits and Symansky 1998). Fiscal rules are supposed to constrain
political decision-makers by restricting the scope for discretionary policies,
thereby anchoring the expectations of not just voters but also market partici-
pants. As such, fiscal rules are expected to establish the credibility of the policy-
makers and strengthen trust amongst economic agents (Kopits 2001).

The European Union had a pioneering role in adopting fiscal rules. Member
states of the Economic and Monetary Union abandoned national currencies and
delegated monetary policy onto a supranational level. Fiscal policy has remained,
however, in the hands of national governments as basically the sole economic sta-
bilisation tool. Since such an asymmetry in the conduct of economic policy can
easily reinforce moral hazard in the form of overspending, the founding fathers
of the EMU established a solid set of fiscal rules, which were explicitly named in
the Maastricht Treaty and were subsequently strengthened by the Stability and
Growth Pact later on. Fiscal rules on the deficit and debt of the general govern-
ment have become indispensible parts of the single currency regime.

That enforcement of the rules was not effective enough became evident
relatively early on, as neither Germany nor France, the two giants of European
integration, was put under excessive deficit procedure in 2002 and 2003 – the
years when both violated the deficit rules of the EU. The result was a substantial reform of the Stability Pact in 2005, which, however, was not able to prevent member states to violate the rules or to engage in creative accounting in order to hide extra spending activities. Nevertheless, the first ten years of the EMU and its single currency was considered as a success story by not just major financial institutions (European Commission 2008) but investors as well. The latter did not disaggregate the monetary union based on the performance of its member states. In fact, there was a robust convergence of long-term returns on government debt securities, which supplied a cheap funding pool for those countries which were previously enforced to finance themselves from the market at a much more expensive rate.

The current financial and economic crisis, however, posed serious challenges on the European Union and especially on its monetary union. The euro-area is suffering from serious design flaws which need immediate resolution. As a response to these challenges, Europeans adopted a revised Stability and Growth Pact, which called for strict compliance of the fiscal rules of the EU. As opposed to the earlier reform of the Pact in 2005, this time member states have not been reluctant to give more power to the Stability and Growth Pact by endorsing a more rigorous monitoring and sanctioning system. Under this new regime, sanctions would be imposed on countries that violate the rules automatically; that is, discretionary and politically motivated decisions would be reduced to a minimum in the future. In its “six-pack,” the EU went beyond fiscal policy and called for actions in case of macroeconomic imbalances, too, such as deterioration in the external balance and competitiveness of member states.

As the most noteworthy accomplishment, the EU also launched a three-pillar financial rescue programme, comprising the European Financial Stability Mechanism (EFSM), the European Financial Stability Facility (EFSF) and the IMF’s financial assistance. The three-pillar rescue programme was designed to provide financial help for governments with liquidity problems. Since the three-pillar system was designed for a temporary period only, the EU decided to activate its own bail-out fund, the European Stability Mechanism, permanent rescue facility, from 2013 onwards.1

1 In order for the heads of state and governments to be able to launch the new financial rescue fund, Article 136 of the Lisbon Treaty should be supplemented with the following short addendum: “The member states whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality.” Decision of the European Council, 2011/199/EU, amending Article 136 of the Treaty, 25 March 2011.
Europeans, however, wished to make the access to ESM resources unappealing in order to minimise moral hazard in the euro-area. Serious conditions were enacted by which a country could receive financial assistance from the fund. One of these conditionalities is the ratification of the Treaty on the Stability, Coordination and Governance in the EMU (TSCG).

The fundamental aim of the TSCG is to strengthen the economic pillar of the EMU by adopting new and tough fiscal rules. It is rather strict in the sense that “the budgetary position of the general government of the Contracting Parties shall be balanced or in surplus” (Article 3 (1a) of TSCG). The annual deficit cannot be higher than 3 per cent as earlier, but the structural deficit should not exceed 0.5 per cent of the GDP either. Additionally, if the general government debt ratio exceeds 60 per cent, the contracting party has to achieve an annual decline of one-twentieth of the part that exceeds the 60 per cent limit. It requires euro-zone countries to transpose the balanced budget rules onto their own national legislation, preferably on the highest level, i.e., in the constitution or basic law. In order to enforce compliance, it is subject to the jurisdiction of the Court of Justice of the EU.

The scrutiny of EU fiscal rules such as the Maastricht criteria and the Stability and Growth Pact has become the focus of many scholarly debates both within and outside the Community. The study of national fiscal rules, however, has remained a neglected part of scholarly works. The TSCG values the analysis of national fiscal rules, since it makes the adoption of balanced budget rules within national legislation compulsory. Therefore, the aim of this paper is two-fold. On the one hand, it elaborates on the significance of fiscal rules in national legislation that were adopted earlier (between 1990 and 2004) and tries to clarify the role that these rules played in establishing fiscal discipline. On the other hand, it intends to show that without national ownership, no fiscal rule can be effective enough. The new Treaty on Stability, Cooperation and Governance should be strengthened, therefore, in this particular aspect.

The political economy of deficit bias

In political economy literature it is generally assumed that there is a tendency towards excessive spending (and deficit bias) in democratic societies.

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2 Structural balance is a cyclically adjusted balance net of one-off and temporary measures such as revenues from privatisation.
Deficit spending can become a persistent phenomenon because elected politicians face incentives which induce them to spend more (or tax less) than the socially optimal level. One of the earliest explanations for deficit bias claims that voters have to live together with several structural-institutional deficiencies, which make them unable to internalise the entire costs of their extra spending. The source of such deficiencies can be indeed the government itself, which tries to manipulate the structure of both taxes and spending so that voters would overvalue the benefits of budgetary policies and/or undervalue its real costs (Buchanan and Wagner 1977).

The costs and benefits of extra spending are, however, not necessarily distributed evenly amongst the members of a society. Transfers are paid to well-defined and targeted groups, whereas costs are burdened on the entire community of taxpayers. The discrepancy – i.e., the common resource pool problem – between costs and benefits ends up in excessive and permanent deficit (Hagen 1992). A distributional conflict can evolve, however, not only amongst geographical constituencies (Weingast et al. 1981) or line ministries (Stein et al. 1999; Velasco 1999) but also between generations: current generations can increase their consumption today by borrowing at the cost of future generations (Cukierman and Meltzer 1989).

Debt can be manipulated in a strategic way, too, by the incumbent party in order to constrain the spending activities of the next government. The more likely the fall of the current government at the incoming elections, the more likely the strategic manipulation of the debt level (Alesina and Tabellini 1990, and Persson and Svensson 1989). Governments, however, may also find it beneficial to manipulate economic variables (including fiscal ones) in order to increase their chances of winning the next elections. Traditional political business cycle theory assumes myopic voters and adaptive expectations (Nordhaus 1975), whereas rational expectations-based models assume the existence of asymmetric information with regard to the ability of the incumbents (Rogoff 1990 or Shi and Svensson 2002).

Asymmetric information may prevail even within a coalition government if parties cannot agree on the share of costs of a fiscal consolidation. War-of-attrition models predict that consolidation evolves only if the marginal benefit of additional waiting for one coalition member becomes equal with the marginal cost of delaying reforms further (Alesina and Drazen 1991).

The European Economic and Monetary Union has created a unique coordination problem by having established a supranational institution for the conduct of monetary policy and having left fiscal decisions in the hands
of national governments. While the mandate of the independent European Central Bank is clear, i.e., to maintain price stability throughout the whole euro-zone (TFEU Article 127.), member states can manipulate their fiscal policies in the interest of their own constituencies. Assuming national currencies and flexible exchange rates, fiscal laxity would trigger a currency devaluation and a capital outflow. No such a disciplining force works, however, in case of a fixed exchange rate regime or in currency unions. The adoption of a single currency (such as the euro) strengthens the convergence of long-term interest rates (and government bond yields). Lowered interest rates in turn induce national governments to embark on further debt accumulation, thereby endangering the stability of the whole currency area. Thus, a common resource pool problem evolves as a consequence of cheaper deficit financing: spending governments expect other (disciplined) member states to finance the costs of their extra spending, which can surge to unsustainably high levels in times of an economic crisis. The substantial drop in risk premia the country had to pay on its debt securities made it attractive to accumulate liabilities on a larger scale than optimal.\(^3\) In principle, the adoption of fiscal rules such as the 3 per cent deficit limit and the 60 per cent debt limit of the Maastricht treaty and the Stability and Growth Pact were expected to enforce governments to keep their houses in order and to refrain from moral hazard.

\textit{National fiscal rules in EU countries}

National fiscal rules do have their precedents in the EU. In fact, from the very beginning of the single currency project, i.e., from 1990, several member countries decided to adopt fiscal rules on the national level. They did so not because it was a must but because they deemed it useful. The motives for introducing national fiscal rules were numerous. The most important one was the recognition that the obedience of the EU’s 3 and 60 per cent limits could be achieved only if it was supported by some other restricting national forces. In federal states it was the state/regional level where politicians wanted to induce fiscal discipline, whereas other mem-

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3 This happened exactly in Greece which started to conduct an irresponsible fiscal policy after having joined EMU in 2001.
ber countries decided to adopt rules in order to find a solution to the permanent disequilibrium in social security systems, a problem that would cause even more trouble in the future due to the ageing of the population. Furthermore, there was a clear intention to scale down certain types of public expenditures, especially the ones paid to welfare provisions.

The spread of adoption of national fiscal rules induced the Community to acknowledge this process explicitly in 2005, when a comprehensive reform of the Stability and Growth Pact was implemented. Accordingly, the Pact asked national rules to be in line with community-level disciplining forces. The Council of Economic and Finance Ministers (ECOFIN) went even further by endorsing national fiscal rules and asked member states to evaluate the effectiveness of their rules in their stability and convergence programmes, focusing especially on the adequateness of such national rules with Community-level goals (ECOFIN 2005). Importantly, one year later the Council also warned member states that the one-size-fits-all approach might have been harmful with regard to national rules; that is, every member state must have found the most appropriate disciplinary forces which could address the particular needs and problems of the specific country (ECOFIN 2006).

The current study on national fiscal rules covers the 27 member states of the EU, concentrating on the period between 1990 and 2004/2007, that is, before the outbreak of the recent economic and financial crisis. Data have been taken from the data sources of the European Commission and the OECD (European Commission 2010b and 2010c, OECID [2009], and the AMECO database of the ECFIN). The analysis includes only those fiscal rules which have been adopted

1. on a national (or federal) level;
2. on a regional (state) level;
3. or in the social security system.

Accordingly, rules introduced on the local level have not been selected for the purpose of this study.

Furthermore, the comparative analysis has been restricted to

1. debt rules,

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4 Those fiscal rules were selected into the sample of this study which had been introduced until 2004. Delayed effects of fiscal rules were, however, detected until 2007, that is, just before the eruption of the 2008-2009 financial and economic crisis. In some cases (especially in new member states), data were available for only the period following 1991/1992.
(2) balanced budget (or deficit) rules, and
(3) expenditure rules.

Generally speaking, the primary aim of debt rules is to ensure the long-
term sustainability of public finances in such a way that relative flexibility
can still be maintained in the conduct of annual fiscal policy. Balanced-
budget rules are defined either in terms of some parts of the general budget,
or they are applied for the whole general government. Although balanced
budget rules are transparent and it is easy to monitor their compliance, they
may also prove to be rather inflexible. It is quite often the case, therefore,
that countries adopt balanced budget rules in cyclically adjusted forms. The
drawback of this latter approach is, however, the complexity of the method
of calculating the effects of business cycles appropriately.\(^5\) Expenditure rules
are relatively recent. These rules provide an upper limit for various specific
spending items of the budget.

Based on the former restrictions, the 27 EU countries adopted fiscal
rules on 39 occasions between 1990 and 2004. (Some countries, howev-
er, adopted fiscal rules well before 1990. These states were the following:
Belgium with a balanced budget rule, Luxembourg with its debt rule, Ger-
many with a golden rule and Spain with a debt rule). Except for Greece,
every single country decided to introduce rules in the group of the old
member states (EU-15) – see Table 1. Finland and Luxembourg adopted
rules the most frequently, on 4 occasions in total. Interestingly, Luxem-
bourg decided to enact fiscal rules despite its incredibly low debt-to-GDP
ratio, which remained below 10 per cent in the period under scrutiny. The
most attractive rule these countries had chosen to adopt was the balanced
budget rule: 10 countries out of 15 used them. Expenditure rules proved to
be a frequent choice, too: 9 old member states operated with them. The fact
that debt rule was much less attractive can be explained by the existence
of a debt rule on the Community level (see the Maastricht criteria and the
Stability and Growth Pact). Expenditure rule, however, was non-existent
on the Community-level and it has become rather attractive in the eyes of
member states since this type of fiscal rule are tailor-made and sensitive to
the needs of individual countries.

\(^5\) Flexibility can also be strengthened by the adoption of the so-called golden rule, which prohibits deficit financ-
ing only for current expenditures. As such, public investment can still be financed out of debt. Golden rules
were categorised in this sample as balanced budget rules.
Table 1. Fiscal rules in EU-15 (1990–2004)

<table>
<thead>
<tr>
<th></th>
<th>Debt Rule</th>
<th>Balanced Budget Rule</th>
<th>Expenditure Rule</th>
<th>Number of Episodes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>1999, 2001</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Denmark</td>
<td></td>
<td>1994</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Finland</td>
<td>1995</td>
<td>1999, 2003</td>
<td>1999</td>
<td>4</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
<td>1997, 1998</td>
<td>2</td>
</tr>
<tr>
<td>Germany</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greece</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td></td>
<td>2000, 2004</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Italy</td>
<td></td>
<td>2001</td>
<td>1999, 2001</td>
<td>3</td>
</tr>
<tr>
<td>Netherlands</td>
<td></td>
<td>1994</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Portugal</td>
<td></td>
<td>2002</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Spain</td>
<td></td>
<td>2003</td>
<td>2002</td>
<td>2</td>
</tr>
<tr>
<td>Sweden</td>
<td></td>
<td>2000</td>
<td>1996</td>
<td>2</td>
</tr>
<tr>
<td>UK</td>
<td>1997</td>
<td>1997</td>
<td></td>
<td>2</td>
</tr>
</tbody>
</table>

Source: own compilation based on European Commission (2010c).

Old member states introduced rules mostly on a regional/state level in the early nineties. Later on, however, federal and national level rules (especially for the central budget and the social security system) became more widely used. Most rules were adopted in the context of the central government: its number (15) equalled the total amount of rules used for the general government, the social security system and the regions.

Not only old member states, but also new ones decided to induce discipline in their public finance activities by institutionalising a rule-based regime. See Table 2 for details. The most active country was the Czech Republic, which adopted its first rules right after the 1997 currency crisis. Yet, the most well-known rules were introduced by the Polish, who incorporated a debt rule even into their national constitution. The Polish fiscal rule has become an example to follow for some other new member states (such as Hungary and Bulgaria), as part of their exit strategy from the crisis.
It is worth pinpointing that debt rules have become the least popular amongst old member states, whereas countries having joined the EU after 2004 used this type the most frequently. One explanation for such a difference is the fact that the Stability and Growth Pact made debt rule an integrated part of Community-level legislation, so these countries opted for other, mostly supplementary alternatives (expenditure rules for instance). Another distinguishing feature of the group of new member states has been that these countries adopted rules with a much wider coverage; basically, the whole general government fell under control. The exceptions were Slovakia and the Czech Republic, where rules covered the regional governments.

<table>
<thead>
<tr>
<th>Country</th>
<th>Debt rule</th>
<th>Balanced budget rule</th>
<th>Expenditure rule</th>
<th>Number of episodes</th>
</tr>
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<tbody>
<tr>
<td>Bulgaria</td>
<td>2003</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Cyprus</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1998, 2004</td>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Estonia</td>
<td></td>
<td>1993</td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Hungary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Latvia</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lithuania</td>
<td>1997</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Malta</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Poland</td>
<td>1997</td>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>Romania</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slovakia</td>
<td>2002</td>
<td>2002</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Slovenia</td>
<td>2000</td>
<td></td>
<td></td>
<td>1</td>
</tr>
</tbody>
</table>

Source: own compilation based on European Commission (2010c).

As it has been mentioned earlier, the main motive for the adoption of fiscal rules is the hope for strengthening fiscal discipline by anchoring the expectations of rational agents. One way to proxy fiscal discipline is to measure the change in the debt-to-GDP ratio (see for instance European Commission 2006). In contrast to the annual budget deficit, the size of debt and especially the dynamics of its change (i.e., the speed of acceleration) have a direct impact on the future potential growth rate of an economy. The accumulation of debt can significantly add to the future tax burden of...
individuals (Barro 1979), and also it reduces readiness to invest (Baldacci and Kumar, 2010).6

In the period under investigation, the debt-to-GDP ratio declined by an annual 0.5 per cent (of the GDP) on average in EU-27 – independently from the fact whether a fiscal rule was introduced or not.7 Two explanations can be given for this somewhat surprising observation. The general explanation is that from the very early nineties onwards, inflationary bias was significantly curbed and a stable economic growth was initiated in both the developed and the developing parts of the world. The two-decade-long period was termed as the Great Moderation in the literature (Csaba 2010). A more specific explanation is provided, however, by the EU itself. Member states showed a strong dedication to fiscal consolidation in the nineties as part of their qualification attempts to enter the euro-zone. The lowering of the debt ratio was fuelled by different sources, therefore: (1) by accelerated economic growth, (2) by lowered (real) interest rates, and (3) by recovery in the primary general government balance.

Table 3. Change in the debt-to-GDP ratio in the whole population and the sample of countries with fiscal rules

<table>
<thead>
<tr>
<th></th>
<th>Change after one year</th>
<th>Change after 3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entire population (N=364)</td>
<td>-0.5 (4.0)</td>
<td>-1.4 (9.7)</td>
</tr>
<tr>
<td>Fiscal rules (n=33)</td>
<td>-0.8 (3.3)</td>
<td>-3.9 (6.7)</td>
</tr>
</tbody>
</table>

Source: own compilation.
Notes: Changes are as per cent of the GDP. Standard deviation in brackets. The number of fiscal rule episodes dropped to 33 from the original 39 because some countries introduced two different types of rules in the same year.

In fact, four countries in the group of EU-15 achieved a two-digit number improvement in their debt-to-GDP ratios: these were Belgium, Denmark, the Netherlands and Sweden (see Table 4.). Ireland (which experienced a dramatic drop of 68 percentage points) and Spain produced also a negative debt dynamic, but the 2008-2009 crisis caused severe challenges with regard to the sustainability of public finances. A further group of old member states

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6 Reinhart and Rogoff (2010) found that an annual growth deficit of 2.5 per cent emerged between countries of low debt ratios (below 30 per cent of the GDP) and high ratios (above 90 per cent). Kumar and Woo (2010) added that a 10 percentage point increase (in GDP) of public debt lowers economic growth by 0.2 per cent on average. This effect is more significant in emerging and developing countries due to their higher cost of debt financing.

7 Standard deviation, however, was relatively high in the population of EU countries: 4.0
(Austria, Finland, Luxembourg and the UK) could increase their indebtedness without violating the 60 per cent limit set up in the Stability and Growth Pact. Only 5 countries – France, Greece, Germany, Italy and Portugal – did not abide by the community-level debt-rule and accumulated debt on a permanent basis. That is, these five countries entered the crisis with an already high debt ratio, which significantly narrowed the room for fiscal laxity as a possible cure of losses in economic output and employment. Table 4 convincingly informs that the emergence of a kind of reform fatigue (see Briotti 2004) was hardly the case for the whole European Union. Only a few countries embarked on lax policies after the launch of the EMU project in 1999. Countries which successfully managed to lower their debt ratios achieved their best results in 2006 and 2007; that is, well after the start of the EMU project and just before the eruption of the current economic crisis.

Table 4. Changes in the debt-to-GDP ratio in EU-15 countries (1990–2007)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group A</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Belgium</td>
<td>125.7</td>
<td>84.2 (2007)</td>
<td>84.2</td>
<td>-41.5</td>
</tr>
<tr>
<td>Denmark</td>
<td>62.0</td>
<td>26.8 (2007)</td>
<td>26.8</td>
<td>-35.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>76.8</td>
<td>45.5 (2007)</td>
<td>45.5</td>
<td>-31.3</td>
</tr>
<tr>
<td>Sweden</td>
<td>72.4**</td>
<td>40.5 (2007)</td>
<td>40.5</td>
<td>-31.9</td>
</tr>
<tr>
<td><strong>Group B</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ireland</td>
<td>93.2</td>
<td>25.0 (2006)</td>
<td>25.1</td>
<td>-68.1</td>
</tr>
<tr>
<td>Spain</td>
<td>42.6</td>
<td>36.1 (2007)</td>
<td>36.1</td>
<td>-6.5</td>
</tr>
<tr>
<td><strong>Group C</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Austria</td>
<td>56.1</td>
<td>56.1 (1990)</td>
<td>59.5</td>
<td>+3.4</td>
</tr>
<tr>
<td>Finland</td>
<td>14.0</td>
<td>14.0 (1990)</td>
<td>35.2</td>
<td>+21.2</td>
</tr>
<tr>
<td>Luxemburg</td>
<td>4.7</td>
<td>4.1 (1991)</td>
<td>6.6</td>
<td>+1.9</td>
</tr>
<tr>
<td>UK</td>
<td>33.3</td>
<td>33.3 (1990)</td>
<td>44.2</td>
<td>+10.9</td>
</tr>
<tr>
<td><strong>Group D</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>France</td>
<td>35.2</td>
<td>35.2 (1990)</td>
<td>63.8</td>
<td>+28.6</td>
</tr>
<tr>
<td>Greece</td>
<td>71.0</td>
<td>71.0 (1991)</td>
<td>95.6</td>
<td>+24.6</td>
</tr>
<tr>
<td>Germany</td>
<td>39.5</td>
<td>39.5 (1990)</td>
<td>65.0</td>
<td>+25.5</td>
</tr>
<tr>
<td>Italy</td>
<td>94.7</td>
<td>94.7 (1990)</td>
<td>103.5</td>
<td>+8.8</td>
</tr>
<tr>
<td>Portugal</td>
<td>55.0</td>
<td>50.4 (2000)</td>
<td>63.6</td>
<td>+8.6</td>
</tr>
</tbody>
</table>

Remark: “The year in which the minimum ratio was achieved is in brackets. ** data as of 1994. Data are as per cent of the GDP.
Source: own compilation based on European Commission [2010b].
Debt ratios posed a real challenge only for a few countries amongst new member states. Relatively high debt ratios were mostly not the direct result of the transformation process itself. Hungary, Poland and Bulgaria had suffered from huge indebtedness under communist rule already. One of the most relevant challenges for these three countries was therefore to turn back the upward trend of indebtedness. Bulgaria embarked on a drastic consolidation after 1997, by which the country was able to reduce its debt level from over 100 per cent to below 20 per cent Poland and Hungary initiated also ambitious adjustment programmes, which did bring about some results. Hungary, however, returned to deficit financing and debt accumulation in the new millennium again and entered the period of the recent crisis with a debt level higher than the Maastricht criteria. The crisis made the situation even worse and the Hungarian debt-to-GDP ratio peaked at 81 per cent by 2010.8

Table 5. Changes in the debt-to-GDP ratio in EU-12 countries (1990–2007)

<table>
<thead>
<tr>
<th></th>
<th>In the starting year</th>
<th>Minimum</th>
<th>2007</th>
<th>Change (Starting year–2007)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Group A</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estonia</td>
<td>9.0 (1994)</td>
<td>3.8 (2007)</td>
<td>3.8</td>
<td>–5.2</td>
</tr>
<tr>
<td>Latvia</td>
<td>13.9 (1996)</td>
<td>9.0 (2007)</td>
<td>9.0</td>
<td>–4.9</td>
</tr>
<tr>
<td><strong>Group B</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hungary</td>
<td>86.2 (1995)</td>
<td>52.0 (2001)</td>
<td>65.9</td>
<td>–20.3</td>
</tr>
<tr>
<td><strong>Group C</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cyprus</td>
<td>50.2 (1996)</td>
<td>50.2 (1996)</td>
<td>58.3</td>
<td>+8.1</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>14.6 (1994)</td>
<td>12.5 (1996)</td>
<td>29.0</td>
<td>+14.4</td>
</tr>
<tr>
<td>Poland</td>
<td>43.4 (1996)</td>
<td>36.8 (2000)</td>
<td>45.0</td>
<td>+1.6</td>
</tr>
<tr>
<td><strong>Group D</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Malta</td>
<td>39.0 (1996)</td>
<td>39.0 (1996)</td>
<td>62.0</td>
<td>+23.0</td>
</tr>
</tbody>
</table>

Remark: Data are as per cent of the GDP. Source: own compilation based on European Commission [2010b].

8 On Hungary, see Győrffy (2012).
The first lesson that can be drawn from the above scrutiny is therefore that establishing and/or strengthening fiscal discipline was by and large a general tendency in both new and old EU countries, irrespective of the fact whether it was facilitated by rules or not. Yet, countries which decided to support their efforts in pursuing fiscal discipline by fiscal rules were on average more successful than the whole population of EU-27. Debt-to-GDP ratio declined by 0.8 percentage point on average right after the introduction of the rule (standard deviation was however quite large: 3.3) in the sample of states with a rule as opposed to 0.5 per cent for the whole population. The cumulative effect of fiscal rules was even more substantial in the third year: the decline reached 3.9 percentage points on average (st. deviation: 6.7), which was more than 2.5 times higher than the decline in the entire population (1.5 percentage point). (Note that the data have been provided in Table 3.) It seems, therefore, that rules might have exerted a positive effect on fiscal performance of EU countries.

Yet, an assumed positive correlation between the introduction of fiscal rules on the one hand and improved fiscal discipline on the other hand does not signal the exact direction of such a relation. It might be that rules pave the way for fiscal discipline, but it might also be the case that disciplined governments adopt rules in order to demonstrate their political commitments. This second hypothesis was supported by some evidence in EU countries, too. In fact, in half of the observed cases, the decline in the debt-to-GDP ratios was quite substantial already before the adoption of fiscal rule (i.e., in year t-1). Moreover, one-third of the cases showed a significant drop in the preceding three years; these episodes were the following: Bulgaria (2003), Finland (1999), Ireland (2000 and 2004), Italy (1999 and 2001), Sweden (2000) and Spain (2002 and 2003).9 (Details are reported in Figure 1.) Accordingly, a sizeable group of countries decided to adopt rules only after their governments initiated improving measures in the general government. The question is, therefore, whether it was due to improved external conditions, such as increased economic growth (i.e., allowing countries to grow out of debt) or whether it was the decisive step of incumbents to consolidate the general budget or its parts. The results do not point into one direction, however. Some countries such as Ireland strongly benefited from

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9 Belgium (1995) and Slovakia (2002) experienced a significant drop in their debt ratios two years ahead of the introduction of their specific rules.
high economic growth. Italy and Bulgaria initiated reforms mostly on the revenue side of the budget by increasing marginal tax rates and the tax base. Finland and Sweden, however, concentrated their adjustment efforts mostly on the expenditure side of the general budget. The Nordic countries cut back welfare subsidies and the salaries paid to the public sector substantially. Ireland had a special status not just with regard to the strong growth-effects but also because it adopted serious structural reforms, focusing mostly on the labour market.

The only common feature of these “successful” episodes was the substantial recovery in the interest payments. The drop in interest payments could not, however, be linked directly to the adoption of fiscal rules. Instead, a kind of Maastricht effect could be identified, that is, the process of change-over to the euro induced a relatively solid decline in the risk premia paid on treasury bonds in these countries.

Figure 1. The change in gross public debt as compared to the year of rule adoption

Notes: The change in the debt-to-GDP ratios is zero in year t, time of the adoption of rules. The straight line labelled EU-27 (1990–2004) displays the change of the entire population as a benchmark (note that the annual average decline was 0.5 per cent of the GDP):

Source: own editing.
Transposing fiscal rules in national legislation – questions and challenges

The EU decided to introduce new fiscal rules in an era when most of the countries suspended the use of rules all over the world, as a response to the outburst of the current economic and financial crisis (IMF 2009). The EU, however, seems to insist on the usefulness of fiscal rules as one of the main devices in creating and maintaining fiscal discipline. The European Commission, in fact, claimed that national fiscal rules should have become an indispensible part of the new economic governance structure of the Economic and Monetary Union (European Commission 2010a). The TSCG serves exactly this purpose by imposing compulsory deficit and debt rules on member states of the eurozone, supplementing the already existing system of fiscal rules.

Perhaps it is too early to evaluate the TSCG, as it was signed only on 2 March 2012 and has not yet been ratified by all contracting parties. Furthermore, the 25 countries that decided to join the treaty will have one year after the treaty enters into force to transpose the balanced budget rule into their national legislation. Nevertheless, even without empirical feedbacks, it is worth lamenting on the treaty’s possible weaknesses and strength – knowing that (1) Community-level fiscal rules have not been too successful in the last twenty years; and (2) national fiscal rules had the tendency to follow consolidation measures, as opposed to paving the way for fiscal adjustments.

The TSCG is an agreement of the signatory parties only and is not part of the legal framework of the EU. In its current format, it is nothing more, therefore, than an intergovernmental treaty (due to the refusal of the UK and the Czech Republic to incorporate it into EU legislation). As one of the most sophisticated elements of the most recent economic governance reform attempts in the EU, the new treaty substantially strengthens intergovernmentalist mentality and keeps the Community method at the sidelines. Nevertheless, the treaty is in close harmony with the existing EU legislation, especially with the revised Stability and Growth Pact or the six-pack.

As a non-EU text, the treaty authorises the contracting parties (their governments) to act as the main decision-makers. The European Commission is, therefore, in a rather strange situation. On the one hand, it cannot have a decisive role in implementing the treaty. On the other hand, neither the Council, nor the European Council has the capacity and the skill to monitor the compliance of rules by national governments. Therefore, the intergovernmental treaty calls for the substantial involvement of the European Commission in the implementation of the procedures of the treaty. Such a
István Benczes

schizophrenic situation, however, can easily culminate in non-transparent and non-accountable activities and decisions. The further increase of democratic deficit will not make the treaty attractive for many, and may even be the target of harsh criticism later on, undermining overall its credibility.

The treaty also uses the European Court of Justice in a rather unprecedented manner – at least in the area of public finances and budgeting. The European Commission as the guard of the treaty can refer member states which do not incorporate the spirit of the treaty in the national legislation to the Court. The decision of the Court of Justice is binding. The Court may impose a penalty on the non-complying country which shall not exceed 0.1 per cent of GDP. As the treaty explicitly counts on the active involvement of both the Commission and the Court of Justice, there is a strong need to integrate the text into EU legislation as soon as possible.

In some of the most recent studies on fiscal unions (see especially Bordo, et al 2011; and Henning and Kessler 2012), it has been argued that successful fiscal rules cannot be imposed on member countries from above. The firm ownership of fiscal rules (whatever type they represent) is a precondition for effectiveness. Ownership, however, is highly disputable with regard to the TsCG. The treaty requires member countries to transpose the rules into their national law “through provisions of binding force and permanent character, preferably constitutional, or otherwise guaranteed to be fully respected and adhered to throughout the national budgetary process” (Article 3 (2) TsCG). As a corollary, member states are enforced to transpose such fiscal rules into their national legal framework which are not the result of national consultation or experience.

The problem of (non-)ownership is further demonstrated by the fact that the treaty and especially its fiscal rules were enforced by one single country, Germany, and its Chancellor, Angela Merkel. Merkel wanted the German debt brake (Schulden bremse) that was enacted in German basic law in 2009 to be applied all over the euro-zone. It is perhaps not an exaggeration to claim that the TSCG is the reinforcing of the previous fiscal regime of the EU which was established by the Maastricht Treaty and further endorsed by the Stability and Growth Pact.10 This time, however, Germans wanted to create rules which are effective and make any financial assistance expensive and adequately deterring.

10 Johnson 2012 calls the TSCG therefore as Maastricht 2.0.
But does not the treaty create only confusion and make the crisis management efforts of the Union less transparent? According to the most recent analyses, such as Blizkovsky 2012, Marzinotto and Sapir 2012 or Verhelst 2012, the answer is a definite no. They argue that because the new treaty is much tougher than the previous EU framework, the current rules will arrange themselves in a clear hierarchy. Supremacy will be given to the new structural balance rule of the TSCG, and the EU rules (the Lisbon Treaty and the six-pack) would provide a sort of safety net to the balanced budget rule. The new hierarchy of rules is displayed in Table 7.

Table 7. Order of likelihood of activation of fiscal instruments

<table>
<thead>
<tr>
<th>Order</th>
<th>Legal Basis</th>
<th>Instrument</th>
<th>Parameter</th>
<th>Sanction</th>
<th>Participating member states</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>TSCG</td>
<td>Balanced budget rule</td>
<td>Structural deficit below 0.5% of GDP</td>
<td>Penalty up to 0.1% of GDP</td>
<td>25 (does not include CZ and UK)</td>
</tr>
<tr>
<td>2*</td>
<td>TSCG</td>
<td>Debt rule</td>
<td>1/20th annual reduction of debt above 60% of GDP</td>
<td>N/A</td>
<td>25 (does not include CZ and UK)</td>
</tr>
<tr>
<td>3</td>
<td>EU secondary legislation</td>
<td>6-pack, adjustment to medium-term objective and excessive structural deficit over 0.5% of GDP</td>
<td>From an interest-bearing deposit of 0.2% to a fine of 0.2% of GDP</td>
<td>27, sanctions to 17 (EMU members) only</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>EU primary legislation</td>
<td>TFEU Article 126, Protocol 12</td>
<td>Annual deficit below 3% of GDP</td>
<td>Up to a fine of an appropriate size</td>
<td>27, sanctions to 17 (EMU members) only</td>
</tr>
</tbody>
</table>

Note: * a similar debt rule is part of the 6 pack rules.
Source: Blizkovsky 2012.

Another issue of concern is timing. The adoption of the new and tougher rules is under way at a time when Europe is still struggling and has not left behind the current banking and sovereign crisis. Most of the euro-zone countries are under excessive deficit procedure (except for Estonia, Finland and Luxembourg), and most of them are expected to bring their public fi-
nances in line with the rules by the end of 2012 (or in exceptional cases by the end of 2013). How can European countries find their way back to solid growth and increased employment if they are enforced to comply with the rules of the TSCG? The recovery from the crisis should induce countries to implement economic policies which not simply stop further deficit financing and debt accumulation, but also restore the long-term competitiveness and sustainability of the crisis-hit countries. The already high level of income centralisation does not allow most of the European member countries to further increase marginal tax ratios because this would endanger competitiveness of their economies on a world-wide scale.

Crisis management, however, was pursued not by the lowering of taxes. Instead, governments engaged in extra public spending in most of the cases (especially as a result of bank recapitalisation). It is high time therefore to initiate consolidation efforts in a more systematic way than it has been previously carried out. No across-the-board type cuttings would contribute to the sustainability of economic growth in these countries. The challenge of the aging population will pose an enormous trouble for EU countries in the next few decades. If nothing is to change, age-related expenditures could increase automatically by 4 to 5 per cent of the GDP after 2020 (IMF 2010a). According to the (ECB 2010), the most severe problems would emerge in Greece (where an estimated 15.9 per cent of GDP increase is expected in public spending), Slovenia (12.8), Cyprus (10.8) and Malta (10.2).

According to the TSCG, fiscal rules will play a significant role in the exit process from the crisis by re-establishing fiscal discipline and putting an end to further debt accumulation. As it has been shown in this paper, fiscal rules may indeed contribute to the creation and maintenance of fiscal discipline, but the commitment of national governments to fiscal sustainability is probably even more important than the rules themselves. Just as the Maastricht process throughout the nineties (i.e., the qualification for euro-zone membership) helped politicians to demonstrate their willingness to refrain from unnecessary and destabilising discretionary deficit financing, the current financial and economic crisis may provide another window of opportunity for troubled countries to engage in comprehensive reforms of their general budget, thereby strengthening the position of the European Union on a global scale. Whether the TSCG will indeed provide help for contracting parties is eventually a political question, which comes into conflict with economic rationality all too often.
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How Has EU Development Aid Responded to the Economic Crisis?

Balázs Szent-Iványi

Introduction

The financial and economic crisis which began in 2008 has had negative, although differentiated impacts on global economic growth. While some countries were pushed into prolonged recession or sluggish growth, others only saw temporary decreases in growth rates. Some countries have even managed to weather the storm unharmed. Many of the poorest countries were hit especially hard, and these negative effects were exacerbated by an enduring food crisis which followed the economic crisis. The results of two decades of rather steady reductions in poverty have been threatened by the crisis, and much of the progress poor countries have made towards achieving the Millennium Development Goals may be reversed.

Increased transfers of foreign aid to developing countries hit by the crisis could have had a counter-cyclical effect and may have negated the adverse effects of the crisis to some extent. Aside from questions on aid effectiveness and whether aid actually has the potential to act in such a counter-cyclical way, which this paper does not consider, the main issue is whether foreign donors have actually increased assistance to the developing countries in the aftermath of the financial meltdown. When one looks at bilateral donors, the contextual factors do not seem too encouraging: most of the rich countries which give aid have also been severely hit by the crisis. Many of them introduced large scale bail out and stimulus packages and greatly increased their indebtedness, thus it is unlikely that they were able (or had the political will) to increase foreign aid spending. Rich countries hit extremely hard by the crisis, such as Ireland or Greece, scaled back their aid programs to a large extent. While in principle bilateral donors may change their aid allocation and give more to the partner countries hit strongly by the crisis, experience has shown that this is difficult due to political reasons and donors mostly just cut aid to all recipients if austerity measures require decreasing the expenditures on foreign aid.
Multilateral donors, on the other hand, may have much more stable financing even in times of crisis. The budget of the European Union for example is more or less cast in stone for seven year budgetary periods, and so is the European Development Fund, the main source of EU aid to Sub-Saharan Africa. The World Bank’s International Development Association is replenished on a three year basis. Thus, the effects of economic crisis on donors are not felt immediately and multilateral donors may be better placed to give counter-cyclical aid transfers to developing countries in times of crisis.

This paper examines how development aid provided by the EU institutions, most notably the European Commission (EC), has changed to developing countries in the aftermath of the crisis. Has the EC increased aid to the countries that have been most severely hit by the crisis or, in other words, did the EU’s aid disbursements follow in a counter-cyclical logic? The Commission provided strong rhetoric and even produced a strategy (European Commission 2009) to assist developing countries during the crisis, thus it is interesting to examine whether aid disbursements actually lived up to these expectations.

To examine this, the paper uses a simple correlation approach and looks at the relationship between economic growth rates and changes in EC aid to developing countries. Since the amount of EC aid to a partner country is clearly affected by a large number of variables, one may argue for the need for more sophisticated regression-based methods. The global crisis was most likely such a pivotal event that it overshadowed changes in all other variables affecting aid allocation. It is argued, therefore, that a simple correlation approach can sufficiently identify the potentially counter-cyclical nature of EC aid.

The Effects of the 2008 Crisis in Developing Countries

The global economic crisis, originating from the US financial markets in 2008, had differentiated, but mostly rather temporary effects in developing countries, as opposed to its more lasting effects in Europe. Table 1 shows GDP growth rates in the major regions of the world economy. Up until 2007, all developing regions showed high growth performance, and 2008 only brought a minor slow down, with the exception of South Asia, where the large scale deceleration of growth was mainly driven by India’s performance.
2009 was the only true crisis year for the developing world, although in case of regional averages, Sub-Saharan Africa, and the Middle-East still managed to show positive, although significantly lower growth rates. Growth even accelerated in South Asia. Actual recession only occurred in Europe and Central Asia, East Asia and Latin-America. Growth seems to have rebounded to pre-crisis levels in 2010 in most regions. Thus, it seems that the ‘prolonged global crisis’ is actually only a prolonged crisis of the developed world or just a prolonged European crisis.

Table 1. Average economic growth rates by region, 2005–2010

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe &amp; Central Asia</td>
<td>2.4</td>
<td>3.7</td>
<td>3.5</td>
<td>0.6</td>
<td>-4.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>6.0</td>
<td>6.3</td>
<td>6.6</td>
<td>5.1</td>
<td>2.1</td>
<td>5.0</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>5.3</td>
<td>5.9</td>
<td>5.1</td>
<td>4.9</td>
<td>1.8</td>
<td>4.5</td>
</tr>
<tr>
<td>South Asia</td>
<td>8.7</td>
<td>8.7</td>
<td>9.0</td>
<td>3.9</td>
<td>7.4</td>
<td>8.7</td>
</tr>
<tr>
<td>East Asia &amp; Pacific</td>
<td>4.1</td>
<td>4.8</td>
<td>5.7</td>
<td>2.5</td>
<td>0.3</td>
<td>6.7</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>4.8</td>
<td>5.7</td>
<td>5.7</td>
<td>4.1</td>
<td>1.7</td>
<td>6.0</td>
</tr>
</tbody>
</table>


Regional averages can of course hide large differences among countries. In 2009, many developing countries suffered extremely large recessions. The Ukraine and Armenia, for example, experienced declines in gross domestic product above 14%. Thirteen developing countries experienced a recession with a more than 5% annual decrease in GDP and a further 36 countries saw their economies contract between 0 and 5%. Growth was below 2% in 19 countries, which may also mean, in many cases, decreasing GDP per capita due to high population growth rates (World Bank 2012).

In 2010, however, only 16 countries experienced a decline in GDP, and most of them are Caribbean islands. The dismal performance of the Caribbean was mainly due to natural disasters like the Haiti earthquake and hurricanes (2010 was the third most active hurricane season ever recorded). Only 14 developing countries had growth rates below 2% in 2010.
Thus, it is safe to conclude that 2009 was the only recession year for developing countries. Still, even a short-lived recession can have rather severe effects in poor countries, as their capacities to cope with such shocks (in other words, their resilience to the crisis) is much lower than that of rich countries. As governments often cannot cushion the slump in economic growth, and in most cases no official social safety nets exist, it can reasonably be argued that the poorest parts of society are disproportionately heavily impacted by slower growth and recession in developing countries. One reason is that demand for manufactured imports has decreased in developed countries due to the crisis, forcing manufacturers in developing countries to scale back their operations, laying off workers, decreasing wages or deteriorating working conditions. This meant that a part of poor workers, who were often employed for subsistence wages, lost their jobs.

Second, foreign direct investments (FDI) of multinational corporations to developing countries also fell in 2009, which meant less new (mainly manufacturing) jobs being created. Portfolio investments to developing countries also plummeted, which means that access to capital for domestic firms became more expensive, also putting a break on new investments and job creation. Figure 1 illustrates the decrease in financial flows to developing countries at the time of the crisis.

Figure 1. Financial flows to developing countries

Source: Sirkeci, Cohen and Ratha 2012.
Third, commodity prices, which soared until 2007-2008, collapsed in 2009. This not only left major holes in the government budgets of many commodity exporting developing countries, but also decreased the incomes of those working in the agricultural sector. Fourth, as illustrated by a report by Oxfam (Green, et al 2010), many of those losing their jobs swelled the ranks of the urban poor in the informal economy, “selling food on the street, doing piece work in the home, and picking through waste,” and thus competing with those already there and pushing down their earnings.

Fifth, a major source of household incomes in developing countries is the remittances from relatives living in rich countries. As rich countries have experienced a larger recession than developing ones, it is likely that diasporas are not capable of sending so much back home as before. Many immigrants work in the construction sectors of developed countries, which have been hit especially hard by the crisis. Due to this, economists anticipated a large decrease in remittances to developing countries. Actual data do show a fall in money transfers, but only of 5%, much lower than expected (Mohapatra and Ratha 2010, see Figure 1).

Sixth, the prices of many commodities may have collapsed, but food prices reached new highs after the crisis in 2011, which has a large impact on the urban poor who cannot grow their own food. One may of course debate how much the changes in food prices are related to the economic crisis, as they are mostly driven by rising demand from large emerging countries like China and India.

Taken altogether, the number of people driven into poverty by the crisis was estimated to be between 50 and 100 million, putting a serious blow on the achievement of the related Millennium Development Goal of halving the number of poor by 2015. Most of the negative trends, however, have been reversed since 2010: FDI and portfolio investments again began to increase, as did remittances, although exports were slower to rebound. Developing countries have therefore proven to be much more resilient to the crisis than previously expected. One word of caution is in order however. The impacts of the crisis, as well as the heterogeneity of developing country politics, economies, societies and cultures means that any large-scale generalizations maybe invalid on the individual level. As shown by the macroeconomic data at the beginning of this section, impacts on countries vary, and so do the transition mechanisms through which the effects of the crisis are felt, and the ways governments and societies can cope with these.
The temporary nature of the crisis in the developing world, however, does not mean that donors of foreign aid should not have rushed to mitigate the effects of the severe recessions in 2009, especially since many expected the crisis to be more prolonged. The next section briefly examines the EU’s development policy and shows that the EU has indeed made a promise to react flexibly to crisis situations.

The EU’s international development policy

The EU’s international development policy has come a long way from its colonial roots based on the Yaoundé and Lomé conventions, and in the past two decades it has evolved into a comprehensive global policy, signifying that the EU itself has become an actor with global ambitions (Hoebink 2004). The European Commission as a donor of aid is more or less present in every developing country in the world, and increasingly attempts to take on the role of coordinating the bilateral development policies of the member states as well. Aid provided by the European Commission from the EU budget and the European Development Fund, an extra-budgetary fund replenished by member states every five to six years, makes up about one tenth of all aid provided globally. If one adds together all bilateral aid from the member states and EC aid, more than 55% of all aid globally provided is by Europe. Thus, the EC is a highly important member of the international aid regime, and through its emphasis on effectiveness and transparency, as well on partnership and national ownership of recipient countries, it can be considered as a donor agency that attempts to lead all European donors by setting a positive example.

Even though the EU’s development policy is global, the bulk of EU aid is concentrated towards two regions: the Eastern and Southern Neighbourhood, as well as the former colonies in Sub-Saharan Africa, the Caribbean and the Pacific Ocean (the ACP countries). The colonial roots are therefore still present, although the Commission argues that the reason for the focus on Africa is due to the extreme poverty in the region and not former colonial ties. Table 2 shows a regional breakdown of EC aid. It is also evident from the table that in the past 20 years the amount of aid provided by the Commission has almost doubled in real terms, which signifies the increasing importance of the EC as a donor. Member states of the EU have also made a commitment to increase bilateral aid levels to 0.7% of their GNIs by 2015.
Table 2. Regional breakdown of EC aid

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>504.9</td>
<td>1070.2</td>
<td>1446.8</td>
<td>1764.2</td>
</tr>
<tr>
<td>North Africa</td>
<td>520.3</td>
<td>834.6</td>
<td>699.4</td>
<td>796.4</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>2768.4</td>
<td>2388.9</td>
<td>3240.7</td>
<td>4370.9</td>
</tr>
<tr>
<td>Americas</td>
<td>644.5</td>
<td>817.8</td>
<td>789.0</td>
<td>1076.8</td>
</tr>
<tr>
<td>Far East Asia</td>
<td>192.1</td>
<td>315.5</td>
<td>342.9</td>
<td>377.7</td>
</tr>
<tr>
<td>South &amp; Central Asia</td>
<td>429.7</td>
<td>547.9</td>
<td>755.9</td>
<td>1086.7</td>
</tr>
<tr>
<td>Middle East</td>
<td>275.6</td>
<td>339.6</td>
<td>572.3</td>
<td>881.5</td>
</tr>
<tr>
<td>Oceania</td>
<td>88.3</td>
<td>68.8</td>
<td>69.2</td>
<td>89.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6706.8</strong></td>
<td><strong>7680.4</strong></td>
<td><strong>9902.8</strong></td>
<td><strong>12193.9</strong></td>
</tr>
</tbody>
</table>


Traditionally, the European Commission was viewed as an ineffective donor, in fact it has even been termed one of the worst donor agencies (Olsen 2005). Due to substantial reforms in the past 15 years, this has now changed. Development cooperation has been placed into a unified strategic framework, much of the decision making has been decentralized to the field offices, transparency has greatly increased and evaluation and feedback have become routine. The EC uses a number of innovative aid modalities which increase aid effectiveness, such as budget support, puts a large emphasis on recipient ownership, and has embraced the international aid effectiveness agenda, as embodied in documents like the Paris Declaration, the Accra Agenda and the Busan Partnership.

Poverty reduction is the central aim of the EU’s development policy, as stated in its main strategic document, the European Consensus, a joint declaration accepted by the Council, the Parliament and the Commission in 2006 (European Consensus 2006). This central aim has been reiterated since then in much of the EU’s development acquis. Economic growth, while previously one of the main focal points of foreign aid in general, is only important to the extent that it contributes to poverty reduction (pro-poor growth), although it has seen a renaissance recently in a reform proposal of the Commission published in 2011 entitled Agenda for Change (European Commission 2011). Supporting economic growth ‘for itself’ was clearly not an objective of the EU at the time the economic crisis erupted. Based on this, should one expect the EU to react to decreasing growth rates in partner countries?
The European Consensus talks little about economic growth, but it does explicitly discuss giving assistance to partners based on their ‘needs and performance’ (European Consensus 2006: 18). These terms are somewhat ambiguous, open to interpretation and not really defined within the document. Performance may imply giving more aid to countries with lower levels of corruption, better quality economic policies or institutions, as the literature on aid effectiveness suggests (see for example Collier and Dollar 2002 or Kosack 2003). It may also point to rewarding countries with higher levels of growth. Recipient need clearly refers to levels of poverty: the higher the proportion of poor people living in a country, the more aid it should receive from the EC. It is not clear whether decreases in economic growth rates constitute a case for recipient need or not.

There is however a specific reference to crises: in the same section of the European Consensus as needs and performance are discussed, the EU makes a rather explicit promise to increase its capacities to be able to flexibly help countries in crisis situations:

The Community will make progress in defining a set of guidelines for intervention in countries in crisis or as they emerge from a crisis, by ensuring that it adjusts both its procedures for allocation of resources and its modalities of intervention, with the concern to be able to respond rapidly and flexibly, with a varied range of interventions.

Crisis however is not defined, and it is not clear whether this relates to economic crises, natural catastrophes, some form of armed conflict, or all of these. In lack of any restrictions, it can be argued that crisis should be understood in a broad sense to incorporate economic crisis as well. Thus, the European Consensus creates, to some extent at least, an expectation that the Community will flexibly react to economic recession in partner countries. The question is, does it really do so in practice? The following section explores how the EU reacted to the 2008 crisis in terms of its development policy.

The European Commission and the Crisis

The European Commission presented its plan to “help developing countries cope with the impacts of the current financial crisis” in April 2009 (European Commission 2009). The document includes some specific actions that the EU as a whole must take to help developing partner countries hit by the crisis, including living up to previous promises to increase aid to
0.7% and not using the crisis as an excuse to abandon these commitments; providing aid more rapidly by quickening disbursements and adapting mechanisms to development policy such as frontloading and advancing funds, already used in the case of the Structural Funds. The following quote from the plan shows that the EU did understand the need for aid to act in a counter-cyclical way:

Support should have a direct counter-cyclical impact. The poorer economies badly need financing during these times of crisis. Measures should be taken to adapt priorities, disburse aid more quickly and, where necessary, frontload assistance and accelerate budget support. Member States are urged to take action along these lines in the context of their bilateral aid.

The strategy also includes promises on increasing aid efficiency and effectiveness, as “every euro counts.” These are more or less reiterations of previous attempts in the *acquis*, and mostly calls on member states to work together more closely, adopt collective approaches, and contribute to the reform of the global aid system. The strategy also earmarks some funds for specific sector-level programs aimed to help the most vulnerable parts of societies, maintain employment, revitalize agriculture, accelerate “green growth” and raise additional financing, mainly by calling on member states to take appropriate measures.

The strategy clearly implies that the EU will use aid in a counter-cyclical manner and thus one may expect resources to increase to countries most heavily hit by the crisis. In order to examine how the EU reacted to decreasing economic growth rates, a simple correlation approach is used in this paper. While the amount of aid a country gets could be determined by a large number of factors ranging from donor interest variables like political, economic interest or former colonial ties to variables related to recipient performance and need, it is argued that the economic crisis was so profound and received so much attention that it pushed all other determinants of aid allocation to the background, at least for some time.

The aid variable used is the percentage change in net official development assistance disbursements per capita a country gets from the European Commission. Using actual disbursements allows for checking if the EC was actually able to make its spending more rapid and frontload some expenditures. The data include both aid from the European Development Fund and the EU budget, but do not include concessionary loans of the European Investment Bank. Changes in EC aid were for calculated for two years, from 2008 to 2009 and from 2009 to 2010. Data is from the OECD (2012).
The two aid variables are compared to the level of economic growth in 2009, as that was the main recession year in the developing world, from the World Development Indicators database of the World Bank 2012. As decisions on increasing aid to some countries may not be made quickly, and EC decision makers may need to access macroeconomic data from partner countries to do so. It can be argued that there may be a lag in the EU's reaction. Thus, EC aid may have only reacted to the recession in 2010.

Comparing 2009 growth data with the percentage of change in aid from 2008 to 2009 reveals disappointing results. The Pearson coefficient of correlation between the two series is a mere -0.05 and is not statistically significant. This implies that the EU did not in any way react to decreasing growth rates and recession in partner countries. However, as mentioned above comparing contemporaneous sets of the two variables may not be justified, thus the 2009 growth rates are also compared to the changes in per capita aid from 2009 to 2010. The correlation coefficient in this case is -0.19 and statistically significant. Due to the negative sign, it shows that the EU did give more aid to countries in 2010 with lower 2009 growth rates. Still, -0.19 does not show a particularly strong correlation, implying that the reaction of EC aid to the crisis was really spectacular.

As the coefficient of correlation is still rather small for the 2010 aid data, it may be telling to investigate which countries hit by the crisis have received increases in aid per capita and which have not. When looking at the specific countries, a clear favouritism for the African, Caribbean and Pacific group of countries emerges. Out of the 25 ACP countries which experienced negative growth rates in 2009, 15 were given higher amounts of per capita aid in 2010. Aid also increased to 27 out of the 44 ACP countries which showed positive growth rates, which clearly shows that the EU was not willing to cut aid to these countries in order to free resources and provide additional support to the countries more in need due to the crisis. Some specific examples illustrate how much the EU favoured the ACP group. Malawi for example, despite its spectacular growth rate of 9% got a whopping 150% increase in ODA per capita from the Commission. Tanzania, Uganda, Congo (Brazzaville), Ethiopia and Zimbabwe are all examples of medium to large countries which all got increases of aid despite good growth performance. While the recession did hit Barbados, and Antigua and Barbuda heavily, they are both relatively rich ACP countries, and are probably much more resilient to economic crisis than other ACP states. None the less, the EU increased aid per capita by 66 and 2400(!)% respectively to these two countries in 2010.
The other ‘priority region’ for EU aid is the European Neighbourhood, and it can be argued that from a strategic point of view, these countries are much more important to the EU than the ACP countries. Giving assistance to the neighbourhood is important for a number of strategic, economic and political reasons, which range from pre-accession assistance to issues like border management, nuclear safety and conflict resolution. It can therefore be expected that the EU should have favoured these countries as well. This is however not the case. Only 4 out of the 9 neighbouring countries experiencing recessions in 2009 were given more aid in 2010. The Ukraine, which is the country probably most severely hit by the crisis globally, with a fall in GDP above 14% in 2009 actually saw EC aid per capita decrease by 10% in 2010. Out of the 10 neighbouring countries with positive growth rates 6 experienced a decrease in aid and 4 an increase.

Why was the EU’s performance in helping countries hit by the global crisis with counter-cyclical increases in aid flows so weak and uneven? Five reasons for this are identified and briefly discussed in the remainder of this section. First, EC aid is political. This is well illustrated by the fact that the EU reacted much more favourably to supporting the ACP countries then it did other regions. As the amount of EC aid is limited, using the resources in a counter-cyclical manner would definitely involve redistribution from those less hit by the crisis to those in recession. Such redistribution however is not easily carried out. The ACP countries for example have strong support within the EU, mainly from France and the United Kingdom, and through the special decision making processes of the European Development Fund the partners themselves have a say in aid allocation. A decision to decrease EC aid to a country may carry a political message which can be taken the wrong way by the recipient, even though no such message may have been intended.

Second, EC aid, despite numerous reforms, is still not flexible enough to react quickly to emerging challenges like an economic crisis. The following quote from the Commission’s action plan shows this well: “The Commission will, in partnership with developing countries, accelerate the Mid-Term Review of its strategy papers and support programmes in 2009 and 2010 with a view to reflect new needs and rising priorities” (European Commission 2009: 6). In other words, for the EU to re-align its aid spending to those countries mostly in need, it first has to review its strategy papers and support programs. This must be done individually for each country, with intensive involvement of the partner countries. This is no small work for the
Commission and takes time. The EC can only change aid allocation once these reviews are done, the needs assessed and the programming documents adjusted accordingly.

Third, the nature of the global crisis played out much differently than previously expected. The crisis in most of the developing countries, as discussed above, was over rather fast. This eliminated any need for long term support strategies. By the time the EU could have reacted by increasing aid, it became difficult to justify as growth had resumed in most partners.

Fourth, economic logic dictates giving aid to good growth performers, an idea which is supported by a wide range of empirical research, as mentioned above. This thinking has most likely had a large influence in the Commission, as rewarding good performance has become an integral part of EC aid in the past decade. Thus, giving aid to countries where economic performance is bad may run against this logic, and may also have led to debates within the Commission. It is telling how the Commission’s plan on how to react to the crisis in developing countries talks about the need to increase aid effectiveness, as if there were a need to compensate for ineffectiveness caused by giving aid to bad growth performers (even though some of them are in recession not because of their own fault).

Fifth, even though the crisis was short-lived in most emerging and developing regions, it seems to have become highly prolonged within the EU itself, making any future increase in the community aid budget (as well as national bilateral aid budgets) highly unlikely. The negotiations for the post-2014 financial perspective have shown that there is little will among member states to increase the size of the EU budget, and there are strong fears that the development share of the budget and/or the European Development Fund may actually decrease (Tran 2012).

Conclusions

The goal of this paper was to evaluate the European Commission as an aid donor’s reaction to the global financial and economic crisis of 2008. The main question was whether the EC was able to use its resources available for development cooperation in a counter-cyclical way to help the countries most severely hit by the crisis. While the EC did, in rhetoric at least, recognize this potential role for EC aid in the crisis and made several promises to its developing partner countries, there is little evidence that it actually ad-
justed its aid allocation to reflect the changing needs. The only region where the EU did react to some extent were the ACP countries.

What are the lessons for the future? One clear lesson is the need to make EC aid even more flexible, in order to allow it to react faster to changing needs. This is not easy to do. Development aid is a long term business, where careful planning and programming is definitely needed to ensure not only effectiveness and relevance, but also transparency in spending. How can these needs be reconciled with the need for greater flexibility? One answer may be to acknowledge that an economic crisis is, to some extent, a humanitarian catastrophe in developing countries with low resilience, as it can destroy the livelihoods of the poorest. Thus, it might be worthwhile to consider adapting some of the mechanisms used in humanitarian aid to make at least some parts of development aid more flexible and counter-cyclical.

Bibliography


European Integration, National and Ethnic Identities and Central Europe

Tibor Palánkai

Definitions – Identities

Identity can be defined as an attachment to the given community, based on common characteristics, values, interests and destiny, which creates a certain degree of sameness in a group of people. Identification means a certain consciousness and devotion toward the common “cause” and values, and emotional attachment to the community. Such moral questions can be asked concerning identity: “who are we,” “who do we want to be”, and “what should we do”? I focus mostly on social identities, which means that I do not care about the philosophical and psychological aspects. The dimensions of individual identities and the identities of social groups or communities are equally examined.

People have multiple identities. From a social point of view they can be attached to their smaller local and regional communities on the one hand, and to broader regional communities of nations (for example Europe), on the other. “Identities can be formed and reproduced around any number of institutions and cultural scripts, including social class, ethnicity, race, gender or religion. The local-global antinomy does not stand apart from these, although it may subsume them, given the extent to which the modern world and modern collective identities have been reproduced largely through ‘identity space’ of the nation-state” (Axford 1995:164). We can add that identity may change by age, profession or social status. “One can have several identities – self-identification can be connected to a profession, a city, or a given religious or cultural community etc. – but there is a certain hierarchy among them. Since the emergence of nation-states, national self-identity has been the organising centre of identity policies.” (Bayer 1999: 33.) Identities are multi-dimensional – they have historical, traditional, social, economic, political and cultural aspects. In our paper, the main focus will be placed on national, ethnic, European and global identities.

In a great part of the related literature, national identity is considered as the most important social identity. It is not surprising, as the national state
has been thought to be the most important political community of our age since the French revolution. In many cases, we can add that the state was conceived as a pure national state. Therefore, European social scientists have always tended to think in terms of national identity. Anthony D. Smith defines national identity as the fulfilment of the following criteria: “Common historical territory, common myths and historical memory, common mass culture, and common economy and rights and obligations extended to all individuals” (Smith 1991: 14). National identity is therefore a complex category, which relates to culture, traditions, even a territory, but also to economic and legal aspects.

National identities are institutionalised by citizenship. Citizenship is a formalised relation, which means a certain degree of protection, and care taking, which provides citizens with security in terms of basic human and political rights, welfare, consumption, education, health care, or environment, and in fact, all aspects of social life. Citizenship assumes obligations, the obedience of all laws, paying taxes, or rendering military and other public services.

Distinction should be made between national and ethnic identities. Compared to the national one, which is a strongly political category, ethnic identities are overwhelmingly cultural, historical or religious. For measurement of ethnicity one can use objective or subjective indicators. “Objective indicators, such as the language being spoken at home, or ethnic identification of ancestors” should be, first of all, mentioned. And of course, “we can use subjective indicators by asking people which ethnic identity they consider themselves as belonging to.” We can experience “considerable volatility of ethnic identifications”, as sometimes people change their identities as they “experience strong incentives, both positive and negative, to simulate or dissimulate, adopt or reject a certain identity” (Offe 995: 24). One could well identify this phenomenon in Central and Eastern Europe in the last one hundred years.

For ethnic identity language is one of the most important factors. It is the mother tongue, on which we can acquire the important knowledge about the external world, communicate our internal feelings in a perfect way, and have our dreams. Multi-ethnic societies are usually bilingual, one is the mother tongue, and the “second” is the means of communication among them.

Sometimes religious factors are stronger. While the Serbs and Croats speak a very similar language, it is religion that distinguishes them. Similarity of languages does not mean automatically cultural similarities. On
the other hand, language differences does not exclude the possibility of strong cultural influences and sympathies (Poles – French – Hungarians). The Roma speak several languages, in their case, the common origin and cultural traditions play a decisive role. As most countries of the world are multi-ethnic societies, their relation is quite complex and needs clarification. Hardly any ethnically homogenous pure nation states, where ethnic and national identities more or less corresponded, have in fact, ever existed. In reality, multi-ethnicity applies to all the countries in the world. According to a United Nations University study, there are about 5000 different ethnic groups in the world, which may claim the right of self-determination, and in case, potentially they may have necessary attributes to form an independent state. (Some estimate the number of languages in the world about 6000 National Geographic-, others about 44000 -UNU.) It depends on that some dialects are considered “languages” or not. As far as the number of sovereign states in the world is only about 200, it means that multi-ethnicity is an undeniable reality. It could be added, that there is hardly any ethnicity which is limited to just one state. Consequently, most of the ethnic groups are in minority position, and in fact, there hardly exists any ethnic group, which is not in a minority status in some place or other.

The conflicts arise from that many of the states pretend to be homogeneous nation-states on the given territory, and usually the majority ethnic group claims the exclusive right of nation forming with its language, culture, heroes etc. as official prerequisites and symbols of the state. It is an ideal case, as Ignác Romsics, a Hungarian historian points out, when the majority accepts the minority as a state-forming partner or at least simply recognises the parallel existence of minorities without the aim of their physical or cultural elimination as a systematic strategy. “If besides this, they enjoy special rights aiming at saving their identity, preserving their culture, and guaranteeing their political influence, we can speak about a certain form of partnership” (Romsics 1998: 372).

In recent decades, it has become broadly accepted, that basic social identities cannot be limited to just ethnic and national identities. The social identities have to a growing extent gained regional and global dimensions. Regionally, in our continent, the question of European integration and identity would be particularly examined.

Identity is a dynamic concept, which is changing with time, and is influenced by several factors. It should be stressed that identities are basically determined by socio-economic conditions. “One of the characteristics of
identity is that it is not given once for ever, but its development is influenced by social changes. Big social transformations shake its so far formulated and valid forms. Then we can speak about an identity crisis and search for a new identity” (Bayer 1999: 32).

The socio-economic changes are, however, transmitted by communication. The forms, the intensity and the character of communication play, therefore, an important role from the point of view of forming the identity of a community. It is very instructive and illustrative, how communication shaped national identities in many ways. The expansion of trade in national proportions created national markets. It is well known that in the last centuries, the national languages and cultures have been greatly promoted through literacy, the printing of growing amount of materials, books, and newspapers, and the general and mass education of people. Recently, one can hardly overestimate the role of the radio and the television in these processes. In general, from the point of view of influencing the process of identification, education, culture, and the media have an extremely important role.

It is an important and highly controversial question, how the different “layers of identities” relate to each other. Jose Miguel Salazar conceives the local, national or regional identities as certain “matrjoska puppets”, where the smaller puppets represent the smaller communities (Salazar 1998). The others speak about “concentric circles”, which follows the same logic. “In the field of identities, the multi-identities should prevail in concentric circles: side by side, equal European, regional, national, ethnic, and other local cultural group identities” (Rostováyí 1999: 71). In many respects, these approaches are well representing the realities. Surveys show, that in many cases, the relations and attachments to smaller communities are stronger, more intimate, and more important, than those to larger ones, which peoples may feel weaker, more distant and abstract. People are mostly interested in what happens in their close neighbourhood, and they care about national or global matters only if their interests are affected.

Huntington at the same time conceives “civilisation” as “the broadest level of identification” (Huntington 1996: 43). According to Huntington, at the beginning of the 1990s, there were 9 major civilisations in the world, and their relations are decisive from the point of view of the development and conflicts of the world in the coming decades. “Everyone has multiple identities, which may compete with or reinforce each other: kinship, oc-
cupational, cultural, institutional, territorial, educational, partisan, ideological, and others. Identifications along one dimension may clash with those along a different dimension: in a classic case the German workers in 1914 had to choose between their class identification with the international proletariat and their national identification with the German people and empire. In the contemporary world, cultural identification is dramatically increasing in importance compared to other dimensions of identity” (Huntington 1996:128).

Others question and deny the relevance of certain static hierarchy among the different layers of identity. Identity is a flexible notion, and it depends on the situation, or the related interests, which is considered to be more important. One can assume that at local elections, the local identities count, but it may be different, when somebody votes for the national or for the European parliament. In such cases, they can be felt equally important, particularly if vital interests are at stake. Fans can be attached to the local or one of the local football team, but at a European Championship they are equally emotionally related to their national teams. In general, the question, which identity is stronger may be irrelevant and it may depend on many factors. And it seems that in our times that is particularly the case. Surveys of Eurobarometer showed, that people feel equally strongly connected to their village or town to the region and to their country (the answers were positive in about 86-89% in each aspects), but at the same time more than half felt that Europe was important for them as well.

In an increasingly inter-connected and interdependent world, other approaches can be sought. Koller suggests a “web or network of identities”, which may fit to describe the diversity of identities of our century. The network of identities “means the dynamic coexistence of the multiple identity of individuals, and contrary to ‘concentric circles’ or ‘matrijoska’ it excludes the hierarchy among identities, and it introduces the time dimension” (Koller 2000). The local, the national or the European identities are different points of the network. The ethnic identities are one of these important points of interactions. In the network, people can shift emphasis and interests from one point of knot to another, and they can flexibly change their attachment from time to time to a given point.

There are negative and positive identifications. Their possibilities usually are rooted in the contradictions of socio-economic systems, and they basically depend on how, in what directions, and with what sort of consequences the given processes or developments influence the positions of the
individuals and social groups. Communication in this respect may reveal those consequences, or may help to manipulate opinions or even interests into a certain direction. This can lead to conflicts of different dimensions of identities some identities can be formulated as an antithesis of the other (national or global identities).

Circumstances also play an important role. National or ethnic identities can vary from narrow-minded, imperialistic, aggressive nationalism (dominant before the war) to open “healthy” national feelings compatible with global thinking (hopefully spreading in present days).

Identity in Our Times

The new information society brings dramatic qualitative changes in terms of social identities. The new technologies, particularly spectacular development of the computer technology and telecommunication boast productivity and efficiency, increases welfare and consumption, and greatly increases the amount of free time available for leisure and entertainment. According to Francis Fukuyama fundamental social and economic changes have been achieved in different cultures. And we experience the extension of liberal democracy and market economy. Although his ideas have been challenged, no one can deny the revolutionary changes in economy, education, culture, and in fact, in all fields of human activity.

Communication has been substantially advanced by the present communication and information techniques. Many think that such new techniques as Internet may bring qualitatively new changes. They may prevent wars, reduce pollution, and combat various forms of inequity. Some even speak about a possibly “computer-aided peace” (Michael Dertouzos).

Some of the general changes and new trends have to be particularly stressed. One of the important changes following from the revolution in telecommunication and travelling is that the economies and the societies undergo a certain “deterritorisation”. “Transnational electronic communications break free of particular territory, spanning and dissolving time and space, and thus erode the intimate particularity of places” (Axford 1995: 212). It means that the significance of distance and territory as factors shaping national identities is diminished. The physical closeness, which determined human relations in local communities, is now unlimitedly extended, and the “global village” has become a reality. The national money as an im-
important attribute and symbol of identity has been also substantially changed. Plastic credit cards and other forms of electronic or artificial money types contribute to the process.

After the Second World War, we have experienced the emergence and rapid acceleration of regional integration processes, and in the last thirty years integration has taken increasingly global dimensions. They were based, to a large extent, on new technologies, in the fields of both production and communication. They were accompanied by the great extension of regional (European) and global identities, as well.

In Europe, the integration of about 50 years has lead not only to a growing identification with the process, but European identity has been institutionalised by European citizenship (Maastricht and Amsterdam Treaties). As the legitimacy of institutions and a political system depends greatly on loyalty and solidarity of the citizens, the creation of European citizenship was an important step towards integration. The European Union has created the symbols of its identity, the common flag, anthem, feast, and last but not least the common money. “It is a question, when Europe acquires the important condition of common identification, the common language. Who is borne Dutch, Dane or Hungarian, should willy-nilly learn lingua Franca, if it wishes to communicate with the outside world. This is served by English, while the mother tongue preserves the culture, identity: this is the language of literature. Is this certain functional and situational bilingualism the language model of the future common European State?” (István 2002).

Some can claim that the European and the “European Union” identities should be distinguished. Some countries, like Russia and other former Soviet Union countries probably never will become members of the European Union, but they belong to Europe. In many respects, they are historically different, and they will never identify themselves with the European Union structures and values. “Europe is not simply a geographical, but cultural (and closely connected to it political and ideological) notion, which at the same time has a symbolic content of meaning: it is the symbol of modernity, development, plurality and freedom” (Rostoványi 1999: 68).

In this respect, Europe is often claimed as holder of universal values. Others stress that cultural and “civilisation” differences should be recognised, and European values (human rights) could and should not be imposed on other countries. The individuals and the social actors have also become part of a global division of labour, with substantially increased information and knowledge. Global competition favours knowledge based ac-
tivities with creative and well-trained labour, which can greatly enhance the quality of human capital. In that competition training and education have become strategic sectors, which improve not only the quality of work, but also living conditions. The availability and accessibility of multimedia products open unforeseen perspectives in learning and entertainment. As result of unfolding globalisation, one can rightly speak about growing global identification of people. This identification can also be based on ethnic, religious, and political grounds.

New technologies and communications may promote real world economic integration. They can moderate differences, even the existing gap between the developed and the developing countries can be eliminated.

“If a positive scenario of the global world really exists or strengthens, it shall be equal with nothing else than that the information society will converge or unite the first and the second world. I would like to formulate sharply, according to our present knowledge, only the information society can integrate the second world into the first, developed one” (Varga 1999: 17).

The greatly expanded communication and information change and “deepen” identities in all dimensions. “In the post-traditional age, one can choose from more and more identity forms” (Bayer 1999: 33). By new technologies local, ethnic, national, regional or global identities have been equally enhanced. In spite of the revolutionary changes, there is no ground to assume that the former trends would have been changed. The multimedia and the „information industries” can equally help the promotion and propagation of authentic local or ethnic cultures, and preserve traditional national or ethnic cultural values and heritage, and they serve cultural globalisation. It is a cultural challenge and a great opportunity. It promotes global understanding among the different nations, but at the same time it can preserve cultural identities, linguistic and cultural diversity. The possibilities of the propagation of local values and programs increase awareness about cultural diversity, and local communities can more easily raise interest in their communities, and increase tourism. These equally apply to European or global identities as the communication of the present days brings breakthroughs in all dimensions. The integration of European economy through the flow of goods, capital or labour has substantially changed the thinking of people, and created common values, approaches or solutions to the problems.

Rapid changes, however, break up old structures, and by creating new ones, they generate tensions. “Change is reflected in the people's life experi-
ence: their horizon broadens to include the world, thanks to devices such as the more and more refined, fast and accessible communication tools, which favour a high degree of mobility; and the diffusion of mass-media and telematic networks, which allow the world to enter directly every home at any moment. All this causes a deep transformation in the bonds between individuals and territorial communities, first of all the one defined by national identity” (Rampazi 2000:33).

Huntington mostly places the tensions into the framework of dimensions existing between civilisations. “In today’s world, improvements in transportation and communication have produced more frequent, more intense, more symmetrical, and more inclusive interactions among people of different civilisation. As a result their civilizational identities become increasingly salient. The French, Germans, Belgians and Dutch increasingly think of themselves as European. Middle East Muslims identify with and rally to the support of Bosnians and Chechens. Chinese throughout East Asia identify their interests with those of the mainland. Russians identify with and provide support to Serbs and other Orthodox peoples. These broad levels of civilizational identity mean deeper consciousness of civilisational differences and of the need to protect what distinguishes “us” from “them”.

Fourth, the sources of conflict between states and groups from different civilisations are, in large measure, those which have always generated conflict between groups: control of people, territory, wealth, and resources, and relative power that is ability to impose one’s own values, culture, and institutions on another group as compared to that group’s ability to do that to you” (Huntington 1996:129).

The experiences clearly indicate that the integration processes in Europe challenge the nation state and national identities from two directions. “In the second half of our century, the modern world split stiffeningly into two to globalization and locality” (Varga 1999:15). The nation state or the national principle has become relative from two sides: from above – the formulation of supranational integration, and from bellow – regional development, the claims for regional autonomies (Scotland, the Basque-Country, Catalonia or Corsica) and the strengthening of ethnic-regional identities. “The absolute validity of the national principle, which influenced the thinking of the past 200 years, is dissolving. The nation-state is undermined parallel at once by the emergence of broader integrations, delegating its licences upwards, and by the devolution of power, namely the removal of government competencies to lower levels, fulfilling the regional and local autonomy claims” (Bayer 1999:35).
Of course, new information technologies, are not automatic remedies to socio-economic problems and conflicts. “The transition to information society was celebrated by everybody”, and many believed, “that these changes are beneficent both for the economy, and for the democracy and freedom, and in general for the society. No doubt that the information society has several obvious benefits, but are all the consequences necessarily so positive?” (Fukuyama 1999: 16).

The tensions and conflicts are rooted in the socio-economic systems, and their treatment needs complex measures. As far as Internet is concerned, “the mistake people make is to assume that wars are caused simply by the failure of different peoples to understand each other adequately. Indeed, even if that were true, the Internet can also be used to advocate conflict. Hate speech and intolerance flourish in its murkier corners, where governments find it hard to intervene. Although the Internet undeniably fosters communication, it will not put an end to war. Even when everyone on the planet has been connected to the Internet, there will still be wars, and pollution, and inequity. As new gizmos come and go, human nature seems to remain stubbornly unchanged; despite the claims of the techno-prophets, humanity cannot simply invent away its failings. The Internet is not the first technology to have been hailed as a panacea – and it will certainly not be the last.” (The Economist 2000: 9-10).

As new information technologies brought rapid and massive change in the identification process, negative identifications seem to have been strengthened as well. The experiences of recent decades have proved that global identities are much more contradictory than any other fields of identification. It can be positive on the one hand, and it can be negative, on the other, but the balance of the two depends on the social, economic, cultural and political status of the individual.

“How people feel about this depends a great deal on where they live and how much money they have. Yet globalisation, as one report stated, ‘is a reality, not a choice.’ Humans have been weaving commercial and cultural connections since before the first camel caravan ventured afield. In the 19th century the postal service, newspapers, transcontinental railroads, and great steam-powered ships wrought fundamental changes. Telegraph, telephone, radio, and television tied tighter and more intricate knots between individuals and the wider world. Now, computers, the Internet, cellular phones, cable TV, and cheaper jet transportation have accelerated and complicated these connections” (National Geographic 1999: 12).
While the new information society also gives opportunities for the poor to participate in the world wide division of labour, and share its fruits, international studies prove that they not only re-produce international inequalities, but even enhance them. The Internet is concentrated on the Northern Hemisphere, and the gap between North and South further increases. "Perceptions may be either positively oriented to the 'global circumstance', for example in the ideologies of those groups promoting the idea of 'one world,' or negatively disposed towards it, as seen in various 'fundamentalist' and local responses" (Axford 1995:27-28).

Information technologies give birth to a new society, while challenging all the traditional values of identity, in national, social or religious terms. As Manual Castells is quoted: "as a result of technological changes two basic institutions of classical modernity have been shaken, the patriarchal family and the nation-state" (Beszteri 1999: 142).

It is not surprising, that in many countries, and for many people, globalisation is broadly seen as an assault, a challenge or an atrocity against traditional cultures. That particularly applies to poor countries or societies. "Many attribute social polarisation and the worsening of their own position to modernisation and penetration of Western values. The social, economic and political marginalization serves as a natural breeding-ground for traditionalism, the survival of traditional social community structures and the spread of ideas and ideologies based on traditionalism. For those broad masses, who feel their daily life and basic subsistence endangered, and make primarily the modernisation, directly or indirectly the West, responsible for that, the traditional community solidarity and ties of relationship are securing not only a feeling of identity and belonging, but they are sometimes the sole resources of their subsistence" (Rostoványi 1998: 275.) Their answer could easily be terrorism and fundamentalism, and it depends mostly on the ways and content of the "communication of ideas", what they choose.

Communication reveals differences and varieties, but it may also make people realise that many of the characteristics of the other are attractive, one can learn useful things from others, and the coexistence and co-operation can be highly beneficial. "Global institutions and movements multiply and the concern with 'humanity' as a whole is perhaps greater now than ever before, as witnessed in the wide appeal in the West of environmental causes and humanitarian concerns. Tolerance of difference also seems more firmly rooted: in some respects the 'other' may be less alien in a world made more familiar by global communication and global cultural products" (Axford
1995: 29). We feel, therefore, that the notion of Huntington that realisation of cultural or “civilisational” differences automatically and necessarily generate tensions and conflicts, is highly questionable.

**Ethnic Problems and Conflicts in Central and Eastern Europe**

The collapse of the socialist systems and the Soviet Empire in Central and Eastern Europe was accompanied by the flaring up of nationalism, which revived ethnic disputes and conflicts, and in some regions lead to civil and ethnic wars. The bloodiest examples were Bosnia and Kosovo, where “peace” could be restored only by resolute Western political and military intervention. All signs indicate that these conflicts could not be solved overnight, it will probably take decades till they come to a rest.

Before analysing the problems of national and ethnic identities in Central and Eastern Europe in the post-soviet era, the great diversity and heterogeneity of the region has to be particularly stressed. The countries of Central and Eastern European region differ in many respects, and often substantially. The differences are historical, but after 1990 they have been further aggravated. Consequently, the heritage of division between “East” and “West” is further complicated by great historical, economic, social, cultural differences among the countries of the former Soviet Empire.

The most general distinction, which is often made, is between “Central Europe” and “Eastern Europe.” Central Europe, in a narrower sense, is considered to be composed of the Czech Republic, Hungary, Poland, the Slovak Republic and Slovenia; Croatia also belongs to this group. These countries are often called Eastern Central Europe, as far as Austria, Germany (particularly Bavaria, Saxonia or Prussia) and Italy (particularly the Northern parts) are considered to be a part of (Western) Central Europe as a whole. Romania and Bulgaria also claim themselves to be Central European countries, because besides the close traditional cultural and historical links, they are also candidates for NATO and EU membership. In cultural and religious terms, Central Europe is a region of Roman historical influence with strong Catholic, Protestant and Jewish traditions. When the dividing line along “civilisations” (Huntington) between “East” and “West” is drawn, Central Europe may be regarded as part of the West. As far as we focus on the former Soviet Empire, later, when we speak about “Central Europe”, we mean “Eastern Central Europe”.

Eastern Europe historically and culturally has developed under the Greek Byzantine tradition with the dominance of the Orthodox Church. In this respect, the countries of the former Soviet Union, and former socialist countries of Southern Europe or the Balkan (Albania, Bulgaria, Romania, and most of the republics of the former YU, except Croatia and Slovenia) belong to this group. The division between the Western Latin and the Eastern Orthodox Christianity goes back to 1054. Central Europe has chosen the West, but the relations and influences from the East remained. The influence of Islam in Southern and Eastern Mediterranean is even earlier, and in the Balkan it remained existent. Later, in the 16th century new division emerged between the Northern Protestantism and the Southern Catholicism in Europe. Central Europe is rather dominated by the Catholicism (Poland, Slovakia or Croatia), but in some countries the Protestantism has strong influence also. Due to large Jewish communities, the Jewish influence from the 19th century was particularly strong on the culture of Central Europe.

Of course, there is several other categorising of the countries of the region, but most of them are highly controversial. The Balkan countries, by their history and many other parameters, form a separate group, but even then the special status of Romania and Bulgaria (Eastern Balkan), as we indicated, should be mentioned. In many respects, the Baltic republics should be dealt with separately, they also have strong Western traditions and links, and they have become EU members. But no matter how we group them, it is important to draw attention to the fact, that in the last 15-20 years, the differences among these countries have not only been revealed, but they seemed to grow.

The 20th century was the birth and emergence of nations in Central and Eastern Europe as well. Till the early 20th century, the 22-24 major nationalities and many other smaller minorities of Eastern Central Europe lived under four major empires (Ottoman, Hapsburg, German and Russian). Their cohesion and identity was based on dynastic devotion and religion, but most of them endeavoured to form their own nation-states. After the First World War, on the ruins of these empires, 9 new nation states were set up, an arrangement that was re-enforced after 1945. Although, these countries gained independence, the Central European region in its recent history has always been exposed to continuously strong great power influences.

After the 1989-90 revolutions the number of these countries increased to 20 states with that about 22-24 major nation-forming nationalities. One can think that it was a triumph of pure nation states. It was not the case at
all. All of those 20 countries remained multi-national or multi-ethnic states with varyingly substantial number of minorities (10-30%). The ethnic harmony is far from having been realised. “The tensions originating from dis-harmonious order of relations of nations, nationalities and states have not disappeared, but have taken new forms” (Romsics 1998: 7).

The differences between “Central” and “Eastern” Europe are not entirely historical or cultural, but they extend to economic, political and social fields. And as we mentioned, they have become more marked, in the past – approximately – 20 years.

There are great differences in levels of development of these countries. While, the per capita GDP of Central European countries (Slovenia, Czech Republic, Hungary, Slovakia) was roughly around 50-70% of the EU average, and it was not much less for Poland, the other countries level was only around 20-40% of the developed European average. The difference between the high range of CE (Slovenia and Czech Republic) and the low range of EU (Greece and Portugal) was not substantial. At the same time, there were substantial differences between Slovenia and Czech Republic on the one hand, and Romania or some of the CIS countries, on the other. The two extremes were around three fold differences.

Concerning the speed and the depth of the transformation Central Europe (and the Baltic countries) performed substantially better than Eastern Europe. While Western-type economic structures emerged in Central Europe and in the Baltic countries fairly rapidly, belated and long time hesitant steps have been taken to reforms, and post-communist regimes have long survived in many Eastern European countries. The same applies to the state of political transformation. The political structures of the Western democracies were established and consolidated in most of the countries of Central Europe, while persistence of authoritative elements characterises the political structures of many of the others (CIS).

There are substantial differences in economic performance and situation following 1989-90. There have been serious economic difficulties in all countries, and all of the countries of the region were hit by the “transformation crisis.” But in most of the Central European countries there has been a strong recovery since 1993-94 and these countries have consolidated their economies relatively rapidly and successfully afterwards. Most of the East European countries have shown dismal performance (for example in terms of inflation) and the improvement of economic situation follows the others with long delay. Some South European countries (Bulgaria and Romania)
caught up with only a lag of some years. In Russia and other CIS countries, the recovery has started only at end of 1990s.

Central Europe in a broader sense (including the Baltic countries) seems to be successful in integration with the West, while others followed them with long delay, and with uncertain and contradictory perspectives. The dependence of most Central European countries (Poland, Hungary, but also Romania) on former CMEA relations was more moderate. There have been differences in stronger or weaker orientation to the „East” or to the „West.” While the CE has managed to increase its trade with the West (EU) rapidly after 1990, the others lost ground substantially at first. After 1990, the Western companies started to invest in Central Europe (Hungary, Poland and Czech Republic), while there was a lack of interest in directly investing in the East. The 10 new EU members come from mostly Central Europe (plus Baltic countries), and the prospects of EU enlargement concerning the Balkan countries still seem distant. The probability of direct participation of the former SU countries other than the Baltic countries in the Euro-Atlantic integration is highly questionable. There was a fairly strong co-relation between the economic and political consolidation of these countries and their integration with Europe.

In spite of the ethnic diversity of Central Europe, there have been no substantial internal ethnic conflicts in the region. There are proper legal frameworks to deal with minority problems in Hungary, Slovenia and Poland. The Czech and Slovak Republic managed their separation in a peaceful and civilised way. The same applies to dealing with internal and external ethnic and minority disputes among Hungary, Slovakia or Romania. These disputes are under control, and are usually solved in democratic ways. It can be stated and stressed without exaggeration, that in spite of continuous disputes, in terms of the coexistence of different ethnic groups, compared to some other regions (Northern Ireland, Basque country etc.) Central Europe relatively remained one of the most stable and peaceful regions of the whole European continent.

On the other hand, there have been several serious ethnic conflicts, which have lead to civil wars with bloody ethnic cleansings in Eastern and Southern Europe. Although, these were limited to given parts of the former SU and YU, István Borsody, the Hungarian-American historian rightly stressed: “The predominant characteristic is that the temperature of East European nationalism is terribly high. Tremendous changes would be needed to reduce this boiling sentiment to the level of Western European
nationalism” (Miszlivetz 1999: 264). These conflicts flared up mostly in the Caucasus, and certain parts of Southern Europe, basically at the meeting points of different “civilisations”, such as the Islam and the Orthodox or the Catholic Christian religions (Croats and Serbs). These conflicts seem to support the theories of Huntington, or more probably they were one of the major sources of such conclusions.

Of course, it does not mean, that the Central European region would be exempt from the problems of nationalities, and even of extreme nationalism. After the 1989-90 transition, we could see a very strong “neo-nationalistic” wave in the whole CEE region, including the Central European countries. This was, to a great extent, strongly related to a national selfdetermination and independence movement in many countries, aimed particularly against Soviet imperialism. Many felt that Sovietisation had undermined the national cultural and democratic traditions, values and identities, which need to be restored. Later, the same feeling emerged in relation to globalisation. The outdated archaic and folkloristic identifications widely flourish in the whole region.

These countries could also not avoid the conflict of identities, in terms of national and ethnic identifications. That was not surprising at all in a region of traditional multi-ethnicity. While the transition has brought relatively broad democratisation in most of the countries, at the same time, that process has not been always satisfactorily extended to the restoration and re-building of minority rights. Multi-identities, which are no less marked in CEE, than in other parts of the world are also burdened with frustrations. After many decades of crisis, decline and oppression it is not surprising at all.

6. The prospects of dealing with the national and ethnic problems in CEE

The national and ethnic disputes and conflicts in Central and Eastern Europe like any other region of the world, root not only in historical traditions and cultural differences, but also in the socio-economic problems and disparities, and the political heritage, particularly in terms of the lack of democratic traditions. Although, these differences or problems do not lead to conflicts automatically, but much depends on the character and content of “communication”, and its final consequences on the people.

After the collapse of communism in 1989-90, in Central and Eastern Europe, it was clear from the beginning, that the only way of getting out of the century long peripheral position and catching up with the developed part of the world is integration (or more precisely reintegration) into world economy. And for historical and geographic reasons, and based on mutu-
al political and economic interests the centre of gravity of this integration should be Europe, namely joining the institutions of the Euro-Atlantic integration. It was understood that besides modernisation, the European integration is the only guarantee for enhancing their security and consolidating newly born democracies.

In the roughly 20 years, following 1989-90, a remarkable progress have been made toward this integration. In the period of 1991-95 10 countries of the Central and East European region (Bulgaria, Czech Republic, Hungary, Estonia, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia) signed association (Europe Agreements) with the EU, which created a free trade framework among these countries by the end of 2000. The EU started membership negotiations with these countries in 1998 about their EU membership, which was realised a relatively short period and lead to that full membership in 2004 (for Bulgaria and Romania in 2007). These countries have become the members of NATO as well.

Concerning the European identification of the countries of Central and Eastern Europe, we find, however, several contradictions and frustrations. After 1990, we could experience great enthusiasm toward Europe. “Re-joining” Europe has become a popular slogan. These countries expected peace and prosperity from the participation in European integration, they hoped that on the long run, it enhances their security, ensures the stability of their democracy, and helps their modernisation through getting out of their 500 year-old peripheral position.

It is a source of frustration, however, that several countries, which achieved their independence as a result of the collapse of the Soviet Empire, and democratisation by accepting the principle of “self-determination”, feel particularly threatened, when facing the challenges of integration and globalisation. Countries, which were part of an empire through almost all of their history, or just got out of one federation choosing national independence, now knock on the door of a European Union, which assumes a federalist future. Many countries have no or very short experience of national independence (often under extraordinary circumstances) and they feel nation-building more important than integration (Serbia, White Russia, etc.)

The first experiences with EU membership are also contradictory. Many expectations proved to be high, and several developments (limitations on free movements of labour) caused disappointment. In many respects, enlargement created a certain sort of crisis (financial, and political),
and as many difficulties remained unsolved, they were blamed on Brussels. The enlargement “fatigue” became general on both sides, and that was aggravated by the recent global crisis.

It is often told that European identity is primarily based only on cultural elements, and some often stress the religious traditions (“Christian Europe”). It seems clear, that for Central and Eastern Europeans’ European identity is more than just a cultural attachment, it has very strong economic, political and social elements. This identification is perhaps not deeper than in the Western part of the Continent after half a century of experience with European integration, but it is not too much weaker either. If we look at the controversies concerning the future of the political integration of the EU, some can consider it even stronger. The major difference lies probably in the fact, that for the West the devotion and the attachment are more practical and pragmatic, while in Central and Eastern Europe European identification is much more idealistic, and full of illusions and sometimes naive expectations. „In general, it is true that East Europeans know very well what they want without knowing precisely what it is that they do want or how to obtain it. Instead, their attachment or return to Europe is a nostalgic vision based on pre-war memories, historical explanations, half-truth and partial information; it is a loud political program which is not sufficiently based on actual conditions” (Miszlivetz 1999: 119).

For full consolidation of the whole Central and Eastern European region, the integration process should be completed and extended to the other countries of the region. With regard to longer-term perspectives, it means that EU membership would be realised not only for the present 10 candidates but for all the others, except probably for the countries of the former Soviet Union (of course not speaking about the Baltic states). Geographically, it means all of the Balkan countries, which are obvious prospective members, and in 2003, in Thessaloniki, the EU committed itself to that perspective.

Under the above circumstances, the EU could be extended from the present 27 members to about 35 countries in the coming 20-25 years. This would mean beyond the present candidates, like Croatia and Turkey the further 5 Balkan countries (Albania, Bosnia, Croatia, Macedonian Republic, Monte Negro and Serbia), plus Kosovo, and with high probability Island, and even Norway and Switzerland.

The membership of Russia in the EU is out of questions for several reasons. As a stable and prosperous Russia is a strategic Union interest,
prospectively Russia should be accommodated with a security and economic community framework. This can mean security arrangements in the broadest sense (beyond military issues, fight against organised crime, dog trafficking etc.), and a comprehensive free trade agreement, which for the EU would offer access to the huge Russian markets. An adapted European Economic Area type of structure could be considered. If properly shaped, such frameworks could be attractive enough also for such countries as Ukraine, Belorussia, or Caucasian republics as well, and it could be extended to the former Soviet republics of Central Asia, which would anyway arise if Turkey joins the Union.

The completion of enlargements, greatly increasing the internal diversity of the European Union, will mean that EU integration will be in continuous transformation in the next 20-25 years, which assumes broad and far-reaching adjustments for all the interested parties. These adjustments will be needed not only from the point of view of completion of the integration processes, but also for meeting the challenges of global competition by the whole continent. The EU has to fulfil a formidable task of strengthening its integration through continuing with the process of deepening, and at the same time be able to absorb to the new members. But this is a mutual interest of all countries.

The ongoing process of enlargement and deepening would mean a Union in transition (or we can say “under construction” or “in shaping”), which realistically hardly can be other than a multi-speed, or multi-tier Europe.

From the point of view of the consolidation of the CE region, and in fact, for the stability and prosperity of the whole continent, several important conditions and principles should be met through that integration.

The process of deepening should be maintained in the EU, and the strengthening the “Centre” should be of absolute priority. Centre, which holds, which sets the pattern, and is able to keep on with the pattern, in spite of growing number of the members. Centre, which is able to absorb new members without weakening, and giving up its identity. This “centre” or “hard core” would not be just a political alliance of small number of the countries, but rather a broader political and economic structure, following the traditional European social, cultural and moral values, and which would comprise probably most of the present members (which gradually can be strengthened by new members). This structure should be composed of several elements, but some of them are of particularly importance. If we simplify, the strong centre assumes:
– well and efficiently functioning institutional structures,
– credible and functioning security systems,
– prospering and globally competitive economies,
– and not at last a stable euro, which will be probably one of the most important integrating factor of the Union.

I am convinced, CEE’s basic interests are in a strong Europe. Put it other ways, what these countries expect, can't be offered and achieved by a weak and loosely integrated Europe. Of course, the old and new members probably remain divided on how far and how rapidly the Union should go toward real federal structures, which on the long run is unavoidable, but a democratic, efficient and competitive Union will be of all interest.

The integration process should be accompanied by gradual economic and social convergence of these countries. It is known that integration is a contradictory process, but its balance of costs and benefits should be positive for all parties, and in the long run, these countries should keep on converging. This convergence is important not only from the point of view of positive identification to European integration, but also for easing and solving their internal problems, including their ethnic conflicts. We know very well that the reason of the conflict in Kosovo was not just the revival of old religious hostility, but rather the long process of the deterioration of the social and economic situation, the lack of possibility to find solutions for the socio-economic crisis, both from the point of view of the country, and the majority of the individuals. Between just 1991 and 1995, the per capita incomes in Kosovo halved, and about 85% of the population had no job. “Consequently, the social tensions played a serious role in the radicalisation of political endeavours of Kosovar Albanians” (Juhász, et al 2000: 73).

And the formula is very simple, and it is the same as in the case of globalisation. When globalisation is resisted or rejected, it is easy to find the reason, if it is threatening with unemployment and the decrease of incomes, creating competition, which endangers local business, or simply bringing negative social and economic consequences for the country.

In Europe, the positive precedents of convergence for the past are given. Finland between the two world wars was less developed than Hungary, and now its per capita GDP is more than two times higher. About 20-25 years ago, such present member countries of the EU as Portugal or Greece were less developed than the Czech Republic or Hungary, and now they have 20-30% higher per capita incomes. And one should not forget about the spectacular catching up of Ireland in the past 20 years. In the past decades, the Northern
and Southern periphery has successfully converged to the developed European centre, and it is obvious that the integration processes played a decisive role. Now, for the future, we have no foundation to doubt, why it could and should not be so with the eastern periphery as well.

The integration conceived as extension and intensification of “communication”, carrying positive messages, and bringing positive results is the only guarantee of overcoming conflicts in the longer run, let them be so grave as they are presently in Kosovo between Serbs and Albanians.

The processes of strengthening the “centre” (deepening) and the enlargement accompanied with convergence are not necessarily contradictory. On the contrary, they may be mutually reinforcing processes. Of course, one can draw different prospects and alternatives for the future of European integration. One scenario of enlargement can be of overburdening the institutions and resources, as result, the collapse of main institutions, and falling back to a simple free trade area. In that case, the integration aims of the Union would be given up, and the periphery would “overwhelm” the centre. That type of general dilution is, however, in no one’s interest.

Integration should enhance the democratisation process in the CE region. Following 198990, the basic democratic institutions have been built in most of the Central and Eastern European countries, and the candidates mostly fulfil the requirement of “stability of democratic institutions” set by the Copenhagen membership criteria. The question is more complicated if we look at the minority policies, and in many countries of the region it was only slowly accepted that the real existence of minority rights should go much beyond just guaranteeing the fundamental human rights for all of the citizens. The securing of equality and the existence of minorities require special regulations, sometimes equal opportunities are not enough. In certain cases and dimensions, positive discrimination is needed. This has been clearly proved by the experience of recent times, whether we are talking about the mutual treatment of minorities or the attempt to solve the Roma problems in Central Europe. “The preservation and strengthening of identity of minorities require special attention and separate legal regulation” (Balogh 1998: 25).

The European experience of the recent decades has proved that oppressive assimilation policies were counter-productive, only the tolerant and supportive attitude from the majority to the minority helped peaceful and prosperous coexistence, and proper coherence and stability of the societies. “The insistence on 19th century conceptions of the nation-state
and the repetition of nationalist waves have aided in the reversal of the self-limiting revolutions of 1989 and in the establishment of characteristically authoritarian-type of democracies. We need new ideas in order to ensure that the radical changes, the democratisation processes and the creation of civil society which began in 1989 are not halted or aborted” (Miszlivetz 1999:121). By the acceptance and enforcement of European principles and norms, the interests of the majority and minorities can be conciliated and harmonised.

It is widely shared that now by integrating in a region the peoples should not give up their national identity. On contrary, as they get increasingly aware of their regional or global attachments, it is also realised that the national state is no longer necessarily the best tool for national integration. As the European Union is pledged to a multi-cultural community, it guarantees the flourishing of the national cultures, it may be served better by broader European frameworks. “The basis of the strong European identity is by all means, the maintenance of cultural diversity, which is not contrary at all to peace and democratic stability. The content of European identity rather means a common political culture, which excels in handling cultural pluralism” (Bayer 1999: 1617).

The “unity in diversity” as a basic concept of European integration should not be conceived as a certain concocted “cultural goulash”, or homogenisation or uniformization of different cultures. European cultural identity means a “unity in dialogue, in communication, and in participation of peoples in development of history of ideas. It is a tacit consensus of European peoples, that they never again recognise any political or cultural prerogative, and they render the freedom of development based ostensibly disordered, but merely immanent driving forces. Cultural identity of Europe is the freedom of culture, which can become and develop to what it wants to be” (Spath 1991: 230.) As Ferenc Glatz the former president of the Hungarian National Academy noted: “I conceive Europe as a Continent of ethnic, religious and traditional multi-colourity. As you can see, I consider the preservation of this multi-colourity important not simply from the point of view of human identity, but also as a condition of our social and productive competitiveness” (Magyar Hírlap 2000).

The famous Hungarian writer Sándor Márai already formulated these ideas in 1942, in fact, at a time, when the European cultural diversity and inheritance was really in danger under the threat of fascistic oppression and uniformisation. “The great power source and battery
of Europe will feed itself from the competition against and besides each other of peoples living here. A Europe, whose residents speak a common language, loose their historical conscience and popular ambitions, would cease to be Europe, as it has been in the past three hundred years, when it has really been a battery of human will for the whole world. The strength of Europe is multi-colourity, conflict, dispute, memory, proof and difference” (Márai 1993: 55).

Of course, now, new concepts are needed, and the content of national identity should be redefined according to the new conditions. „As a result of globalisation, the economic structures have been blurred, and new spheres of interests have emerged, which do not correspond to either ethnic or political boundaries. For the people culture has remained only a “personal property”, if they foster it. For this healthy nationalism is needed. The principle of nation has to be re-defined. If this does not happen, Hungary will be corrupted into an old-fashioned chauvinism stirred from two poles by its enemies: from an ultra-nationalist and an ultra-cosmopolitan pole. These are two poles of the same magnet, they can exist only in interaction.” (Maté 2000: 7).

European identities can be conceived, as special forms or expressions of global identities, on the one hand, and as a certain sort of anti-theses on the other hand. The European identity is partly related to the achievements of European integration, and is partly a certain sort of acceptance and devotion to the future of a closer Europe. “We should not choose between the nation state and integration; the stake of European accession is how we can balance the defencelessness unavoidably originating from globalisation with the advantages given by the union. Consequently, the European integration can prove to be the saviour of the nation state, at least if we think about its democratic forms” (Bayer 1999: 16-17).

The conflict generating extreme nationalism was always self-damaging and self-destructive. Now, in an age, when the regional and global integration is “not a choice”, but a necessity, it is much more the case. The closed and exclusive nationalism, therefore, should be replaced by an open one, which tolerates the differences, and tries to achieve national aims through peaceful co-operation with other nations. “We should not reject the national idea, but we should form our national identity in a democratic and open spirit that tolerates the political and cultural divisions inside the nation. Whereas, the distrustful and parsimonious version of national identity, which is urged today by so many on the right side, is not only of exclusive character, but it
is also the expression of a continuous inferiority complex, and it is unsuited to cope with the challenges of globalisation” (Bayer 1999: 37). In another study he suggests that national identity and nationalism should be defined in terms of „constitutional patriotism” as proposed by Günther Habermas. “The political identity connected to the nation state as a modern idea today can be conceived especially in a modern form of patriotism. I characterised it in the concept of constitutional patriotism as drawn from similar disputes in Germany” (Bayer 1999: 20).

In a Europe of “cultural diversity”, the notion of homogeneous national state should be given up (constitution of many countries of the CEE has not yet recognised that requirement), and the multi-nationality as reality should be accepted. This is the only way of gradually easing all of the tensions in the region, and creating a stable Europe.

A strong and cohesive Europe should be governed by two important principles: the solidarity and subsidiarity. The extended and liberalised markets through increased competition bring huge advantages, but the number of losers is also substantial. They need to be compensated, and it follows not only from the principle of social justice, but also from a general social and political interest functioning as a guarantee of stability and security in a broad sense. Solidarity as a guiding principle of policy has long been recognised by the EU, and in the light of present disputes around WTO or IMF, it seems that it also has relevance in global contexts. As Eveline Herfskens, the Dutch Minister for Development Co-operation stressed at the North-South Centre meeting: “Global interdependence is a key term. New policies of solidarity are needed, based on human dignity and social cohesion. Such policies are both a moral obligation and a rational necessity. People should have control over processes that affect them, this is the elementary principle of democracy at any level. Globalisation without democratic control could not possibly reflect the values, aims and principles on which the Council of Europe is based” (The Interdependent. No. 90. 07.08/2000:1). This equally applies to Europe. In Europe, solidarity is strongly rooted in the Jewish-Christian, and later in the labour movement traditions, and it was not by chance that the principle of the welfare state as a social policy and practice has been developed by the Socialist-Social-democratic and Christian-democratic parties in these countries, since the early 20th century. Solidarity is important from the point of view of necessary social and political cohesion of the society and to foster true European identity.
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Turkey’s relationship with her neighborhood underwent a major transformation at the end of the Cold War. In the Cold War context, Turkey’s relationship with neighbors was defined within the context of the Western alliance. Turkey was a “frontier” state within the containment policy of the Western alliance vis-à-vis the Soviet Union. As a result, it had a difficult relationship with neighbors, because most of the countries in the neighborhood were either in the Soviet bloc or had tense relations with the West. Since Turkey defined its relationship with neighbors in the context of the Western alliance, and did not have much “autonomy” in neighborhood orientations and policies but had to observe the solidarity within the alliance. This lessened Turkey’s room for maneuver and cut the country off from good neighborhood relationships. While there were some changes in Turkey’s relationships with neighbors, with relaxation in the tensions between USA and USSR during the 1970s, Turkey discovered began to discover the importance of its neighborhood only with the end of the Cold War. During this period, Turkey showed not only more active involvement in neighborhood issues, but also exhibited a more autonomous attitude with the disintegration of the Cold War framework. Turkey promoted many initiatives in the Balkans, the Black Sea region and Central Asia during the 1990s. One of the most striking was the Black Sea Economic Cooperation project initiated by Özal to enhance economic activities in the Black Sea region. Based on a “functionalist” orientation, Turkey started to increase economic activities in the neighborhood, mainly in trade and investment relations. Turkey also increased its role as an “energy corridor” with the construction of the Baku-Tbilisi-Ceyhan pipeline and with various other energy projects. These initiatives were followed by other governments during the 1990s. This reveals that Turkey’s foreign makers were belatedly realizing that stability in Turkey was closely connected to stability in the neighborhood.

The contextual shift in Turkey’s neighborhood orientation “deepened” and gained strength and visibility especially after the Justice and Develop-
ment Party (AKP) came to power, and reached a climax with Davutoğlu’s “zero-neighborhood policy”. In this period, economic relations, which started during the 1990s, accelerated with the volume of trade with the neighborhood increasing from 3.7 billion USD in 1991 to 80 billion in 2008, a more than 20 fold increase in 20 years. As Kirişçi points out, the extent of Turkey’s engagement in its neighborhood is best exemplified by the dramatic rise in Turkish Airlines flights to destinations in Turkey’s immediate neighborhood which increased from a total of six during the Cold War years to 29 flights at the end of 2010. This phenomenon is a reflection of a deeper trend in Turkey’s growing engagement in the neighborhood with the involvement of greater numbers of non-state and civil society actors. The main instrument which was used to increase the movement of people was the facilitation of visa-free travel agreements completed with 61 countries as of January 2011. Increased development assistance and aid through (TIKA) and within the framework of international organizations is another highlighted aspect of the way this foreign policy is put into action.

As a general principle, the Minister of Foreign Affairs Ahmet Davutoğlu and other foreign policy makers think that Turkish foreign policy should be multi-dimensional and dynamic and seek to shape the regional order in Turkey’s environment. The goal is to change Turkey’s position from being a “flank” country of the Cold War years to a new central (core) country. With a more ambitious goal, Ankara was more eager to play a greater third party role as a mediator in the resolution of the conflicts in the region and showed an increasing ability to use “soft–power” mechanisms in orientation compared to earlier periods. This ambitious vision rests on the view that Turkey has a “unique strategic depth” and could “reinvent” itself in the changing regional and global system.

In addition to the changing international context, Turkey’s changing relationship with the EU at the end of the 1990s also helped to improve Turkey’s relationships in the neighborhood. The internal reform initiatives of the Turkish governments after the Helsinki Summit of 1999 were supplemented by a new outlook on foreign policy, regional initiatives and neighborhood relations. This change in the foreign policy orientation of Turkey was characterized as one of “Europeanization” by many analysts, focusing on win-win rather than zero-sum solutions in foreign policy based on multilateral diplomatic and economic instruments which are more soft-security means rather than hard-security military mechanisms. These orientations in Turkey’s foreign policy were reinforced by the expectations of the EU from
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Turkey on good neighborhood relations in the context of the Copenhagen political criteria. As a result, Turkey’s alignment with the CFSP declarations of the EU has shown a remarkable increase during this period. Turkey’s positive role in regional cooperation was also emphasized in the Progress reports of the period. In this period, there were major changes in Turkey’s relationship not only on its western borders with Greece and Bulgaria, but also on the eastern and southeastern borders, with a dramatic improvement in relations with Syria, Georgia, Azerbaijan and Russia.

Two critical problems in Turkey’s relationship with neighbors have been the Cyprus and Armenia problems. However, during this period, Turkish policy-makers took important initiatives on both issues: there was a dramatic change in Cyprus policy emphasizing a more cooperative “win-win” policy leading to the approval of the UN Annan Plan by Turkey and Turkish Cypriots. We also witnessed a tendency towards normalization of relations with Armenia. These efforts on the bilateral front were also observed in addressing the more multilateral problems of the Middle East region and the Caucasus. Turkey’s policy-makers were quite active in trying to mediate the Arab-Israeli conflict with participation in negotiations between Syria and Israel and the initiative to create an economic zone to ease the economic problems of the Palestinians. Turkish policy-makers also realized that tensions in the Caucasus had a potential to escalate further and have taken regional initiatives to bring countries of the region under the Caucasus Stability and Cooperation Platform (CSCP).

Turkey’s orientations and policies in the neighborhood during this period show that there was remarkable convergence with the EU’s norms, values and methods in the neighborhood. Turkey followed a “default” neighborhood policy which was in line with EU’s neighborhood policy. This policy was primarily based on a “functionalist” understanding and relied on multilateral diplomacy and soft-power tools.

Unfortunately, the positive relationship between the EU and Turkey began to change and turned negative after 2005 which also led to a divergence in the orientations towards their joint neighborhood. As Turkey began negotiations in 2005, after a long waiting period, enlargement policy was increasingly challenged in the EU and “enlargement fatigue” began to prevail in the dominant discourses within the EU which was reinforced by the economic crisis. In this downturn phase of European integration, Turkey was targeted by many leading EU members with increasing exclusionary statements about Turkey’s accession to the EU. This negative context
created resentment in Turkey and led to feelings that the EU was no longer an inclusionary institution interested in Turkey’s economic and political reform processes, but rather was intent on creating new dividing lines based on religious or cultural differences. This enduring “vicious circle” in the relationship led to a stalemate in the accession negotiations and created an “anomaly” in the relationship: Turkey was a negotiating country with the EU without effective channels for dialogue on substantial issues facing the EU on CFSP, CSDP and ENP. As Turkey was becoming more active and diversifying her role in the troubled neighborhood, there were no effective channels of dialogue with the EU for the purpose of developing common policies on the immediate turbulent neighborhood issues. As the EU’s significance in Turkey has waned, Turkey’s orientations towards its neighborhood have increasingly become “unilateral”, which was particularly manifest in the divergence of Turkey’s policies with regard to Israel and Iran.

When assessing Turkey’s push in the neighborhood in the broader context, the Turkish political elites and governments should realize that the EU anchor was crucial to Turkey’s role in the neighborhood. Turkey was able to transform and enhance its soft-power capabilities through the EU accession process. It largely owes its appeal in the region to its relationship with the EU; its unique position in the neighborhood is the result of the EU anchor. For Turkey, to play the kind of role it aspires to in its neighborhood, important hurdles must be overcome, particularly in relations to the persistence of profound political problems, as seen in the rise of infringement of freedom of expression and organization within the country’s increasingly polarized political context. This is shaped by tendencies on the part of the AKP government towards majoritarian and more authoritarian rule. The most important lesson in this climate would seem to be to “heal thyself” in order to serve as an example for the countries in the neighborhood. The increasing significance of the domestic-neighborhood linkage also underlies a major dilemma of Turkey’s neighborhood orientation, which Öniş characterizes as the “ethics versus self-interest dilemma”.

In the last two decades, Turkey’s Cold-War role as a “frontier state” has been transformed into a potential role as a “regional keystone” in the neighborhood. The EU anchor has been critical in this process of transformation in Turkey’s role as a regional soft power. However, Turkey’s role has remained rather as a potential because of the lack of effective channels of dialogue between Turkey and the EU on neighborhood issues as well as on CFSP and CSDP. With its increased focus on foreign policy and security
issues, the Lisbon Treaty provides a conducive context and its provisions show that there is room for “structured cooperation” and “enhanced cooperation” in these areas. Unfortunately, these mechanisms are still restricted to the members of the EU. However, in addition to “coherence” in the areas of foreign policy and security, there is an urgent need to create more “flexible” mechanisms. If more flexible mechanisms become viable in these areas, it could help to foster the creation of more effective channels of dialogue on neighborhood issues. For that to happen, it seems a new paradigm is needed in the process of European integration and enlargement. The “traditional model” of enlargement has come to a stalemate; it is not easy to sustain the Turkey-EU relationship with the traditional “one-speed” model of integration. There is an increasing need for a more flexible differentiated integration model, which is more inclusionary of candidate countries. The critical questions in this context revolve around the nature of differentiation. What is quite clear is that the new models of differentiation should not be designated as substitutes or alternatives to accession negotiations. They should also provide a more inclusionary mechanism giving candidates more “voice” in the institutional mechanisms. Collaboration in these areas could be useful in building up much needed trust in the relationship and could inject new life into the problematic accession negotiations. Such a development could help to change the debate on the EU-Turkey relationship from identity-immigration issues, which tend to characterize Turkey as a liability, to foreign policy-security-neighborhood issues which would increase the role of Turkey as an asset in the process of European integration.

The changing turbulent context in the Middle East is an important test for the EU and the Turkey-EU relationship. Turkey and the EU share a joint neighborhood, but they increasingly have parallel approaches. Given the changing context in the Arab world, all actors need to rethink their policies. The recent events in the neighborhood place pressure on both the EU and Turkey to overcome the present vicious circle and define a more effective working relationship which will require complementarity in their orientations towards the neighborhood. Time is ripe for such a rethinking, but also running fast. Turkey’s efforts in the neighborhood require more active support from the EU and the USA, but Turkish policy-makers should not second guess the need for democratic consolidation. The consolidation of democracy is a necessity not only for Turkey, but also for the neighborhood that it shares with the EU. The consolidation of democracy rather than the geopolitical significance that made Turkey so crucial in the Cold War period
is the best possible way to anchor Turkey not only in the neighborhood but also in the West.

We witness the rise of a “multipolar” world in the international system in the context of a declining West. The international system as well as the role of the West is being redefined in the changing turbulent context. In the post-Cold War context the EU became the crucial actor in defining Turkey’s relationship with the West which is different from the Cold War context where the relationship with the United States was more crucial. The EU lost its attractiveness and transformative power over the Turkish accession process in the recent period. However, the dramatic changes in the international system and the turbulence in the Middle East put pressure on the EU and Turkey to rethink and focus on neighborhood issues jointly to revitalize their relationship.

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Ageing in Europe and in the Developed World

In the coming decades one of the major problems for Europe (and for the developed world) will be caused by decreasing rates of productivity and mortality and growing life expectancy at birth. In other words, ageing will cause problems. As this issue has been analysed and discussed in innumerable forums and publications, the present writing does not wish to study it in detail, as one could hardly add anything new. At the same time, new considerations regarding the dimensions of the problem need to mentioned.

According to the 2006 Report of the Economic Policy Committee and the European Commission active-age population will decrease by 16%, that is by 48 million people, while the number of people in retirement age will grow by 58 million between 2010 and 2050. Currently four active persons can be calculated for one retiree, this proportion would be 2.6 in the US, 1.6 in Germany and 2.4 in Great Britain, in 2050 according to the forecasts. This proportion will be 2 on average per one retiree according to the 2006 forecast of the IMF. The age structure also shows this trend. According to the Eurostat forecast, by 2040, 45.52% of the population of the EU27 will be above the age of 65, and in Germany it will be 56.44%.

The retirement of the so-called baby boom generation also means that physicians, engineers and teachers will also retire from the work force. It will become increasingly impossible to maintain the standard of welfare one is used to with the deterioration of the rate of active and retired population. Obviously, more resources and skills will be needed to look after the growing retired population. The economy itself will have to face an increasingly grave and complex shortage of experts. The problem of experts has another component: besides ageing there is a growing discrepancy between higher education and the labour market.
Skewed Higher Education

The unemployment rate in the Euro-region was 11.4% in early October 2012, but the rate of unemployment of students leaving higher education is much higher. According to many experts as many as 25% of graduates cannot find jobs. Presumably higher education as a mass enterprise has no means or methods to cope with this problem. The development of specialized curriculum, the elaboration of relevant textbooks and manuals, as well as the training of lecturers (and setting up of laboratories, libraries, developing related IT infrastructure) is a time-consuming and costly business.

Higher education also has internal problems. The Bologna System, issuing diplomas after three years of training in several disciplines cover provide rather superficial knowledge. The Eurostat figure shows that almost 20 million students participated in higher education in the EU27 in 2010. At the same time, only 12.5% per 1000 of the 20–29 age group had degrees in natural sciences and technical subjects in 2010 (Eurostat 2012). Remarkably this figure was just 8.3% in Hungary, but 24.2% in Finland.

It appears that young people avoid technical and natural science specialisations because of the longer training periods required and because the learning material is more difficult and specialized. In addition, secondary schools have not provided the necessary knowledge to enable students to successfully meet university requirements.

This problem is already clear in daily life. On 14 November 2011 the British Home Office published an 18-page approved list on the internet, which contains professions and vocations where there is a shortage in the UK. If one wished to describe this list in brief it would be easier to enumerate those fields where there is no shortage. Yet, it is worth underlining some areas. The list comprises practically every branch of medical science, and as far as technical and natural sciences are concerned, there is shortage in the UK in practically every field beginning with ’geo-‘, in addition to physicists needed in the fields of radiation therapy or nuclear medicine, and engineers in dozens of fields. The next and surprising group of shortages consist of secondary school teachers in subjects of maths, physics and chemistry, or teachers in special education. Besides teachers, social workers and nurses are also needed. The list is long and surprising so it is no wonder that a recent news item in Hungary suggested that so far thirteen thousand Ukrainian medical doctors have gone to Europe and found employment.
With retirement this situation could only worsen in the EU27 if major reforms in secondary education are not introduced and if young people are not oriented towards shortage professions and occupations.

An Industry of Higher Education?

The British list of shortages actually indicates a paradox. In Great Britain higher education has flourished as a lucrative business even if it is not totally free of occasional scandals. In 2009 foreign students studying in the UK contributed to the British economy by about 8 billion £ (The Guardian). Another estimate mentions ‘only’ 5 billion, composed of tuition fees, cost of accommodation and living, of the three hundred thousand foreign students.

A recent personal experience is also noteworthy. Some Hungarian students applied for admission to West European universities. Fearing that they would not even get a response, they submitted their applications simultaneously to three or four famous institutions. To their – and to their Hungarian teachers’ surprise – they were admitted to all the places they had applied, naturally as paying students. Having selected the place they preferred, they were harassed by e-mails from the rejected institutions who clearly wanted them as paying students.

Higher education as a business enterprise is not unknown in Hungary and neighbouring countries. In Hungary it has mostly evolved in the medical schools where groups are taught in English or German (or both) and the number of paying foreign students applying for admission has steadily increased to almost as large a number as Hungarian students.

There are certain general tendencies in this development besides the overall drive to democratise tertiary education and make it a tool for founding and nurturing the growth of knowledge-based societies all over the world. If looked at from the angle of universities and institutions of higher education, they surely are fully aware of this pressure for broadening education to the masses; at the same time they also realise the general tendency to spend decreasing sums on higher education in their budgets. Sponsorship has become highly significant and it is uncertain how a prolonged economic crisis will curb and decimate this important resource. On the other hand, it is a basic interest of universities to preserve, maintain, and develop their infrastructure and intellectual capacities looking back decades or centuries.
It is only too easy to close down a department, a specialisation but far more difficult to reopen and re-establish one.

In the second part of this paper, dealing mostly with India, it will once again be shown that taking in foreign students is a great source of revenue for western public and private universities. So far, this competitive and lucrative business is unable (or does not want to) consider the growing shortage of experts in Europe and the ageing developed world. The question arises: are there opportunities to reduce these emergent shortages with experts with state-of-the-art skills? In theory yes, one only has to look further away, particularly to China or India where an explosion in access to higher education has occurred. India has the advantage of being the second largest English-speaking country of the world where between 12–15% of the population speak and can work in English. That is why this paper continues with an elaboration of arguments for the exploitation and utilization of this valuable potential resource to help accommodate Europe’s ageing population.

**India, the Young Subcontinent**

Today the 1.21 billion inhabitants of India are young, about 550 million of them are below the age of 25. When India became independent in 1947, it had 19 universities and a number of colleges. Data concerning the explosive growth and development contain several paradoxes of which some will be touched upon below. What are the problems associated with this kind of growth? Does higher education meet the quantitative and qualitative demands of the labour market? Does it contribute to the reduction of enormous social inequalities? Does it promote rapid Indian economic growth?

**Some Basic Facts of Indian Higher Education**

**Institutional Growth**

Between 2000 and 2010 the number of universities issuing diplomas grew from 256 to 564 and Indian higher education has become the second largest in the world. There is a national supreme authority, the University Grants Commission (UGC) which controls the entire higher education in cooperation with 12 professional authorities and with the National Board of Accreditation and the National Assessment and Accreditation Council.
The UGC published a report on 17 June 2012, indicating that in ten years up to 2011–12 the capacity has grown by 150% and 33,023 colleges are in operation (UGC 2012). The document also lists the types of higher education in India besides colleges (UGC 2012). A new phenomenon is the rapid growth in the number of private universities.¹

**Growth of student enrolment**

Compared to the expansion of the institutional network, the growth in student enrolment was less, and though it has reached 17 million within a decade, its growth lagged behind capacity growth. At the same time, the female participation in higher education doubled between 2000 and 2010 and has reached 42% of the total student population (UGC Report).

**Composition of intake**

The subject-wise distribution of student enrolment also reveals a weakness that students do not take up certain specialisations.

<table>
<thead>
<tr>
<th>Specialisation</th>
<th>Percentage of all</th>
</tr>
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<tbody>
<tr>
<td>Veterinary science</td>
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<tr>
<td>Agriculture</td>
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<td>Medicine</td>
<td>3.85</td>
</tr>
<tr>
<td>Education</td>
<td>3.36</td>
</tr>
<tr>
<td>Engineering/Technology</td>
<td>16.86</td>
</tr>
<tr>
<td>Science</td>
<td>18.42</td>
</tr>
<tr>
<td>Commerce/Management</td>
<td>17.11</td>
</tr>
<tr>
<td>Arts</td>
<td>36.39</td>
</tr>
<tr>
<td>Others</td>
<td>1.37</td>
</tr>
</tbody>
</table>

**Table 1 Percentage of enrolment in major specialisations in 2010–11:**

*Source: UGC Report*

¹ It should be noted that there are 1800 colleges only for female students. And it is also remarkable that there are about 300 institutions of higher education maintained by Christian Churches, mostly by monastic orders, offering outstanding training to anyone in areas for which there is great demand by the rapidly developing Indian economy.
It is striking how few people obtain PhDs. While, for example, more than one million students studied engineering and technology in the 2011–2012 academic year at various undergraduate levels, there were only 367 PhD students in the same areas (Choudaha 2!)

**Issues of Quantity**

The huge numbers are spectacular, yet they do not cover even approximately the needs. India is lagging behind among its competitors as only 9% of the 17 to 23 age group participate in higher education, while this proportion is 20% in China. Currently, India spends only 1.5% of its GDP on education as a whole, whereas at least 6% should be required in view of the entire population. Even within this figure the government budget allocates less than 1% for higher education and, what is more, this sum has also decreased. If India wanted to increase student participation in higher education from 9 to 15%, the country would need 1500 additional colleges.

Currently, grave social disparities characterise higher education (participation of the urban population of the age group in higher education has approximated 20% whereas it is hardly 6% in the rural regions). The next group of disparities involves the three categories of people that fall under the state’s policy of positive discrimination (Gáthy 2008). The proportion of places reserved for these groups varies by states but now reaches 52% of all the available (state) places, yet the participation of SCs (of the relevant age groups) was 6.52%, of STs was 6.57% and of OBCs only 8.77% in higher education in the academic year 2004–2005.

The above data (and others) indicate that quantitative growth has been insufficient in various areas, yet absolute figures show the enormous growth of the diploma holding population. In 2007 there were about 37 million diploma holders in India. Higher education itself already employed more than 470 thousand teachers/lecturers in 2005 (World Bank). Yet the situation of the most rapidly growing areas of training is contradictory: annually it has been the student population of technical and management fields that has grown most, in five years the growth in the former was 125% and 180% in the latter, whereas the GDP had grown only by 50% during the same period (Choudaha 2012). This means that graduates cannot find employment or only with difficulty in jobs that require their specialisation.
Issues of Quality

Various lists are prepared, from time to time, ranking institutions of higher education by different criteria. Experience shows that usually no Indian universities are included in the first five hundred of the world (in some lists a few of them may occur). There are, however, excellent institutions of higher education in India, such as the so-called Indian Institutes of Technology (IIT), founded upon the initiative of India’s first Prime Minister J. Nehru who wished to ensure topmost professional training in these new institutions modelled upon the Massachusetts Institute of Technology. Five such institutions were established during his lifetime, but now there are more. In addition, there are other internationally recognized institutions also in the field of management (Indian Institutes of Management =IIM).

The issue of the quality of higher education came to the foreground of attention by 2007, among other reasons, because private universities have mushroomed as the new and growing, financially vigorous, solvent Indian middle class has been sending their children to foreign universities in recognition of the importance of excellent education. In addition, outstanding private secondary schools have been established where the medium of instruction is English. They prepare their pupils for higher studies abroad. The dimension of out-going students annually is that about one hundred and fifty thousand youngsters start their studies outside India thus draining about two to three billion US dollars from the Indian economy (Bhatia–Dash 2010). And there is no guarantee that these young people will return to India after having acquired marketable and good quality knowledge.

Prime Minister Manmohan Singh gave a talk on the 160th anniversary of the foundation of Mumbai University and his words have become widely quoted ever since. Here is a passage:

...Our university system is, in many parts, in a state of disrepair... almost two-third of our universities and 90 per cent of our colleges are rated as below average on quality parameters... I am concerned that in many states university appointments, including that of vice-chancellors, have been politicised and have become subject to caste and communal considerations, there are complaints of favouritism and corruption...

Subsequently the Prime Minister has decided upon action and set up his own advisory body, the National Knowledge Commission (NKC), the
members of are eminent people experienced in the business world as well as in higher education abroad. The Prime Minister had also specified the points along which the NKC was supposed to work and to set tasks for the country, such as:

- Build excellence in the educational system to meet the knowledge challenges of the 21st century and increase India’s competitive advantage in fields of knowledge;
- Promote creation of knowledge in science & technology laboratories;
- Improve the management of institutions engaged in intellectual property rights;
- Promote knowledge applications in agriculture and industry;
- Promote the use of knowledge capabilities in making government an effective, transparent and accountable service provider to the citizen and promote widespread sharing of knowledge to maximise public benefit.

The life of the Commission was extended and a final report (besides the annual ones) was expected for the year 2009. The Commission discussed quality shortages, but there are others, such as:

In a large number of cases curricula are outdated, the methodology of education is outdated, there is no interaction between teacher and student, the libraries are outdated, the internet is not accessible everywhere. The universities are short of resources because the government of the day had frozen tuition fees in 1950 (!), hence today a student of an Indian university would pay a monthly fee of 30 to 100 rupees (1 euro=about 69 rupees). (Private universities do not fall under this regulation, and recently the IITs and IIMs were also taken out of it.) With the exception of graduates of technical, management and medical schools only about 10 to 15% of other students obtaining degrees meet the demands of the labour market. A kind of crisis of confidence has unfolded towards institutions of higher education in general. The documents of the NKC and other sources warn that there are chaotic conditions in the world of private universities, some of them are excellent but many of them offer programmes that would only function as “money minting” ones, and pay no heed to quality requirements. The NKC also reports that private capital invests a lot into higher education and it is revealed that today about 80% of those institutions are financed (and governed) by private capital.
Major Reform?

Finally, the NKC elaborated about 300 proposals in 27 areas during its almost five years of activity, and has also drawn up bills or offered background material to bills. It is worth quoting some facts and ideas from the talk given by the Chairman of NKC who resigned in 2009. Sam Pitroda, this extremely highly qualified professor and entrepreneur with foreign experience, was the Prime Minister’s advisor as chairman of the NKC and when he resigned from that post he became and continues as Chairman of the National Innovation Council. He gave an angry public talk at the Higher Education Round Table held in 2010 in New Delhi. The title of the presentation on the internet is: „We have discussed a lot, now it’s time to act.” He told his audience that the purpose of the NKC was to make knowledge the decisive paradigm of the 21st century in India as well. Hence they started their work „with focus on five aspects of knowledge: access to knowledge, knowledge concepts, knowledge creation, knowledge applications and knowledge services.” The NKC finally summarized their recommendations in 3 pages for the Prime Minister. All in all it was emphasized that work should be done in the areas of higher education, libraries, vocational training (as it is largely missing in India and whatever is available is poor) and in school education in general. Pitroda summarized the most important findings of the NKC:

– Institutions founded 50 to 60 years ago have become outdated; some of them do not function at all or is corrupt.
– The corrupt Medical Council supervising medical education should be dissolved (ultimately this was done).
– Educational institutions need more freedom and flexibility as it was impossible to govern them from New Delhi (UGC) or a capital city of a state. The structure itself was unmanageable as there are some universities to which more than 1100 colleges have been affiliated like in the case of the universities of Mumbai, Bangalore or Hyderabad.

In Pitroda’s view Indian higher education was facing three challenges: the institutional network had to be enlarged as more colleges, more teachers and more places for students would be needed (more medical doctors, engineers and natural scientists are required); second, the quality of education should be improved with the exception of 5 to 10% of the institutions. Third, even the poorest should have access to the best education. Furthermore, the teaching staff mostly does not do research, and conversely, researchers do not teach. Education should be deregulated as
it is the only area where India has not implemented liberalization. It is not clear why it takes 4 to 5 years until a recommendation becomes an Act of Parliament (Pitroda 2010).

At an Elephant’s Speed

Pitroda’s impatience was not unfounded. The machinery started to function and five bills began to be prepared sometime in 2009 or later. Prior to that, and after four years of waiting, finally both houses of the central Indian legislature approved the Right of Children to Free and Compulsory Education Act, 2009. This Act, however, only covers lower level education. The five bills related to higher education, still much discussed, have not been passed yet, except one, the setting up of the National Council of Higher Education and Research, approved by the government in November 2012, but not yet passed by the two houses of the central legislature. The bills have produced heated debates all over the country, incidentally showing that Indian democracy and the freedom of speech are in full bloom but which also means that anyone can stand for parochial and narrow-minded interests as well, not seeing the interests of the entire country and society. As a result, light was shed on many processes that result in excessive measures against older values, institutions and content besides the enthusiastic support of new tendencies.

A long analytical article, published in The Telegraph of Calcutta in July 2012, is remarkable. It states among other things that “in this age of globalization, education is just like any other commodity and so needs to evolve by the laws of the market and should be controlled and determined by market players.” It deals – rightly – at first with the conspicuous problems of secondary education and states that in most schools it is only natural science subjects that have qualified teachers whereas humanities hardly have proper ones. Students have been alienated from these subjects. Social opinion has emerged suggesting that clever students study only natural sciences and those who are interested in humanities are looked down upon. In keeping with the policy of the central government, universities teaching only natural sciences are being established. All in all the educational system advocates that humanities are irrelevant. (Is it only in India?) In many places no departments of humanities have been preserved. And humanities students are fearful of being judged as not possessing sufficient intelligence and that their life is regarded as meaningless if they are unable to get admission to an IIT or to a
medical school. Further on the article states that the level of Indian industry and technology does not justify the high priority so far granted to those fields in higher education. If the dismal image outlined is true how is it that Indians going to the US and working there are highly successful?

**Indians in the United States**

Earlier India had produced great mathematicians, theoretical and nuclear physicists, etc. Today Indians working in the US are usually regarded as successful. Some of them have become governors or pop singers and make good money. What, however, may sound some alarm is that one of the products of the IITs imparting excellent training about *thirty thousand* were already working in the US in 2010. According to estimates every sixth of the inventions created in the Silicon Valley was made by Indians. Sabir Bhatia founded Hotmail, Vinod Khosla was one of the founders of Sun Microsystems, and the later rock star Ajay Bhatt developed the USB. It is remarkable that about 80% of Indians currently living in the US arrived there after 1980, and two thirds of them already had some kind of university degree. Indians mostly work in technical, business, medical and IT areas (French 2011: 384–385). In 2004 already almost 1.5 million Indians of Hindu religion lived in the United States and this figure obviously does not contain Indian (or Pakistani and Bangladeshi) Muslims, Sikhs and Indians of other religious denominations. Hindus have created their miniature India overseas (Doniger 2009: 637).

**Going Home**

Some go back to India and utilise their up-to-date knowledge and skills. One could quote Sam Pitroda himself who, after having founded a company in Chicago which has several branches in various places today, went home upon the call of Rajiv Gandhi. Or, one could mention Shrikanth Nandhamuni who, in the early 90s, was already working in the Silicon Valley. Among others he planned and made the Pentium II chip at Intel. Today he lives in Bangalore. At first he developed the satellite map of the big city in cooperation with the Indian Space Research Organisation, next he set himself to elaborate a biometric system of identification which is supposed to cover all the 1.21 billion citizens of India (French 2011: 387–392).
The examples show – and teachers in western universities confirm – that Indians are intelligent, learn easily and fast, they are diligent and become successful provided they are offered good quality education. The question is then when would the Indian economy (and living conditions) become attractive for Indians living in the United States and in other developed countries to return.

**Technical and Natural Sciences vs Humanities**

Though the second part of this paper focuses on Indian higher education, readers may find several phenomena that are not only Indian but emerge in the educational system of many other countries to the same or lesser extent. Here only one issue is pinpointed that is emerging practically everywhere and is becoming a painful and even urgent issue to be discussed, faced and a healthy solution to be found.

Here we return to the article in *The Telegraph* of Calcutta suggesting that humanities are losing their prestige and those who are interested in such fields are being increasingly despised in India. This phenomenon is not unknown elsewhere either, even if perhaps it is not so marked. It should be recalled that according to official Indian data 36.39% of students in higher education are still students of humanities and many of them can never find a job, or at the most in call centres. (But it should also be noted as a special phenomenon of South Asia that many girls study for their first degree in humanities but few – though a growing number – of them would be added to the active population once they get married and bear children.) May be this proportion is too high. But in a country of subcontinental dimensions, where several languages live side by side with flourishing literature, in a country looking back at least to three and a half millennia of continuous history with large regional varieties, which has extremely colourful ethnographic and religious traditions, rich museums and archaeological sites, it is a fundamental task to preserve, maintain and interpret all this, to hand it over to the next generations as part and essence of the common national culture and heritage. This is the task of qualified teachers, writers, translators, journalists or researchers who would preserve this treasure. The stand that higher education has to issue a ‘marketable’ workforce by all means is untenable.

The emergence of balanced proportions is still awaited, not only in India but in Ireland as well as, or in Hungary. In many countries strange transformations take place. For instance, the Department of Latin was recently closed down at the Debrecen University of Hungary, in a city where there is a medical
school, a school of pharmacy, a vigorous Protestant theology, and departments of history (for Hungarian history as well the documents and sources of which were almost exclusively written in Latin up to the middle of the 19th century!). Such a department supplied with books, periodicals and teaching staff, where decades of experience and skills have been accumulated, can be eliminated by a stroke of pen, and to rebuild it would be almost impossible. One hears about such transformations and elimination of departments elsewhere too, but the maintenance and handing down of any national culture (and at times even a successful branch of learning constituting the pride of a national culture like e.g. Tibetan Studies in Budapest) needs the training of highly qualified experts in the various branches of humanities and this must be a national task everywhere. Humanities in fact contribute to the socialisation of the young generations, to ingraining important values in them, in brief to what Aristotle called ‘taming of humans’ and which is the major tool of creating national and individual identities, of creating and maintaining harmonious social relations.

Summary and Conclusions

In the present writing I have discussed the present situation of Indian higher education in some detail, and presented some of its contradictions, though surely not all. My hypothesis is that the expected enormous dimensions of highly skilled workforce retiring in ageing Europe could be supplemented by Indians but that one should know the present conditions and emerging tendencies in Indian higher education. Europe would have to start close cooperation with Indian institutions of higher education, with their governing personnel, with researchers so that India may succeed in building a knowledge-based society and that Indian intellectuals and particularly subsequent generations of experts should acquire the contents of globalised knowledge and skills that can be applied everywhere equally well, and not the least to make Indians familiar with the set of European values, customs, the operation of economic life and intellectual values.

Bibliography


James M. Skelly

Introduction

In his book, *In the Name of Identity: Violence and the Need to Belong*, Amin Maalouf writes, “it is often the way we look at other people that imprisons them within their own narrowest allegiances. And it is also the way we look at them that may set them free.” Maalouf is criticizing our tendency to “lump the same people together under the same heading,” for example when we say that “the Serbs have massacred…,” “The English have devastated…,” or, “The Jews have confiscated…,” etcetera. The task, Maalouf argues, is “for each of us to become aware that our words are not innocent and without consequence: they may help to perpetuate prejudices which history has shown to be perverse and deadly” (2001:35).

Those of us who are international educators know that Maalouf’s injunction to become aware lies at the core of our work – we attempt to overcome those perverse and deadly prejudices so that we, and our students, may look at others in a way that sets them free, and in the process, sets us free, as well. Thus, many international education programs emphasize that they will contribute to a student’s sense of a more inclusive “world citizenship,” “global citizenship,” or even “international citizenship,” rather than the more narrow allegiance associated with national identity alone. In this case the expanded notion of citizenship we want to explore is “European citizenship” in this, the European Year of Citizens. Maalouf challenges us by arguing that, “Creating a new Europe means creating a new concept of identity, for Europe itself, for all the countries in it, and to a certain extent for the rest of the world too” (2001:131).

Unfortunately such expanded notions of citizenship often appear confused when contrasted with the clearly defined national citizenships that so many people are accustomed to. That said, the privileging of national identity and citizenship is increasingly challenged today, not least
by the global structural crises that we face politically, economically, and socially that are informed by phenomena as diverse as climate change and terrorism. “Loosening the semantic connections between national citizenship and national identity takes into account that the classic form of the nation state is at present disintegrating” (Habermas 1994: 21). One consequence of this may be however, that there is a corollary tendency to seek refuge in national identities, and often in xenophobic manifestations of such identities.

In addition, other transformations have stimulated the development of a plurality of narratives of identity and social spaces that are not defined by the state. It is from within these narratives and spaces that we may be able to expand our ideas of citizenship to enable us to address the European structural problems which are not possible at a national level. As Paul Barry Clarke has argued in *Deep Citizenship* (1996:107), the broader consequence of these developments may be a positive one - the ability “to critically take the perspectives of others….in order to be able to act towards the universal” and therefore, “beyond selfishness, sectionalism, and sectarianism.”

The question however is, if we as international educators are working to expand the concept of citizenship, what is the context for the expanded identity that European citizenship might provide? If it isn't the state, what is it - the European Union? Seen from “above,” and in the work of some international educators, this would appear to be the preferred perspective since its basis is formal and legal. Bernhard Streitwieser (2011:2), for example, in his research on the Erasmus programme and citizenship identity, argues that he interprets “a citizen to be a legal member of a politically defined state,” and “identity to be the way citizens interpret their values within the citizen group to which they legally belong.” April Carter (2001:123) also sketches out the symbolic initiatives that were meant to contribute to a sense of European citizenship and identity including the introduction of a uniform European passport in 1985 which would “immediately identify passports holders as belonging within the European Community,” and one purpose of which was “to promote a sense of shared identity.” In the same year, the European Commission adopted the European flag of the Council of Europe “as a Community symbol.” The Maastricht Treaty of 1992 further institutionalized European citizenship by formally recognizing “citizenship of the Union.”

Although the Maastricht Treaty provided some substance to the status of European citizenship in the realm of human rights, mobility within the

Union, and Pan-European principles of non-discrimination on the basis of nationality and gender, it also reinforced national identity as the basis for European citizenship. It did this by formally tying European citizenship to citizenship in one of the member states by stating that, “Every person holding the nationality of a Member State shall be a citizen of the Union.” Even this was watered down however, and in a report three years after the treaty had been crafted, a report of the Commission indicated that the rights of European Union citizens were at best “fragmented” and “incomplete rights which are themselves subject to restrictive conditions.”

Therefore, although such formalistic conceptions of citizenship are valid only to a degree, they still do not take account of the emerging sense of citizenship that is conceived outside of the formal structures that institutionalize both national and European citizenship. Thus, instead of limiting the sense of citizenship in the manner of formalists, what I want to argue here is that the broader context for a sense of European citizenship and identity is the further development from “below” of a European civil society. With that as context, I make the further argument that international education is crucial to its development and therefore is fundamental to the creation of a sense of identity and ultimately, citizenship that transcends the formal status of citizen defined from “above.”

The idea of a European civil society, and indeed a global civil society, grew out of the social movements and activism of those who challenged the communist states of Central and Eastern Europe in the late 1970’s and 1980’s, and wanted to move “Beyond the Blocs.” The distinction between civil society and the state was used to support the right of people to freely associate which, in their state-centric societies, had not been allowed. Although the term “civil society” can be traced in political philosophy back to the Greeks and Romans, this particular conception of civil society can be found in the late 17th and early 18th century work of Jeremy Bentham, who argued that the state and civil society were distinct entities. Mary Kaldor (2003: 50) of the London School of Economics has noted therefore that what she calls “The Ideas of 1989,” provided the conceptual basis for current discussions about the creation of a broader conception of civil society, and ultimately, citizenship.

It was in the late 1980’s that we saw attempts to revive the idea of civil society in both Europe and the United States. The state in Central and Eastern Europe was being challenged with the idea that there should be a civil society where people were free to associate, while many in the United States
were making a complementary argument that a “good society” informed by social equality and justice was needed. Although the meaning of “civil society” has changed over the centuries, it was utilized by activists challenging the state in the countries of Central and Eastern Europe in the 1980’s by emphasizing the distinction between civil society and the state especially on the right to free association. As Mary Kaldor has noted, “... the emphasis was on self-organization and civic autonomy in reaction to the vast increase in the reach of the state.” (2003:21).

As I have argued elsewhere (Skelly, 2009), in the United States a complementary focus with a neo-Tocquevillian perspective developed which challenged some of the imperatives of large corporations in addition to the state, and were rooted in what Tocqueville had called the “habits of the heart” of the American people (Bellah, et al, 2007). These “habits” were what contributed to the strength of civil society in the United States because they established the norms for citizen engagement in associational activities – what many call “civic virtue,” and which Robert Bellah (1967) had long argued is central to “American civil religion.” In addition to free associational life, and the good society, Michael Edwards, former director of the Ford Foundation’s program on governance and civil society, claimed that there was a necessary third component to a broader conception of civil society – the “public sphere,” which provides the basis for the “revival of interest in direct, deliberative, or participatory democracy” (Edwards, 2004:59). It is the synthesis of these perspectives that could contribute to a European civil society within which a sense of European identity and ‘citizenship’ might develop.

The concept of “civil society” therefore also provides the “theoretical foundations to further support the development and status of work in international education, as well as providing a discourse that embodies the vision that most international educators hold” (Skelly, 2009:25). In Global Civil Society 2002, researchers at the London School of Economics claimed that, “A growing practice of studying abroad may therefore be one catalyst of the emergence and spread of global civil society” because “students are major transmitters of knowledge and ideas, and interlocuters across cultures” (Glasius, et al 2002: 264).

As a colleague and I argued in International Educator magazine (2004) nearly a decade ago, that synthesis should be supported by a “more intentional approach” embedded in international education programs so that we can educate students to provide them with the insights necessary to over-
come ethnocentrism, to be reflective about the limits of national identity, and to provide critical perspectives on the activities of corporations and states. To a certain extent the Erasmus Program has implicitly and explicitly attempted to achieve these goals.

**Erasmus**

ERASMUS, the European Community Action Scheme for the Mobility of University Students, was launched in 1987, and later integrated with the SOCRATES program in 1995. The ostensible goal of the Erasmus program was to allow European students to take part of their courses of study in another European country, and to receive formal academic credit for the modules taken while abroad. By the mid-1990’s, over 300,000 students had participated in the program, as well as more than 10,000 third-level lecturers and professors (Teichler and Maiworm 2007:III).

In his 2009 paper, “Does ERASMUS Student Mobility Promote a European Identity?”, Emmanuel Sigalas argues that if we conceive of a “European identity of simply being a national identity writ large,” it will be “impossible to create a European identity through a standardised Europe-wide education or other methods borrowed from the nationalist toolkit.” “Such attempts,” Sigalas claims, “would not only be met with fierce opposition but they would also undermine instead of strengthening the EU” (2009: 4).

As I am arguing here, Sigalas suggests that if “a European identity could emerge semi-spontaneously from below (emphasis added), it would be far less provocative and more fruitful.” (Ibid.). In an echo of the claim of the researchers at the London School of Economics cited above, Sigalas turns to Karl Deutsch and his theory of international integration which depends on “international transactions....ranging from international trade and capital flows to labour migration, student mobility, tourism, mail exchanges and other types of international exchanges”(2009:5) The significance lies in “the formation of a ‘we feeling’” which according to Deutsch is stimulated significantly by “the mobility of persons” and therefore suggests “that in this field of politics persons may be more important than either goods or money” (Deutsch, et al 1968: 54, cited in Sigalas 2009: 5). Sigalas thus concludes that “the more people cross the borders to visit, study, work, and live in other European countries, the better the prospects for a European identity,” and I would argue, a sense of European citizenship (Ibid.).
Obstacles

The obstacles that we face in developing a deep sense of European identity and citizenship are however deeply rooted, multi-layered, and unfortunately inform the way many people in Europe are educated, if we understand “education” in the broadest sense. International education in both Europe and the United States has suffered from being under-theorized in that many of the concepts used to legitimate international education programs use of concepts deriving from work in intercultural communication as well as outdated research in cultural anthropology. In addition, these concepts came to the fore during the 1950’s and 1960’s, and became embedded in the discourse and culture of international education because more overtly political conceptions would have met with political resistance in many places during the Cold War. Thus the symbols of banal nationalism, and the nationalist identities they help to engender, are often reinforced in international education programs.

The long term consequences of these factors has, I think, left the field of international education conceptually and intellectually impoverished, reinforced an educational experience that takes a world of nation states as a politically unchallengeable given, and undermined the development of more viable notions of European citizenship. These problems, and the resulting confusion of students and educators alike, are enhanced at the present moment because of the speed at which political, social, and economic structures are being transformed further under what some characterize as “globalization.”

I also want to argue that most of the talk of students developing cross cultural competence from studying abroad creates a mirage for students and for many of us. As it stands now, if students are fortunate they will learn about “otherness,” but in the main what they learn implicitly and unreflectively is how the planet is politically organized at the current moment into a system of nation states, though there is little if any emphasis on the decline of their sovereignty. In this regard, it broadly reinforces what Ulrich Beck (2009) has characterized as “methodological nationalism” which “assumes that the nation, state and society are the ‘natural’ social and political forms of the modern world.” To the extent that students think they come home with cultural insights, they undoubtedly are myths that reinforce stereotypes about something called the “Irish”, the “French”, the “Germans,” or the “British.”

I have felt for some time now that we are simply not providing the kind of education that will adequately prepare students for the tempestuous years of the 21st century ahead – we’re looking to the past, rather than
the future. Thus, if we are to create programs in which a sense of European citizenship might be stimulated, I would challenge the emphasis on what I think are conceptual illusions informing our educational initiatives and programs. Terry Eagleton reminds us that, “The primary problems which we confront in the new millennium – war, famine, poverty, disease, debt, drugs, environmental pollution, the displacement of peoples – are not especially ‘cultural’ at all.” (2000: 130).

Culturalism

The emphasis on concepts such as cross-cultural competence came forward first in the United States because politically charged terms such as “socialism,” could not readily be discussed – students were meant to study abroad to “understand” other peoples, not other political systems, or the political character and emerging global political role of the United States. One of the prime movers in study abroad in the 1950’s told me that he and his colleagues saw the development of study abroad programs as a way of countering McCarthyism during the early years of the Cold War. In other words, their initiative was fundamentally a political project. So instead, the international education community began using rather anodyne concepts about developing cultural knowledge, cross cultural competence, understanding other societies, etc., instead of focusing on the political insights to be gained from studying in other countries. Over time, this discourse became institutionalized – many of the ‘professionals’ in the field have accepted an apolitical understanding of their work. One could see that the tendency that took root in the 1950’s was replicated in the aftermath of the September 11th, 2001 attacks – the terrorists attacked the United States because, it was said, “they hated Americans’ belief in freedom,” rather than being motivated by the politics of oil, and the US military presence in Saudi Arabia and the broader Middle East.

Therefore, the over-determined focus on intercultural communication has contributed to a distorted understanding of conflicts in the world because they were seen as rooted in the much safer concept of the cultural, rather than in political or economic conditions. Within this framework, conflicts occurred, and could be ameliorated it was thought, if people just came to understand and appreciate their cultural differences. In Northern Ireland we see this in well-meaning often religiously informed groups who come
from abroad to “help” by trying to get Protestants and Catholics to understand their cultural differences and therefore appreciate each other. As one of my former colleagues at the University of Ulster has opined, people from different communities in Northern Ireland “know each other all too well” and they don’t necessarily want to get to know each other better – instead they want a political structure that will guarantee the peace.

In very simple terms then, the focus on the “culture” of a society became a substitute for a focus on the political and economic structures of particular states including, of course, a reflection on the politics of one’s own home state. At the same time the global system of nation states was often reinforced politically as the norm because the culture students were meant to learn and appreciate during their educational experience away from home, were the national cultures and languages that state building required. That this often meant that international education programs highlighted the symbols of banal nationalism (Billig 1997) and culturalism, such as national flags and the consumption of shark fin soup (Skelly 2011), was generally not noticed.

Programs also often provide support to such state building projects through a strong emphasis on learning national languages – one program I worked with, for example, sent students to Strasbourg and Barcelona to learn the national languages of France and Spain, not Alsatian, nor, in reality, Catalan. Similarly, some have argued (Engle and Engle 2003: 6-7) that the raison d’être for studying abroad should be the “challenge of direct, authentic cultural encounters,” while the center which they founded in Provence does not offer either Occitan, or its local dialect, Provençal, as part of their academic programs. One might even argue that such programs are contributing to the demise of the authentic culture of Provence by promoting French, since UNESCO considers Provençal, along with three of the five other dialects of Occitan to be “severely endangered.”

As Terry Eagleton (2000: 59) has noted, “any particular national or ethnic culture will come into its own only through the unifying principle of the state, not under its own steam.” This is most evident, as Benedict Anderson (1991:133) has observed, in the adoption of national print languages, of the sort we ask students to study, because of their “capacity for generating imagined communities” of the nation. Thus, when we urge students to note the connection between the study of a particular culture and the dominant language within a political jurisdiction, we further contribute to a student’s focus on a world of sovereign states because language, culture, and nation-state are presented as all matching up (Piller 2011A:49).
course, initially requires the naming and codifying of a language, after which “the relationship between that language and that culture seems self-evident,” (Ibid: 52) even though it shouldn’t be.

National languages are therefore, “almost always semi-artificial constructs” and “the opposite of what nationalist mythology supposes them to be, namely the primordial foundations of national culture and the matrices of the national mind,” as Eric Hobsbawm (1990:54) has noted. Ireland again provides a reasonably clear example – the revival of the dying Irish language just over 100 years ago was meant to contribute to the creation of an imagined community with a common culture and ultimately a politically independent state. As many of you might know, Gerry Adams, the leader of Sinn Fein, always starts his speeches in Irish because it is an expression of the nationalist mythology that is a central part of the political project to unite Northern Ireland and the Republic in an imagined community simply called “Ireland.” Standard Irish today is, as in other countries, an official language of the state and an amalgam of three dialects. Although Ingrid Piller (2011A: 52) quotes Max Weinreich to the effect that, “A language is a dialect with an army and a navy,” perhaps we’re fortunate that the Irish military is much less developed than the Irish language.

Looking historically at the international education literature, the tendency to de-politicize the rationale for studying abroad would seem to have its foundation in the works of Edward T. Hall and Geert Hofstede. Hall is “widely considered as the intellectual godfather of the field of intercultural communication” (Piller 2011), and therefore has near guru-like status in international education. His understanding of culture, and cultural differences were however fundamentally informed by his pre-WWII work with the Navajo and Hopi in the American Southwest. These were of course small societies which still had reasonably well-defined cultures. However, such societies are increasingly rare today and one cannot extrapolate from them to the societal conditions faced by most people around the world at the current time. Furthermore, the work itself, Hall (1990: 26) admitted, was informed by a strong sense of cultural relativism, which of course pushes political considerations to the side.

Hall’s central role developed when he was asked to help educate US diplomats at the State Department’s Foreign Service Institute in the early 1950’s. In light of the US’s newly evident global military and political power, the State Department recognized that its diplomats were woefully under-educated about non-Americans. Thus, at the Foreign Service Institute, Hall
offered a workshop quaintly titled “Understanding Foreign People” out of which many of his ideas about intercultural learning were further elaborated. As Ingrid Piller (2011A: 32) points out, it was not only the field of intercultural communication itself “that developed in US military and diplomatic institutions of the mid-twentieth century, but also a very specific theoretical and methodological approach to intercultural communication.” Hall focused on what he characterized as micro-cultural details with the central notion being “that people from different cultures ......differ in their use of space, their conceptions of time, their ways of using paralinguistic phenomena such as intonation and pitch, and in the ways they use their bodies”(Piller 2011A:31). Thus, rather than focus on the political aspects of the Arab-Israeli conflict, for example, Hall would conclude in his book *Beyond Culture* (1981:147), that “a significant portion of their difficulty is cultural”, rather than what many in other academic fields would see as a fundamentally political conflict because, as Piller again points out, “cultures are usually equated with nations” in Hall’s paradigm (Piller 2011A:31), with the resulting distortions being discussed here.

It was the theoretical and methodological approach of Hall, developed further by the likes of Geert Hofstede and others, that came to inform the *raison d’être* for many international education programs by focusing on cross cultural learning. Hofstede’s work in particular is often cited by international educators as one of “the classic works on cultural patterns and cultural variability,” for example (Paige 1999), and Kalamazoo College’s Project on Intercultural Communication (KPIC) in the United States in which students both prepare for and reflect upon their experiences in international education by relying on “Hall’s notion of high and low-context cultures,” and “Hofstede’s cultural patterns” (Brewer and Solberg 2010: 49). A similar project at Beloit College which allowed students to discover things they had not known about the countries they studied in, yielded this banal result from one student – “The traditional British Sunday culture is apparently stronger than I thought it was. Perhaps British traditions, such as gardening and the Sunday roast, occupy the symbolic cultural role that church occupies in the U.S.” (Ibid: 46). This student must have missed the 2001 speech of then British Foreign Secretary, Robin Cook, in which he said that the most popular dish was “Chicken Tikka Masala,” not roast beef, and that chicken Tikka had become the “true British national dish.”

Hofstede (2001), a psychologist from The Netherlands working for IBM in the late 1960s and early ‘70s, developed a set of five cultural values
which would, he argued, inform the understanding of different societies for those working in international business. The values were power distance, individualism, masculinity, uncertainty avoidance, and long-term orientation and were based originally on Hofstede’s access to a data base of tens of thousands of questionnaires on the attitudes of IBM employees in 40 different countries. One of the major problems with Hofstede’s work as presented on his website is that nation and ‘cultural dimensions’ are “presented as a one-to-one match,” and therefore “the nation state in which a person lives is the key determinant of their cultural orientation” (Piller, 2011:78). As Brendan McSweeney (2002) notes in a withering attack on Hofstede’s work, Hofstede conceptualizes national culture as:

- “implicit,” and thus akin to “software of the mind;”
- “core” – the national culture forms the “nucleus” of culture in particular societies;
- “systematically causal,” and suggests “national cultural determinism;”
- “shared,” in that “a unique national culture is assumed to be individually carried by everyone in a nation”, or, “as a statistical average based on individuals’ views.”
- “territorially unique” in that “every national population somehow shares a unique culture” and thus, Great Britain is treated “as a single entity with a single ,national’ culture;”

The absurdity of Hofstede’s conceptualizations is captured by the idea that cultures are territorially unique – would the Scots consider Great Britain “as a single entity with a single ,national’ culture”?

However, rather than simply critique the conceptual basis of Hofstede’s work, McSweeney focuses on the weaknesses in his methodology, and therefore most prominently on his generalizations “about national level culture from an analysis of sub-national populations” which “necessarily relies on the unproven, and unprovable supposition that within each nation there is a uniform national culture and on the widely contested assertion that micro-local data from a section of IBM employees is representative of that supposed national uniformity” (Ibid.:22). McSweeney’s critique of Hofstede’s work provides further insights for those of us who are concerned about the conceptual foundations of international education programs, not least because “the limited characterization of culture in Hofstede’s work; its confinement within the territory of states; and its methodological flaws mean that it is a restrictor not an enhancer of understanding particularities” (Ibid.:27).
Banal Nationalism

Instead, Hofstede’s work contributes to students’ socialization to the banal nationalism that unfortunately pervades international education. Like some web pages for these programs in the past, banal nationalism was until recently reinforced on the Hofstede’ website through the use of national flags next to the entries for specific countries. That said, the attraction of educators and others to Hofstede’s dimensions of cultural values derives largely from the fact that we are all socialized to a greater or lesser extent to banal nationalism through practices and symbols such as national anthems, flags, and pledges to them, etc., which in turn leads to an essentialist view of culture as rooted in the nation. One need only look at the web pages of various international education providers to see how pervasive banal nationalism is – many still use national flags as markers for their programs on their websites, for example.

Let me note here that for several years each of the programs of one provider with which I was associated were in part identified on web pages with flags indicating the national political jurisdiction within which they were situated, including the program I directed in Derry in Northern Ireland, which at one time had the British Union Jack situated next to a photograph of my head! I argued when I worked with this provider that this was not only specifically problematic, but broadly so as well, because it subtly supported banal nationalism at a time when transcendence of such conceptual cul de sacs must be our focus. Using national symbols tended to not only equate culture with the nation, but it obscured local cultural expression and the sense of political identity of many of the people who lived where programs were situated. One of the key aspects of the “Peace Process” in Northern Ireland, for example, has been the attempt to remove sectarian and nationalist symbols from the public realm. In the past, one of the most visible signs of banal nationalism and sectarianism was the flying of different flags to demarcate territory and to indicate which side of the sectarian divide various communities and neighbourhoods were on, even when many individuals in those communities disagreed with these blatant symbols of sectarianism.

The problematic character of the symbolism was noted and incorporated into the Belfast Agreement using the following phraseology: “All participants acknowledge the sensitivity of the use of symbols and emblems for public purposes and the need in particular in creating the new institutions to ensure that such symbols and emblems are used in a manner which promotes mutual respect rather than division.” So today, an ever broader spectrum of
people do not want to use such sectarian symbols, and thus there has been a broad effort to remove all flags from the public realm in Northern Ireland to promote the “mutual respect” agreed in the Belfast Agreement. The future demands that we rid ourselves of banal nationalism if both a European and, ultimately, a global “imagined community” are to be realized.

Identity

The deeper problem with our efforts to achieve a sense of European citizenship amongst younger people today is not exclusively with the traditional symbols of banal nationalism, but also with the processes through which identity is increasingly defined today. One of the software technologies utilized in some international education programs to assess individual change as a result of studying abroad, is the Beliefs, Events, and Values Inventory, or “BEVI” for short - it exemplifies the processes I have become increasingly critical of. As an instrument of assessment the BEVI is representative of the broader political tendency of “panopticism.” Panopticism is a term used in some theoretical circles that derives from Jeremy Bentham’s description of a prison that would have a panoptic design that allowed those in control to easily view all of the activities of its prisoners. The concept was theoretically elaborated further by the French social critic Michel Foucault to include all of the mechanisms of surveillance in our societies. There is therefore a plethora of literature today in the social sciences that details the manner in which unchecked data collection contributes to panopticism. Lyon (2003: 2) provides the flavor of the critique and argues:

“...that there are dangers inherent in surveillance systems whose crucial coding mechanisms involve categories derived from stereotypical or prejudicial sources. Given that surveillance now touches all of us who live in technologically “advanced” societies in the routine activities of everyday life, on the move as well as in fixed locations, the risks presented go well beyond anything that quests for “privacy” or “data protection” can cope with on their own.”

Like many bureaucratic procedures, the data collection that results from students subjected to the BEVI attempts to make the human subject, in this case the student, a “calculable person,” to use Foucault’s phrase. Essen-
tially, such projects attempt to make the person “legible,” and consequently more easily subject to the exercise of power - see for example, James Scott’s (1998) *Seeing Like A State*.

In addition, however, such projects tend to “construct” the individual who is under surveillance, as I experienced when I looked at an application for a British university post many years ago and found that I was asked to identify myself - the choice came down to indicating whether I was either “white,” or “Irish”! Thus, like so many techniques of this sort, the data being collected provides us with the illusion of understanding *who* a student is because, among other things, we’re helping to construct him or her through the assessment of the categories associated with quantitative data. Such approaches are in the end associated with the objectification of the subject of the research, and thus have an embedded project of control which I would argue contradicts our intent to help intellectually empower students. Jaron Lanier makes a similar argument regarding the digitization of identity and the loss of the nuance inherent in being human in *You Are Not A Gadget: A Manifesto* (2010).

At one level of analysis, although such projects appear to provide solid data, in reality they often don’t do so, even from within their own methodological framework because key terms are often not clearly defined, nor easily operationalized. At a very basic level, it is difficult to use the BEVI, for example, to distinguish between beliefs and values as there are no clear standards for differentiating between the two. Given the degree to which terms like “belief” have been reified today it seems rather clear that opinion rather than belief is the object of measurement. Although many people would argue that belief is somehow ‘deep’ and ‘strongly held, or should be, there is a considerable body of opinion that “belief has become polluted,” to quote the French social critic Michel de Certau (1985:146). Essentially, ‘belief,’ like so much else in our consumer societies, becomes a commodity that is easily exchanged and its value therefore degraded.

Michael Shapiro, the University of Hawaii political scientist, makes a corollary point in a paper (1988) published in a series I edited toward the end of the Cold War. He quotes an exchange from Barry Lopez’ 1986 book, *Arctic Dreams* (1986: 201), between a Danish anthropologist and an Eskimo shaman, called “Aua,” in which the anthropologist is attempting to ascertain the beliefs of Aua’s people. Aua says, “We do not believe. We fear.” Shapiro uses this to suggest that our emphasis on ‘belief’ tells more about us and our societies than it does about particular persons:
“Instead of exploring people’s beliefs, for example, we can do a genealogy of belief itself, locating “beliefs” in the context of the history of practices related to the management of danger. Beliefs, as an identity for persons, are a kind of data, providing a way of reading the script of modernity rather than an analytic device aiding interpretation. That modern individuals have beliefs is less a fact about persons than the contemporary way of constructing them.”

The larger issue here is, I think, to see how contemporary ideas about beliefs and values, for example, reflect how we, and the societies we live in, conceive of the Self and identity rather than thinking that they reflect some essential characteristics of our persons. That is sometimes difficult to see, and we therefore are unable to perceive how the societies we live in are structured at a fundamental level and actually produce beliefs and values.

Current European Dynamics

Before concluding, I want to attend briefly to the work of John Urry, as well as Michael Hardt and Antonio Negri, as I think that their insights further call into question the conceptual illusions of study abroad in the context of the rapid rate of contemporary social change. Urry (2000), the British sociologist, has played off Margaret Thatcher’s infamous comment that “there is no such thing as society,” and has written a compelling treatise called “Sociology Beyond Society.” In it, he argues that in today’s world, rather than privileging the concept of ‘society’ we should be emphasizing ‘mobilities.’ It may be that the emphasis on ‘society’ is one of the reasons that sociologically informed policy makers are unable to shape policies that account for the different social world of 2013. Since they often think they are dealing with a relatively stable entity called ‘society,’ politicians and policy makers have difficulty shaping long-term policy because, as Urry suggests, they should be thinking in terms of ‘mobilities’ where networks and the fluidity of our contemporary social circumstances are instead central.

If Urry is correct, as I suspect he is, this would have profound implications for how we think about international education, culture, and the raison d’être for sending students to other parts of Europe and the wider world. It also suggests that the idea of “authentic cultural experiences,”
whether studying abroad or not, is further challenged. Urry notes that the “sociological concept of society is organized around the metaphor of a region,” and that there thus appears “to be different societies with their clustering of social institutions, and with a clear and policed border surrounding each society as region” (Ibid: 32). He then suggests that in order to understand globalization, we need to replace “the metaphor of society as region” with metaphors in which the globe, and thus Europe, are conceived as a “network and as fluid.” (Ibid.).

Conceived thus, we need to think of Europe as entailing “infrastructural developments routed literally or symbolically across societal borders,” as manifested in technologies and machines ranging from fiber-optic cables to credit cards, and the Internet, to name just a few. Since these technologies and machines “carry people, information, money images and risks,” and are capable of flowing “within and across national societies in increasingly brief moments of time” (Ibid.: 33), they have significant consequences for the idea that there are authentically different cultures, or that we should privilege national states and national identities. The multiple flows “produce the hollowing out of existing societies” and therefore generate within such societies “a complex, overlapping, disjunctive order of off-centredness, as these multiple flows are chronically combined and recombined across times and spaces often unrelated to the regions of existing societies”(Ibid.: 36). Conceptually, this means that the “implied fixities of a ‘regional’ institution and social structure” have been superseded by “an indeterminate, ambivalent and semiotic risk culture where the risks are in part generated by the declining powers of societies”(Ibid.: 37).

Urry’s insights complement those of Michael Hardt and Antonio Negri in their trilogy which commenced with the book Empire (2000). Hardt and Negri’s basic hypothesis is that the old territorial empires are gone forever and that “sovereignty has taken a new form, composed of a series of national and supranational organisms united under a single logic of rule.” One of the primary symptoms of this new form of what we might characterize as “imperialism,” is therefore the “declining sovereignty of nation-states and their inability to regulate economic and cultural exchanges” (Ibid. xii). In contrast to older forms of imperialism, this new form establishes no territorial center of power and does not rely on fixed boundaries or barriers, and is therefore “a decentered and deterritorializing apparatus of rule that progressively incorporates” Europe and the entire globe “within its open, expanding frontiers” (Ibid.). This new conceptual framework would seem
to be vividly confirmed by recent experiences in Greece, Ireland, Spain and other European countries, since traditional notions of sovereignty are now increasingly redundant in the face of institutions such as the IMF, the World Bank, and the “markets.”

Hardt and Negri’s insights also echo those of Ingrid Piller and stimulate a return to the concern that the conceptual foundations legitimating many international education projects are illusory. Hardt and Negri argue that, “Although “the people” is posed as the originary basis of the nation, the modern conception of the people is in fact a product of the nation-state, and survives only within its specific ideological context” (Ibid.:102). The problem, they suggest is that the term “the people,” “tends toward identity and homogeneity internally while posing its difference from and excluding what remains outside of it.” (Ibid.: 102-103). Hardt and Negri also invert Anderson’s notion of the nation as an imagined community, and thus argue that the perverse consequence is that “the nation becomes the only way to imagine community,” and thus, “every imagination of community becomes overcoded as a nation” with the result that humans feel “negated in the straitjacket of the identity and homogeneity of the people” (Ibid.). Therefore, our tendency to focus on “the people of France” for example, as we do in international education programs, means that we contribute to an education that reinforces illusions about identity and the homogeneity of people living in particular places. Little wonder that we get students musing about the cultural significance of roast beef on Sunday afternoons in Britain! This must be an essential concern as we consider the construction of a European identity and European citizenship.

**Conclusion**

The French theologian and paleontologist, Teilhard de Chardin (1972: 82) argued 50 years ago that „The Age of Nations is past. The task before us now, if we would not perish, is to build the Earth.” This is I think our ultimate ethical task - “building the Earth,” and that requires “the elimination of individualist and racial heresies” because “no evolutionary future awaits humans except in association with all other humans” (2008:246). Zygmunt Bowman also reminds us that: “There are no local solutions to globally rooted problems. The causes of survival and justice...now point in the same direction, call for similar strategies, and tend to converge into one; and that unified
cause cannot be pursued, let alone fulfilled, locally and by local-only effort.” and that “human problems can be tackled and resolved only” through human solidarity (2008: 109).

Richard Bellamy (1999: 204-207) may point us in the direction of a viable solution to both European identity and citizenship that becomes a step toward “building the Earth.” Identity in this case, would be organized as Maalouf has argued, in horizontal fashion as the sum of all one’s identities, rather than vertically, in which “deep down” there is assumed to be an essential and foundational identity. In Maalouf’s words, Europe “taken as a whole and insofar as it tends toward unity, certainly ought to see its own identity as the sum of all its linguistic, religious and other affiliations” (2000:131). It would therefore not be the cul de sac often associated with identity politics and would move toward transcending notions such as the “people,” as Hardt and Negri have argued. Bellamy calls his perspective “cosmopolitan communitarianism” which “assumes membership of a variety of different, interacting and occasionally conflicting communities,” and contrasts this with “communitarian cosmopolitanism” where the aim is often “to put flesh on an assumed consensus on universal principles.” Thus, he argues it is necessary to “devise a political system capable of ensuring such negotiations occur in a manner that ensures equal concern and respect of those concerned.” That political system, is in Bellamy’s thinking, “a return to the neo-roman republican tradition within which liberty was seen as a civic achievement resulting from the prevention of arbitrary domination.” In other words, it is a return to the normative demand for “civic virtue” on the part of both citizens and the republic itself, and therefore, “the form of government rather than a legal framework.” By so dispersing power to insure “that political decisions can be contested so as to ensure they track the interests and ideals of those affected.”

Tellingly, Bellamy then goes on to argue that “the messiness of the EU’s decision making process, far from being a liability, becomes a positive advantage,” and European citizenship becomes one of many political identities which become “more or less important according to the issue under consideration, without any need to claim a superior status.” Bellamy’s perspective, and Maalouf’s injunction, seems confirmed and supported by research in progress by Felipe González Santos (2013), at the Institute for Social & European Studies in Köszeg, Hungary. In his study of the identities of the members of pan-European youth organizations, González Santos has to date found that two-thirds of the nearly 700 respondents have spent time in 10 or more countries, and a significant number of those in-
indicating that they have been in 20 or more countries. Most suggestive, is that 27% of respondents answered that „they have many identities rather than a primary one.”

When Francis Fukayama articulated his vision of “the end of history,” he failed to see that we were instead at the commencement of a plurality of histories that have engendered a plurality of narratives and spaces. It is within these narratives and spaces, as Paul Barry Clarke argues in *Deep Citizenship* (1996: 5-6), that we are able to imagine an enhanced politics in which citizenship is revived “while avoiding an extension of the boundaries of the state.” The multitude of histories, and the multitude of voices such histories empower, does not therefore look nostalgically at the political citizen of the past, but opens up possibilities for a politics and citizenship of the future. Such a citizenship does not deny being a citizen of a state, but radically expands our conception of citizenship to attend to those concerns which individual states are no longer capable of addressing. The shallowness of traditional notions of citizenship, as well as the fragmentation of societies and the multiple perspectives that have come to the fore, have generated “the possibility of new political spaces and the development of political as well as civil society” at a European and global level (Maalouf, 2001: 105) Rather than individuals centered by the master narratives of the past, the consequences of increasing numbers of de-centered individuals may be the capacity “to critically take the perspectives of others and engage in an enlargement of the mind.” Such a capacity is an absolute necessity “in order to be able to act towards the universal” and without which it is impossible to reach “beyond selfishness, sectionalism, and sectarianism” (Ibid. 107). The embryonic European citizenship that is in the making by the “Erasmus Citizens” (Streitwieser and Light, 2011), may indeed hold the potential for acting toward the universal as they begin to engage in concrete actions that will help to transcend selfishness, sectionalism, and sectarianism!

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Towards a Solidarity Method: 
Investing in the Competence-Based Confederal Europe of the Future

Pieter Vanhove

Social democracy is on the rise in Europe. Since the recent French elections, the axis Merkel-Sarkozy driven by across the board austerity measures may not have been broken altogether, it has most definitely been twisted in a less severe direction. The French election was not only important in terms of readjusting the Berlin-led push for an austerity that lacked all democratic legitimation and ignited justified indignation on and beyond the streets of Europe; it was also important in that for the first time ever democratically elected European leaders like Merkel, Cameron, and Elio Di Rupo used their political clout to pronounce their public support for or disavowal of a specific candidate from a different European member state. “I see my Belgian friend Elio Di Rupo here,” François Hollande proclaimed to loud clamors at a recent campaign rally in Lille, “he has been treated with disrespect at the table of the European Commission as of late. I very much look forward to joining him at that same table very soon” (Di Rupo 2012).

Moments like this new-found European political solidarity are a sign of the times. If one positive consequence has arisen from Europe’s not only economic but structural political crisis, it is that the continent’s opinion makers and political leaders have received a thorough wake-up call. Throughout this crisis, people have started to notice how huge an impact Europe and its mostly undemocratic institutional bodies have on their daily lives, and they are not exactly pleased with how so far their voices have remained largely unheard. This wide-spread indignation has brought respected European social-democrat éminences grises the likes of Jacques Delors as far as admitting that their old vision of a market-driven unification strategy—the famed “Community Method” of Europe’s founding fathers—had proven to be a mistake. “I believed in cooperation,” Delors writes in a recent, passionate article for Notre Europe, “and I was wrong. (...) Economic and social union should have been reinforced at the initiative of the EMU” (Delors 2012: 3-4).
The Failure of the Founding Fathers

There is a growing consensus in the Europe of the global financial crisis that the so-called “community method” of the founding fathers is in serious and urgent need of revisions if the Union wants to insure its survival in an increasingly interconnected and competitive world. The diligent civil servants and statesmen the likes of Monnet, Spaak and Alfieri who laid the foundations for the European construction as we know it today, believed that greater political and cultural unification would be an automatic trickle-down effect of economic progress and the common market strategy; those foundations are now slowly but surely sinking away.

In the late twentieth and early twenty-first century Europe was going through what can easily be called an economic miracle. The dream of a political union was less pressing in the minds of Europe’s leaders, as the successes of the euro and enlargement seemed a never-ending story—the economic dream of an ever-growing Union was believed to be too big to fail. The recent ongoing and profound structural crisis that the European institutions are going through, however, has clearly shown that the community method lead to a weak construction that enjoys very little public support. The financial crisis and the Berlin-directed push for austerity across the board has demonstrated that Europe’s double democratic deficit—one that is located on both the member state and the supranational level at the same time—is in urgent need of reconsideration.

The community method championed by Jean Monnet and his contemporaries was marked by a so-called “neofunctionalist” approach: it was believed that if the market was given more transnational leeway and the economic policies of the member states were de facto federalized, those same member states would “see the light,” so to speak, and work together for making the necessary political reforms that ought to accompany these new federal economic structures. These reforms would then enable the newly formed supranational political bodies to effectively regulate, control, and readjust economic policy if necessary, ideally with broad democratic legitimation. This is what Giandomenico Majone (2012) and others have called Monnet’s “spill-over strategy.” Monnet’s neofunctionalist “spill-over” strategy is said to be largely inspired by the seminal 1958 publication The Uniting of Europe by the American-educated political scientist Ernst Haas. Haas believed that broad democratic legitimation is unnecessary when a supranational economic policy like the ECSC is implemented, since this policy is intended to benefit all participating members, and
democratic legitimation would only complicate rapid implementation of even greater economic collaboration and growth:

“Neofunctionalism’s central prediction was that economic integration would be self-sustaining and would eventually lead to a unique, potentially federal, political structure in Europe. The theoretical basis of this prediction is the concept of ‘spillover,’ whereby initial steps toward integration trigger endogeneous economic and political dynamics leading to further integration. Neofunctionalists identify two kinds of spillovers: functional and political. Functional spillover occurs when incomplete integration undermines the effectiveness of existing policies, thereby creating pressures for new European policies. It is the process of political spillover, however, that is most closely associated with the neofunctionalist approach to the study of European integration” (Majone 2012: 2).

The initiation of a deliberate scheme of political unification, to be accepted by the key groups that make up a pluralistic society, does not require absolute majority support, nor need it rest on identical aims on the part of all participants. The European Coal and Steel Community was initially accepted because it offered a multitude of different advantages to different groups. Acceptance of a federal scheme is facilitated if the participating State units are already fragmented ideologically and socially. Moreover, the acceptance of such a scheme is considerably eased if among the participating industrial, political, or labour groups there is tradition, however vague, of mutual consultation and of rudimentary value sharing. A helpful, but by no means indispensable, condition is the existence of an external threat, real or imagined (Haas 1958: xiii).

Such an approach might have sounded plausible in the minds of Europe’s statesmen in the wake of the Second World War, enchanted as they were by the at the time still unlikely prospect of lasting peace in an economically unified Europe that was knowing nothing but growth spurred by Reconstruction and the implementation of generous American Marshall aid. Jean Monnet was indeed a true statesman, a willingly apolitical, partyless and therefore unelected fonctionnaire, a hardworking civil servant in the literal sense of the word, the strong man behind the scenes. Convinced that he was acting in the interest of European citizens, he believed that he had to start with the business side of things, and passionately hoped that political, social, and eventual cultural cohesion would follow, that humanity would eventually prevail over nationality: his hopes, we now know, were in vain.
Jean Monnet’s Memoirs show how his strong belief in the need for European unification was an idea that took shape slowly but surely, an idea embedded in the specific socio-economic and political context of the Europe of the Inter-Bellum. He was not only a key player in the planning for post-World War II Reconstruction and industrial redevelopment, but also took on a leading role in the European response to the East-West schism that characterized the global Cold War arms race, where Europe was situated bang in the middle of two rivaling superpowers. In this respect, Britain and its closest ally, the US, played once more an absolutely fundamental role in the birth of the idea of Europe. The well-travelled former Cognac merchant Monnet knew Britain, he knew the US, and he knew how important they were: it is no coincidence that his Memoirs kick off with a discussion of the proposal for Franco-British union during the War years – a union which, much like the Schengen zone today, would have entailed shared citizenship. For Monnet, the proposal, and the simple idea that lies at its basis, was a central moment, and the frequently returns to it in his writings:

“There was nothing romantic in the idea of a union of two countries, and of joint citizenships for their inhabitants, in the face of the danger they shared. Nor was it doctrinaire: the plan had no federalist overtones. True, it contained the germ of lasting institutions; but I was not thinking in such abstract terms – there was no time” (Monnet 1978: 34).

In the late Forties and early Fifties, Monnet used his global contacts as a hard-working official in the French civil service. He and his colleagues toiled at 18 rue de Martignac on the development of the post-War French economy, putting in place what is now known as France’s Modernization Plan or Plan Monnet, a long-term vision of French industrial and economic growth that relied heavily on the funds made available by the Marshall Plan. Monnet, however, was not simply thinking about how to further the interests of France: he knew that there was no future for France but in the larger European context. France would not make the same mistake as it did in 1918, when at Versailles the allies decided that the only road to peace was crushing Germany and its economy.

As we all know, it were Monnet’s extensive international contacts as a well-connected fonctionnaire and his admittedly exceptional imagination that were at the basis of the now mythical Schuman/Adenauer talks that led to the 1950 Schuman Declaration in the Salon de l’Horloge—Monnet liter-
ally put words into Schuman’s mouth. He took the lead in the subsequent conferences establishing the Schuman Plan and the groundbreaking institution that was to become the European Community for Coal and Steel.\(^1\) It was, in other words, a “mere” civil servant—tellingly, Monnet was not interested whatsoever in seeking political office and never underwent a public vote that would have provided his work with democratic legitimation—who laid the foundations of the Europe we know today. To put it bluntly, the first plans for Europe were drawn up by a man who had the luxury of planning in spite of democracy and public opinion.\(^2\)

If the political leaders of Monnet’s day would have had the courage to face their national public opinions and subsequently try to make a convincing though risky plea for political integration, the European Union might have looked quite different. There were some courageous voices among the Union’s politically elected leaders who ended up signing the Rome Treaty, but they all ended up defending Monnet’s more pragmatic “spill-over” strategy of the community method. The community method was at heart a compromise: if the dream of political union championed by a select few of convinced federalists was to be thought of as a mere trickle-down effect of the common market, it would be much easier to find broad political support on the home-front.

One such elected political leader deeply involved in Europe’s creation was the Belgian socialist Paul-Henri Spaak. Spaak was part of a rare breed of European leaders who felt a strong emotional connection to the European project and genuinely believed that a federal political union would not only be an inevitable consequence of the common market, but should be realized regardless of economic constraints. As a respected politician from a small member state like Belgium, where federalism is a common good and Europhiles are to be found everywhere, he was known as the very first “Mr. Europe.” His memoirs are full

\(^1\) “The ECSC was truly a breakthrough in the process of European integration, because under Monnet’s leadership, it became a functioning international organization even though it never achieved its original goal: to create a common market in coal and steel. By introducing the principle of supranationality into its institutional structure, he made the representatives of the six nations interact in a new framework. And by changing the context of their relationship, this community showed that habits of frequent cooperation in limited economic areas could serve as a brake on nationalism and that nations could survive and remain independent after sharing some national sovereignty,” in Wells 2011: 244.

\(^2\) Monnet’s personal collaborator François Duchene acknowledges how the creation of the Europe was at heart a “studied” attempt of a dedicated yet unelected elite of civil servants: “In fact, European Union is that rarest of all phenomena in history, a studied change of regime. It is the reverse of conquest and quite distinct both from incremental adjustment, which is the political norm, and from revolution, which is the social equivalent of an earthquake,” in Duchene 1994: 20.
of relatively naive expressions of his deep admiration for what he calls “Europe’s architects,” for in other words unelected civil servants like Monnet and their overall limited compromise over the common market strategy:

“The bells of Rome rang out to salute the birth of the new Europe. My own heart was full of joy, emotion and hope, and I made a speech which reflected my feelings. The Treaty of Rome symbolizes the triumph of the spirit of cooperation over national selfishness. Those who had brought the exercise to a successful conclusion were inspired by the same convictions and the same ideals. They were aware of the economic changes they had brought about. But however great these changes may be, so far as the architects of the Common Market were concerned, they were of secondary importance or, at any rate, only the first stage of an even more important revolution which was still to come—a political revolution” (Spaak 1971: 251-252).

Spaak would soon be forced to readjust his naive vision of that “coming revolution.” The failure of the negotiations over the establishment of a European Defense Community as the logical extension of Euratom would end up facing him and his fellow dreamers with the harsh reality of the de facto non-event that was the long-awaited “trickle-down” effect of European political integration.3 Paul-Henri Spaak had effectively drunk the cool-aid offered by the hope-inspiring establishment of a High Authority and a Council as planned by a group of what Spaak himself called mere “technicians.”4 Democratic legitimation, it seemed, was not necessary since these institutions had nothing but what appeared to be noble goals of spurring pan-European

3 Spaak is not only known for his strong support of the EDC, he was also a relevant player in the crisis of the 1960s, when the debate over Britain’s potential membership of the Community was in full swing. In a preface to Mackay’s celebrated essay Towards a United States of Europe, Spaak writes: “This little Europe, let us repeat once more, we neither wanted nor desired. We have been driven to it by Great-Britain’s persistent refusal. We know perfectly well that this political construction is incomplete, and we realize how much of our ideal has been amputated. We can only continue to hope that, with her traditional realism, Great Britain will understand in time the error she would make in refusing to associate herself with what will, no doubt, be the greatest political event of the second half of the twentieth century” in Mackay 1961: 18. On British membership and Spaak’s role in the debate, see also Dumoulin 1999: 633-670.

4 “During those long weeks of negotiation I learned to appreciate the work done by technicians at its just worth. As experts, their knowledge of their specialized fields is admirable. They move with ease even in highly complex situations, and stand up for their views with praiseworthy assurance but not always with complete good faith since they are often more intent on imposing their views than on devising compromise solutions acceptable to all” in Spaak 1971: 241.
peace, cooperation, and growth. He did not realize that the complex administrative bodies he helped create would end up working against instead of with the citizens they were supposed to represent.

The Delors Decade and the Shattered European Dream

If Paul-Henri Spaak was the original “Mr. Europe,” Jacques Delors was a successor worthy of the same title. Under the ubiquitously recognized leadership of the French social-democrat, the European institutions went through what at the time was deemed something of a “renaissance.” It was Delors who in 1986 chose the aquamarine flag with 12 golden stars as the emblem of Europe, it was under Delors that the Maastricht Treaty was signed laying the basis for the single market and the European Monetary Union, and finally it was under Delors that a post-1989 unified Germany was able to lay the groundwork for its current position as the Union’s most powerful member state. Delors, it seemed in other words, had single-handedly given back to Europe the “cachet” of the early days.

At heart, Delors’ presidency was completely marked by the complex socio-economic circumstances resulting from the fall of the Berlin Wall: a strong reunified Germany under Helmut Kohl and the establishment of a single market driven by the Deutschmark provided plentiful funding for a reinvigorated union in Western Europe, while Eastern Europe was slowly starting to turn its gaze in the direction of that same West without a real chance to sit at the table. His widely recognized efforts as one of the most successful commission presidents were the mere effect of the favorable new winds that were invading the new Western Europe he inherited.

Delors’ vision, then, was not very different from that of the founding fathers of the Community. As a social democrat he was in favor of greater pan-European solidarity and commission-led state-building that might eventually imply the implementation of a stronger political union, but in reality he was not able to win wide-spread support for his intuition that a newly invigorated single market with the promise of a future monetary union would have to be accompanied by a shift of political sovereignty. His proposals for a so-called “Social Europe,” as George Ross (1995) reminds us,
were eventually a mere graft of an underlying market strategy. The “grafted” state-building initiatives he championed were not adopted by a majority of the EC’s member states, since the latter were intent on maintaining national sovereignty to the highest degree possible:

“The Single Market Program, the paquet Delors to a large extent, and much in the EMU proposals fell within the general trade and market areas of the Rome Treaty. Pushing the macroeconomic policy dimensions of EMU, “Social Europe,” an increased EC international policy role, and measures to address issues of “democratic deficit” all involved expanding the boundaries of Europe beyond such traditional areas. If one chooses to define the post-1985 EC’s renaissance as premised upon a “market strategy,” the Commission (under Delors) and its allies attempted to graft an ambitious “state-building strategy” on it in order to make important changes in the very definition of the European game. Significantly, these state-building programs all encountered much more serious opposition than the market-building programs” (Ross 1995: 12).

Delors, then, was perhaps the last successful Commission president who continued to rely on the until then untested and fragile Community Method. Under his leadership, the new structure of the Union was prepared, building on the unsound basis of the inheritances of the past. He might have been perceived as a successful leader, or in Helen Drake’s words (2000) “the first accidental European statesman”6 he unwillingly made the mistake of promoting the legacy of Jean Monnet, a legacy that was surely founded in good intentions, but lacked the democratic legitimacy it would have needed to realize its lofty goals of a “trickle-down” political federation.7

Delors had drunk the cool-aid offered by Monnet as much as his predecessor Paul-Henri Spaak had done: he had chosen the path of the Euro-

6 Drake 2000: ix.

7 Drake (2000: 18-19) reminds us that at heart, Delors wasn’t a euro-federalist: “Neither in France or Brussels was Delors the fervent, life-long federalist that many assumed him to be. In many respects, he effectively became a ‘federalist’ in that he came to believe that ‘Europe’ required, for example, a recognized leading figure to act as interlocuteur with third party countries and regions, possibly in the shape of a directly or indirectly-elected European president at some time in the future. He also became convinced that certain policy matters (including matters formerly defining of national sovereignty, such as security and defence, and currency) could legitimately be decided at the European level, whereas others—culture, education, employment—were the domain of national governments, for cultural and political reasons.”
European Dream, and was content with his new position as a technician, a “Mr. Europe,” elevated above the dangerous political games of democracy his nation state-based colleagues had to face on the home-front. Significantly, when his chances of winning the 1995 French Presidential elections seemed excellent, he chose to remain in the cushy seats of Brussels over a risky trip back to Paris, as his 2004 memoirs show.9

It is therefore all the more striking to see how today, now that the Community Method is not merely showing cracks but crumbling under the weight of a hasty Eastern enlargement and the lack of strong political structures to face the global challenges of the financial crisis in and beyond the Eurozone, Delors admits he made a mistake. In a recent article resulting from a meeting of the European Social Democrats, Delors literally admits that he was “wrong” when he pushed the establishment of a European Monetary Union without laying the groundwork for a stronger political union with democratically legitimized institutions. A stronger European federation would have been capable to regulate and control the markets as is the case in the United States, where the Federal Government has the authority to issue bonds. “We can only have a Single Currency,” Delors writes in 2012, “in a union of transfers” (Delors 2012: 4).

Passionately pleading for a single voice in Europe who can take a stand on the global stage, and not ashamed to express his veiled but strong criticism of Herman Van Rompuy, an embittered yet hopeful Delors resolutely takes a stance against a market-driven strategy. He subsequently voices his strong will to rescue the well-meaning ideals that lay at the basis of the Community Method, and continues to insist that the market strategy was supposedly a

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8 In his writings on Europe, Delors often adopted a lyrical style reminiscent of Rifkin: “L’Europe? Un ensemble unique par la densité et l'importance de ses échanges commerciaux, une relative oasis d’ordre monétaire et même d'équilibre financier, une réserve de croissance interne considerable: une richesse démographique, historique et culturelle, homogène dans son extreme diversité, que sans doute aucune autre région du monde ne peut se vanter de posséder” in Delors 1988: 37-38.

9 “En 1993-1994, je suis engagé a plein temps dans l’aventure européenne. Le dynamisme est revenu, on m’en attribue quelque mérite, et, les choses étant alors ce qu’elles sont, j’inconde quelque peu l’Europe. Et c’est ainsi que les Français me considèrent et m’apprécient de plus en plus si l’on en croit les sondages” in Delors 2004: 20.

10 “Who speaks in the name of Europe? That is what Obama or the President of China wants to know. Everyone speaks in the name of Europe, the result has been three years of multiple and discordant voices. And here they go again. They clearly have not understood! We need a single voice for Europe. It is only good sense, it is not major politics. But when the markets – the markets, that is a vague notion, there are speculators but there are also all those who manage retirement funds, insurance –, hear multiple voices going as far as to criticize publicly fellow partners. Do we want to reassure the markets or cause them to panic? Are we a union or aren’t we?” in Delors 2012: 5.
mere stage, a mere step toward greater political unity. In an at times emotional tone he reminds his reader of how the Commission has achieved great advancements—like for instance the Erasmus Program that he personally championed—for Europe’s citizens before it started to use its undemocratic powers to further its destructive austerity agenda:

“What is at stake? It is the Community method in its basic structures: there are two executive bodies, two legislative bodies and a Court of Justice. And in among both executive bodies, there is the Commission. The role of the Commission is to take into account European interest on a daily basis, and to demonstrate it on a daily basis. It only has one argument for that: the right of initiative. This right of initiative must be exercised by the Commission sparingly, it serves the governments – but when the Commission exercises it, this must be done with a degree of solemnity. I am going to cite a personal example: if I had not brandished the right of initiative, there would never have been the Erasmus Programme. Because the governments were afraid that I would announce publicly that it was due to their refusal that we could not allow millions of students to discover another country, to have another university experience” (Delors 2012: 6).

It is clear that Delors does not believe that this “degree of solemnity” is what characterizes the Commission today. His is a plea for a new Europe, a Europe that dares to invest in its future rather than cowardly cut back, a Europe that can offer its talented and highly educated young people a chance to live at least as well as the generation of their parents did, a Europe that continues down the road of sustainable development as well as the safe-guarding at the supranational level of our welfare system, one that has been and still is the envy of the world.

Towards the Competence-Based Confederation of the Solidarity Method

Today is our chance as European citizens, as members of European civil society, to heed Jacques Delors’ call and imagine a Europe not merely based on common market regulation and economic planning or in extremis a playground for nationalist protectionism and advancement of self-interest, but a social Europe that acknowledges the “interdependence”-building force of
shared values like interpersonal and international solidarity, the importance
of a common European cultural identity, the urgency of the presence of a
single European voice on an evermore global stage, and a re-legitimization by
way of increased democratic input. We need, in other words, to collectively
evolve from an elite- and market-driven Community Method to a demo-
cratically legitimized Solidarity Method leading to the formation of a social
European citizenry. We, the people of Europe.

Imagining what such a Solidarity Method might look like is of course in
no way a prescriptive task: it can only flow from argued suggestions that leave
room for a hopefully continued debate. By way of attempting to contribute
to that societal discussion, I would like to end on a suggestion. In my view, it
wouldn’t hurt if Europe started to do what Europe does best. Conversely, the
member states and regions should do what they do best. In other words, I
would like to plea for a competence-based confederal model of multi-level gov-
ernance where sovereignty ceases to be located at the level of the nation-states,
and is shared across the different complementary layers of government.

In such a constellation, there are no overlapping competences on the
European and national or regional levels. The democratically elected and
fiscally independent supranational level would be assigned a number of
exclusive competences and responsibilities that are best dealt with at that
level, while the regional governing bodies—again, with their own fiscal pol-
icy—would take matters to heart that are best treated locally. In a compe-
tence-based confederal model, which can already be found in a country like
Belgium today, the different levels of government coexist without causing
too many conflicting interests that lead to constant stand-still. Morever, the
higher level of governance has no authority whatsoever over its member
states beyond the implementation of its own policies and use of its own
budgets. As such, it is quite different from a federal model as embodied by a
country like the United States, where the federal government often shares


12 Tömmel (2011: 42) reminds us that the Europe of the Community Method has never been a federation in
the sense that the US is a federation, and she points out that though it has certain characteristics of a con-
federation, it isn’t one either. She prefers the term “federation sui generis”: “(...) the EU may be regarded as a
federation, because of its multi-level structure as well as the relationship between the levels characterized by a
continuous federal ‘balancing act’ (...). However, due to the inverse distribution of powers and to the fact that
member states continue to hold sovereignty, the EU cannot be regarded as a federal state. I therefore propose
to conceptualize the EU as a federation sui generis (...) the federation sui generis term classifies the EU as a
federation, yet as a type which hitherto has not been found elsewhere.”
a number of competences like education or cultural policy with the state
level in a hierarchical constellation with the federal government on top,
causing constant conflict.

As soon as certain budgets and fiscal responsibilities are fully trans-
ferred to the new sovereign that is Europe, democratically elected politicians
and citizens will seek to see to it that the decisions taken with regards to the
allocation of these budgets are carried by a majority of the cross-national
population. Elected policy makers at the supranational level would no longer
be encumbered by fears of making decisions that are not carried by their lo-
cal constituents, since they would not be elected through their nation-based
European electoral lists but would run directly on the European level, mak-
ing their case for election across the different polities and not merely within
the national public sphere as is the case today. European parties would cease
to be amalgamates of national parties representing separate national elector-
ates, and would be able to even more actively pursue their independent agen-
das regardless of the agendas of the traditional nation-based parties.

A good example of a policy field where such a transfer of competences,
budgets, and fiscal responsibilities could take place relatively swiftly and eas-
ily is higher education. Today already, Europe invests heavily in education, re-
search, and innovation through initiatives like the European Research Coun-
cil and the Pierre and Marie Curie Research Program, with demonstrable
success. More and more scholars are taking advantage of the opportunities
offered by exchange programs like Socrates, and a series of high-performance
Jean Monnet Centers of Excellence have been established across the Union.
Conversely, the different member states have their own exchange programs,
scholarships, and innovation incentives in place, leading to a confusing array
of options for an often already transnational, cosmopolitan elite of globally
mobile researchers who often end up seeking their luck elsewhere. Addition-
ally, this ineffective system leads to unnecessary waste and creates unfair dis-
parities between more affluent and less affluent member states.

Using the Solidarity Method, the different member states would allocate
their budgets for research and innovation directly to the Union and take leave
from that competence altogether. The Union could then centrally organize
and allocate these budgets by implementing Union-wide grant competitions.
This would further increase mobility, attract more talented researchers from
outside the borders of the Union, and strengthen Europe's already strong
position in higher education—eventually hopefully even dethroning the US
now firmly in the lead with its high-quality private institutions.
Towards a Solidarity Method: Investing in the Competence-Based Confederal Europe of the Future

If such a competence shift proves successful, other competences may be considered to be re-allocated according to the same Solidarity Method. In what would be a U-turn away from the current Community Method, more affluent member states like Germany would contribute a larger share to the “pot,” eventually benefiting the entire Union and instilling what Mark Kleinman (2002) has called a sense of “social citizenship,” a true European civil society with respect for the inner diversity and culture differences that lie at the core of Europe’s beauty.

Bibliography


13 “Welfare lies at the heart of our modern concept of citizenship. The development of citizenship, national identity and welfare have been closely relate over the twentieth century and before. It has been a contingent relationship, but a powerful one. A single currency and a single citizenship in Europe imply a single European government, and hence a fully federal system. But the political and civil underpinning of a real notion of European citizenship barely exists. (...) In the absence of a real European social citizenship, the danger is that ‘European welfare’ will not develop in a healthy democratic manner, but only as an output-legitimized, top-down technocratic process. This is an undesirable outcome, and an avoidable one,” in Kleinman 2002: 218.
The Crisis of the European Construction and the Need for a European Civil Society

Ferenc Miszlivetz

The Constitutional Crisis, Plan-D and Civil Society:
The Role of Academia Reconsidered

In this new epoch of rapid social change, globalization, integration and disintegration, the two terrains and mindsets (academic theory and policymaking) should not be separated from each other on the basis of Weberian rigour. The social sciences should deliver useful ideas, praxis-oriented approaches and methodologies for decision makers and those who implement policy. This is true in the case of civil society research as well. If a concept proves to be so pertinent and resistant to all kinds of attempts to denigrate, marginalize and out right burial, it deserves the attention of both theoretical and practical minds.

After discovering and rediscovering its historic roots, interpreting and reinterpreting its emergence in different times, cultural contexts and geopolitical settings, social scientists have to be able to build bridges between their historical-theoretical terrains and the practical problems, challenges and complexities of our present and rapidly changing world.

Rapid change and the new social demands that change provokes are not going to leave the conventional bastions of knowledge—production intact. Even if we are aware that universities and academic centers are among the most conservative of institutions, they should contribute to the accumulation of new types of knowledge. But change is not restricted to just academic structures and scopes and methodologies of research. Academics, research institutes and universities need to reconsider their roles and raison d’être in an increasingly globalized, transnational and networking world. Politicians, the decisionmaking and implementing bureaucracies, representatives of the sphere of public governance also need to listen more carefully to the changing expectations and demands of societies, larger or smaller constituencies and their organizations, movements and networks. They also need to be able to formulate clearer messages and more accountable promises. In order
to do so, they themselves must reach a deeper understanding of the changing realities and concepts they use to describe them.

Concepts used for slogans can be helpful in the short run to create illusions or can positively influence public mood temporarily but they usually backfire if substance is lacking and misperceptions are revealed. Today in Europe civil society is preeminent among the most frequently used and misused concepts in political and public debates. It can create confusion and frustration not only among philosophers and social scientists but even more among social activists and authorities, not only at the domestic and local levels, but at the transnational, European and global levels as well.

The present crisis of the EU, related to the failure of the process of constitutionalization, is a good example. From the mid 1990s on, there was a growing concern within the leading institutions of the EU about the future of the integration and enlargement processes. Faced by a mounting pressure from globalization and from Eastern enlargement, leading politicians, experts and think tanks looked for new concepts and solutions to replace or enrich the old methods of integration.

As a consequence, a new wave of self-reflection and self-criticism has emerged from the EU labyrinth, mostly focusing on the lack of dialogue and the importance of citizen participation in EU-matters. Civil society seemed to be a wonderful catch phrase with which to start dialogue. It began to appear in policy papers, EU-documents and speeches of politicians and commissioners. When the process of constitutionalization started it unavoidably turned to civil society to invite it into interactive and creative dialogue for and about the formulation of a European constitution. As a consequence, the concept of European civil society has not only frequently been used in the public discourse, it has also become institutionalized. This was a great mistake.

Undeniably there has been much cross-border co-operation, including movements and initiatives in post WW II Europe in the fields of human rights, the environment, culture, education and regional institution-building. Civil society has acquired popularity as an umbrella concept for many social movements and organizations from the late 1970s and early 1980s, and as a consequence it has provided a new common language and even a policy target at different levels of political and social life. The problem is, however, that a European civil society, able to articulate itself as such, does not exist neither at the associational level nor as a particular public sphere. One can speak about a European civil society in terms of an utopia,
a permanent attempt at creating a “good society” or recognize elements or tracks of an emerging transnational-European network system. These have a potential to strengthen and chrystallize but also to disintegrate and remain fragmented.

Researchers have good reasons to claim as some in the CiSoNet team did - that there are “...strong social and cultural trends towards the formation of a European civil society: a vast, dynamically interconnected and multi-layered European social space consisting of many thousands of non-governmental initiatives, networks, personalities, movements and organizations” (Keane 2005: 10).

On that basis, we can cautiously talk about a growing trans-governmental tendency of an emergent European civil society. Since there is no consensus about the meaning and definition of the concept of civil society – even researchers have to be cautious when trying to conceptualize European civil society. This is more true in the case of politicians, decision-makers and policy-implementers, especially when they want to make concrete claims about and for a “European civil society”, or in the case of those who want to speak in its name.

Appointing and selecting certain associations and declaring them as the representatives of European civil society is not only a methodological error but even more a political mistake. This approach obviously backfired in the French and Dutch NO-votes on the Constitution. It is also manifested in the very expressive way comments reflected this double failure.

Plan-D

But as occurs in history, open and obvious crises can invite and speed up real and profound reforms and open the path for real alternatives if there is enough courage, competence and quick reaction on the side of concerned players. This seems to be the case with Plan D, a 2005 October Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of Regions (Brussels, 13.10.2005 COM(2005) 494 final). Inspired by the debate after the double failure of referenda and by Margot Wallström’s bold suggestions and self-criticism, the Commission has made a remarkable attempt to contribute “to the period of reflection and beyond” when it published Plan-D to encourage democracy, debate and dialogue within the European Union.
Plan – D for Democracy, Dialogue and Debate is an action plan for the immediate future and a way out from the recent deadlock. The envisioned “period of reflection” would serve to crystallize new ideas, about the future of Europe which can only be built on a clear view of citizens’ needs and expectations. “This is the purpose of Plan-D” (Communication from the Commission 2005: 2). Wisely enough, Plan-D forecasts a long-term plan “to reinvigorate European democracy” and “help the emergence of a European public sphere” (Ibid.: 2).

The Commission wants to “restore public confidence in the EU” by involving civil society, social partners, national parliaments and political parties, and wants to gain the engagement of the mass media, particularly television towards this goal. The main purpose of the planned series of national debates is to help the Commission “to better define its priorities.” The results of the national debates will be published and sent to the Commission and Council Presidency in a synthesized form.

The initiative is bold and all-embracing. It reminds one, however, of a double-or-nothing game. “The initiative of the Commission invites each of the European institutions and bodies to contribute and discuss the areas of co-operation and joint action” and “seeks to inspire EU-citizens to become politically active in the debate on the future of Europe... and to encourage governments, political parties and opinion formers to place the issue of Europe at the forefront of public consciousness” (Plan D 2005: 7).

In order to stimulate the wider debate about the future of Europe, Commissioners will not only pay visits to member states but will also be available to national parliaments which are considered as the most appropriate tools for “scrutiny of decisions taken by National Governments on European issues” (Plan-D 2005: 7). They will also be available for regular question times with citizens. The Commission’s special concern is to reach out to younger generations and explore ways “for enhanced cross-border debates” (Plan-D 2005: 8). Again, civil society plays a key role in Plan-D: “The Commission will work with civil society actors to establish a European Roundtable for democracy. The roundtable will gather citizens from different horizons that will act together or debate on common European issues.”

Next to civil society, the citizen is also at the forefront of the new action-plan: “The European citizen is entitled to expect efficient, open and service-minded public institutions. The Commission therefore supports increased transparency at all levels in the European institutions, including through its own European Transparency Initiative” (Plan-D 2005: 9).
To guarantee the achievement of its goals, the Commission is ready to provide a complex set of tools: such as a specific *Eurobarometer* on the future of Europe which would inform both the Commission and the member states about the concerns and claims of their citizens; internet, which has already played an increasing role in public debates; targeted groups with the special concerns of youth; and inevitably an extra budget as financial guarantee for the project.

**Why Civil Society Again?**

From this very recent document it is clear once again that according to the Commission, civil society should and could play a decisive role in the future of European democracy. But some legitimate questions arise after the failure of the work of the Convention and debates during the process of constitutionalization which also placed civil society in the forefront: why again civil society, and what should we do differently this time? And how?

There are inseparable practical and theoretical/methodological problems here we have to face if we want to succeed. It is clear that the EU cannot turn to anyone else to find solutions to old/new problems of legitimacy, democratic deficit and citizens’ participation. On the other hand it is also clear that (as most authors suggest) European civil society exists only in an embryonic form.¹ We should rather view European civil societies or civil societies in Europe as a set of colorful, interacting and networking associations, movements and institutions which are not necessarily willing and/or able to address transnational/European issues at the moment, but who have the potential for expanding their horizons and scope of action.

If the EU or any transnational institution want to consult civil society with debate and dialogue with its representatives, it should make the distinction between anticipation and reality.

¹ “EU directives and regulations have affected the civil societies of member, candidate and adjacent states and even led to the emergence of an embryonic European civil society” (Schmitter and Trechsel 2004: 57).
Civil Society is Not a Magic Bullet

As far as Europe is concerned, especially during the last decade when the concept of civil society popped up and was used more frequently in European Union documents, a paradoxical tendency has emerged and strengthened. While new forms of trans-border co-operation and networking resulted in embryonic forms of a European – transnational – civil society, some of the national civil society groups and associations became more inward-looking, non-cooperative and in some cases even hostile or xenophobic. This can be explained by rapid globalization, growing insecurity and uncertainty and with the loss of orientation and other negative consequences and anxieties concerning the EU’s eastern enlargement, the increasing illegal immigration, etc. Dialogue and debate with any kind of civil organizations is crucial but one has to see clearly that civil society is not in any form a magic bullet.

These paradoxical tendencies leave many civil society organizations and citizens in Europe in growing uncertainty with a lack of orientation. Since “European integration tends to undermine established national practices of democratic participation and accountability without replacing them with supranational practices of a corresponding nature and importance” (Schmitter and Trechsel 2004: 16).

Towards a More Balanced View of Civil Society

Before turning again to civil society in European political practice a more complex “integrated” definition of the concept seems to be necessary. CiSoNet has adopted a rather comprehensive definition which might be useful as a guiding principle for policy-suggestions and their implementation. Accordingly, civil society is “first a type of social action; second, as an arena or sphere connected but separate from the economy, the state and the private sphere; and third, as the core of a draft or project that still has some utopian features. As a specific type of social action, ‘civil society’ is characterized by the fact that it (1) is oriented toward conflict, discourse, compromise, and understanding in public; civil society is realized in the public sphere; (2) stresses individual independence and collective self-organization; (3) recognizes plurality, difference and tension as legitimate; (4) proceeds non-violently; and (5) is oriented toward general goals, that
is, it works actively for the common good, even if different actors in civil society usually have very different conceptions of what constitutes the common good” (CiSoNet: 5-6).

Michael Edwards (2004) goes even a step further, not only distinguishing three major aspects of civil society (1. a kind of a ‘good society’ or utopia; 2. part of a society as associational life; 3. a public sphere or spheres), but suggesting to policymakers to concentrate on the interaction, the interfaces of these aspects. The significance of these new and innovative definitions of civil society transgress the boundaries of academic circles and have both practical policy implications and political consequences. They can liberate and enlighten policy-makers and practitioners to define and promote new ways of communicating with civil society and both help its further development and gain from its energies. “An integrated approach to civil society that unites elements of all three models increases the utility of this idea both as an explanatory tool and as a vehicle for action. Standing alone, associational life, the public sphere and the good society are each incomplete. Side by side, there is at least a chance that their strengths and weaknesses can be harmonized, and that all three can benefit from a positive and conscious interaction” (Edwards 2004: 91). This complex and integrated concept of civil society might be more useful when we want to understand the changing relations and new balances between the Merchant (markets) the Prince (governments) and the Citizen (civil society) (Jensen, Miszlivetz 2005).

**The Multiple Crisis of the EU: The Need for a New Context**

**A Giant without Charm and Charisma?**

“Europe” – the EU – is in a deep and complex crisis. In fact it is rather a set of partly intertwined partly overlapping crises, including the

- crisis of communication;
- crisis of accountability and trust;
- crisis of institutional functioning;
- crisis of values (especially solidarity, tolerance and openness, the great “European values”);
- crisis of identity;
- crisis of constitutionalization;
- etc.
Already in the second half of the 1990s when it became clear that a significant eastern enlargement of the EU was unavoidable, analysts and experts almost unanimously warned that the process of integration cannot follow the old path, that new methods, new actors and clear vision(s) are needed for further success and prosperity. This understanding, however, didn't bear much fruit in reality. Hundreds of seminars and conferences were held about “Europe at a Crossroads”, and still, in 2006, Europe (the EU) is looking for direction.

Standing at the crossroads and not being able to move is itself the crisis. The longer the EU remains paralyzed and indecisive, the more painful it will be to start to make progress, the more internal and external tensions will accumulate and undermine its potentials and credentials. The process of constitutionalization, which was supposed to conclude with not only an agreed upon text called the European Constitutional Treaty, but also in a strengthened trust in and legitimacy of European institutions and a broader identification with the EU in the 25 (soon 27) memberstates, ended up in a new crisis of constitutionalization. The accumulated unsolved problems, the never realized promises and the growing alienation and lack of trust in EU institutions, have aggregated in a European social unease (ESU). As Cuperus (2006: 67) formulated: “The postwar honeymoon period seems to be well and truly over: the poswar European ideal, welfare state model, and tolerance of foreigners all seem to be eroding and under pressure.”

For decades during the Cold War and the “permissive consensus”, thanks to the favourable political and economic constellations, a tacit consensus developed that European integration will end up in a “larger Europe” which is “just like us.” Thanks to increasingly less favourable conditions, the unpredictable outcome and scope of further integration, globalization and immigration, these illusions are gone for ever. In Cuperus’ words: “Europe became a labyrinth of integration by centralized power, technocratic and juridical intervention in fragile national traditions, and a transmitter of the forces of neo-liberal globalization” (Cuperus 2006: 68).

Undoubtedly, the EU in the post Cold War period has gradually lost its attractiveness even in the eyes of potential candidates. It became “an amorphous giant without charm and charisma” with which it is increasingly difficult to fall in love.
The Crisis of the European Construction and the Need for a European Civil Society

The Origins of the Crisis: Success and the Nation State

The origins of this complex crisis can be found mostly in the decades-long success story of the European construction, the intertwined tendencies of deepening and widening the integration process. The unprecedented economic, social, political and institutional achievements suggested that Europeans should relax and need not to be mobilized concerning their future. The subsequent waves of successful enlargements included countries which during the Cold War belonged to the ‘West’, even if some of them had to go through the transition from authoritarianism to democracy. This relatively and unexpectedly smooth adjustment created the general impression that the continuation of enlargement would produce a larger but more similar kind of Europe in terms of political, civic and everyday culture, habits and social interaction than before. After half a century of smooth enlargement and integration, Europeans were not ready for unpredictability, job-uncertainties, radically changing and turbulent neighbourhoods and the further inclusion of ethnic, religious and culturally tight communities which are radically different in their social interactions and belief-systems from the European mainstream.

These tacit expectations proved incorrect. The transformations European societies have undergone and keep undergoing are more robust and much deeper than predicted. Europeans were not prepared for these radical changes. And when they arrived they started to resist, to keep their milieus intact, to defend their good life and their achievements. The economic and social impact of globalization, integration and eastern enlargement proved to be neither predictable nor controllable. As a consequence, anxiety and frustration has grown and produced a new wave of nationalism, xenophobia and inward-lookingness. This neo-nationalism is very different from its older patriotic forms of the 18th, 19th and early 20th century. It does not provide a bright perspective for the future, it does not integrate, but rather dis-integrates societies. Its obvious manifestations do not present an attractive picture of an open and cooperative Europe that offers a new social model and a foreign policy based on rules and agreements of a soft power. Europe has changed so radically in the last two decades that it is hard to speak about a core European identity. The basis of the identity crisis is that Europeans do not share a common vision about who they are and what their role in the world is supposed to be. The boundaries between European and non-European identities are blurred in many ways.
The traditional self-identification with the nation state and an intact “national community” still works as an ideology, but it functions less and less in everyday praxis and is completely useless as a compass for the future.

Changing Value Systems

The last fifty years brought fundamental changes in the value system of western societies. The new wave of radical individualism did not leave Europe intact. The pervasive ideology of neo-liberalism, the everyday praxis of an increasingly ruthless competition has started to erode traditional European values such as tolerance and solidarity. The short history of eastern enlargement has already proved that the geographical scope of European solidarity is not moving automatically in tandem with the eastern borders of the Union.

The Cartoon-scandal of early 2006 shows that many traditional European societies, or at least their so-called intellectual and political elite, have lost their often pronounced sensitivity, openness and respect for profoundly different cultures and societies. It reveals that the traditional political elite of the European nation state is unable to control and even to interpret the perplexities of the rapidly changing world. The reactions to the widespread and violent protests in the Muslim world were supposed to show strength but they revealed weakness. By emphasizing freedom of expression they undermined Europe’s reputation for empathy and its readiness for dialogue. The voice of the EU, proved to be too weak to counterbalance the cacophonic concert of national politics and national narrowmindedness.

The Changing Context: Towards a New Paradigm?

If we want Europe to come out of the present deadlock, we need new methods, new actors and new institutional arrangements to further its construction. But we also need a new model – or a new paradigm – for the rather complex social, political, cultural and institutional, transnational European interactions. This new model can only become dynamized by a new way of thinking realized by new actors, new rules and new institutional frameworks. For this we need first of all a clear vision, political leadership and will, courage and a recognition that a fundamental change and a
paradigm shift is unavoidable. Only a new constellation of the main actors and enabling institutions of the European construction can mobilize social energies, creativity and innovation. Only within such a new context can the major actors of the European construction reconsider and reinterpret their roles and fulfil their tasks.

**There is No New Paradigm without New Players**

Although expectations for a more dominant role in world affairs are growing both inside and outside of Europe, in its present state the EU does not show the capabilities of a responsible emerging global player. For the time being it is rather a regional power, with great global potential and even greater expectations.

In the light of its multiple and escalating crises, national egoism and inwardlookingness proved to be stronger than any other transnational, European or global commitments, institutions and projects. And certainly, its architecture, the roots and the traditions of the nation state paradigm proved to be more durable than many had believed. But they coexist with the new manifestations of the post-national constellation, with the set of transnational and regional institutions, legal regulations and social networks, with the new world of network-society and network-governance. This *Gleichzeitigkeit*, the co-existence and confrontation of past and future structures, standards of governance, social interaction and political conflict, makes any social scientific analysis and forecast concerning Europe’s future risky and precarious. One cannot predict with certainty how long the old structures will survive and when new ones will begin to dominate. As a consequence, conflicting visions about Europe and Europeanization might play a growing role in debates and deliberations in the immediate future.

Changes in a positive sense will not occur without conflicts of unprecedented magnitude and without new and dynamic players. Only new (and reinvigorated) players can fight the battle on traditional and non-conventional battlefields in the hope of success.

New players are inevitable in order to carry out further integration and construction. But new methods and new rules are necessary as well to strengthen the rather weak and embryonic European demos and polity. The top-down integration with the Europe of 25 has been exhausted. Without a bottom-up dynamism, all the efforts and new communication strategies of
an enlightened Commission and a self-empowering European Parliament will abort. Without profound grassroots support, perestroika and glastnost are doomed to fail in Europe.

At the present juncture the role of a vibrant, critical, well-informed and participative, – ready for deliberation – civil society with its border-crossing networks and transnational institutionalization is inevitable. Whether it will be developing along the mutually emergent model or remain a latent-potential player (or a phantasy product) in an elite-monologue is not yet determined. Strengthening or weakening the new players and the enabling institutions and framework is a key issue concerning the future of Europe.

The New Players

Social Movements

The political space of the EU needs galvanization. Social movements seem to be ready to mobilize their supporters across frontiers. As Donatella della Porta (2006:2) has convincingly pointed out in a recent paper based on empirical research, the European social movements are rather critical Europeanists than Eurosceptics. They are not unconditional Europeanists, however. As one of the activists of Social Forum expressed: “but Europeanists conditioned to the fulfilment of the social part in which there is presently a deficit…”

Social movements on the European and transnational level represent a new and critical yet constructive attitude which might be instrumental to the politicization of differing visions and existing but ignored conflicts. European social movements are targeting their criticism at the negative social and political aspects of globalization and the neo-liberal economic orientation, as well as at the insufficient social responsibility of European institutions and consequently, the entire process of integration.

The first protest march against growing unemployment, insecurity and exclusion was held in 1997, in Amsterdam, as part of an “another Europe is possible” alternative rally. It was followed by a wave of European protests and counter-summits like in Genoa 2001, then in the following years in Nice, Gothenburg, Barcelona, Copenhagen, etc. Protesters also meet once a year to discuss European affairs in European Social Forums. As della Porta observed, “Attention to the European construction process has developed since the first European Social Forum in Florence in November 2002, followed by a second one in Paris and third in London in 2004” (Della Porta 2006: 6).
The very success of these protest marches and Social Forums reveals the high level of networking capacity of an emerging European civil society with a wide range of associations and organizations being represented, from student movements to networks of retired people, from human rights activists to labour unions, womens’ groups, associations of artists and many different professionals. With their agenda-setting, their clearly formulated criticisms of EU-policies and their obvious protest-potential combined with networking and mobilizing capacity, the European social movements are offering an alternative politics “from below” at the European level. Apart from debating certain policy-issues or protesting against neo-liberal tendencies, they act as fermenting agents to a larger discussion about a future European polity. As the interviews of della Porta et al. show, “social movements reveal a larger tendency to direct claims to the European level than previous analyses of the presence of civil society organizations... had shown” (Della Porta and Cainani 2005).

Activists and leaders of social movements are aware of their relevance within the European construction. Vis a vis the European Council and the Commission, they look at the European Parliament as a potential ally. As the Italian Rete Lilliput pointed out in the interviews: “We believe in transnational networks and there are continous relations with international activists that occasionally translate in campaigns pressuring the members of the European Parliament. The debate around the Convention is defined as an opportunity to express criticism, with the by-product of approaching our potential partners in other European states” (Della Porta and Cainani 2005). The idea of “Europe from below” is not entirely new among grassroot social movements and civil society activists. It was widely spread during the 1980s by the anti-nuclear and peace movements, the East-West Dialogue and it gained popularity among East-European dissidents and in student circles. But today the activists of the European Social Forums, and other umbrella organizations developed a higher level commitment to the European construction and as della Porta observes, even some support for a European governance (Della Porta and Cainani 2005: 14).

European Social Forums together with many other social, political and cultural initiatives and organizations have started to politicize public spheres in Europe by contest and by demanding and offering alternatives. Instead of creating a single European public space, the Social Forums and their networks are creating several corresponding European “publics” by working hard on making European issues part of common everyday par-
lance. Their commitment went much further than mere protest; some of them correctly call themselves “Europeanization entrepreneurs” (Della Porta 2004: 11). Committed citizens as social entrepreneurs of Europeanization are certainly accumulating social capital which is indispensable for the continuation of European construction and for the creation of a genuine European citizenship. Their contestation also contributes to the vitalization of public space and the politicization of unfaced problems which are both neglected or under-discussed by mainstream politicians and the media.

Thomas Risse (Della Porta 2005: 6) contends that: “Contestation is a crucial pre-condition for the emergence of a European public sphere ... If political issues are not contested, if European politics remains the business of elites, the attention level for Europe and the EU will remain low. European issues must become salient and significant in the various public debates so that a European public sphere can emerge.”

Whatever important role social movements and their networks can play in creating public spheres, conducting public debates and pursuing the democratization of the EU, other players would also be needed to create a new context and to get rid of the present EU-paralysis.

Emerging European Parties

The Treaty on European Union declares, that “Political parties at the European level are important factors of integration in the Union. They contribute to developing a European consciousness, and to expressing the political will of the citizens of the Union.” (Article 191)

As many of the authors of a special issue of the journal European View devoted to transnational parties and European democracy claim, the fact that the so-called Euro-parties remained dependent on their respective EP-groups and their decision-making statutes, mirrors the clear supremacy of the national parties. By the 1990s, the original promise of the Euro-parties to mobilize national electorates has faded away. As John Palmer, the former director of the Brussel-based think tank, the European Policy Center, formulates, “European elections are simply not about enough at present to capture the imagination and enthusiasm of the electorate. A vote in the European Parliament election has no executive outcome” (Palmer 2006:106). Consequently the European Parliament could
not play a crucial role in EU decisionmaking and as observers emphasize, it remained irrelevant for many Europeans.

From the point of view of creating new European public spheres it would be essential to making European elections relevant. European citizens could be much more engaged in European affairs if Euro-parties would offer them real alternatives, clear policies and a candidate for commission presidency. As many experts, analysts and even politicians suggest, this would be a solution to the problems of legitimacy and democracy deficit (See Hix 2004). This is what the Treaty on European Union suggests: how political parties would be “forming a European awareness and to expressing the political will of the citizens of the Union.” (Art. 138A)

The reality, however, is far from this ideal state of affairs. Today in most cases Euro-parties are Europeans only in name, de facto they’ve remained configurations of national parties. As Ladrech aptly observes “...it is national parties, more specifically national party leaders, who hold the key to Euro-party development” (Ladrech).

The greatest problem political parties willing to act on the European level have is to face the permanent and hitherto unsolvable tensions and the communication and cooperation deficit between the national and supranational levels. Most of the resources, administration and infrastructure are located on the national level, not to mention the focus of the media and, accordingly, the attention of the public sphere. European parties are hardly ever mentioned by the national media; national politicians on the other hand, who often blame the EU for domestic economic and financial failures, frequently hide their Euro-party engagement or activities.

It is true that the political terrain of the EU is complex and complicated. Most of the politicians active on local and national level do not posses the adequate knowledge, skills and experience to be efficient under such circumstances. Taking responsibility at the European level also often contradicts national responsibilities, and harmonization of responsibilities does not belong to the daily routine of political life. The European dimension of disputes and decision-making are rarely considered by politicians despite the strong intertwining nature of European and national politics.

In the light of the present complex crisis of the EU, there is a growing recognition of the necessity and inevitability of European political parties on the national level as well. The manifold pressure to find solutions to the crisis and to find credible and widely accepted alternatives requires fundamental changes in the political system of the European Union. It already
has become clear that European issues cannot be discussed exclusively on
the national level. As a consequence, European publics, be they larger or
smaller, real or virtual have started to develop and gain influence in differ-
ent often unexpected corners of Europe. It is true too, that to make Euro-
pean politics successful, one needs a wide-ranging supranational consen-
sus. Successful politics at European level will be determined by EU-voters’
economic, social and cultural demands instead of by elite-driven ideolo-
gies (Janssen 2006).

Civil Society Networks, Websites, Pressure Groups

The call for a new communication strategy by the Commission and the call
for a period of reflection by the European Council have not gone unan-
swered. Only one month after the Dutch and French No-votes, a group of
some 40 NGOs started a campaign for citizen’s democracy in Europe. They
believe that “only an active participation of citizens in the decision making
of the European Union will ensure a true European democracy... EU funds
the building of roads, bridges and similar infrastructure. Time has come to
develop a »democratic infrastructure« that strengthens the participation of
citizens and helps improving the work of European organizations, move-
ments and European parties.”

Their vision about establishing democracy on the European level is
still inspired by the top-down elitist model: “A »democratic infrastructure«
would make it possible for women and men ... to engage themselves and
fellow citizens in cross border political alliances and activities.” According
to this vision, the »fully fledged democratic infrastructure« is the citizens’
key to Europe and is held in the hands of Margot Wallström. The European
Council should simply ask her to use it.

In October 2006, The EU Civil Society Contact Group, an umbrella or-
ganization which represents hundreds of thousands of organizations and
associations dealing with different issues such as the environment, social
exclusion development, women, culture, human rights, public health etc.,
organized a large brainstorming conference, entitled, “The Future of Eu-

2 See: SOS Europe – wake up Campaign for a Citizen’s Democracy http://www.ifm-sei.org/en/topics/participa-
tion/77491/html
rope” for more than 90 NGOs. Their diagnosis and conclusions were well-founded and later adapted to resolutions coming from the European Parliament, the Commission and many civil society organizations. Some of the major points of their diagnosis are:

- the EU is still perceived as an elite project, which fails to tackle the average citizen;
- the crisis is also a social crisis, as well as the consequence of global challenge;
- lack of vision, leadership and strategic oversight;
- lack of common vision within civil society;
- lack of ownership of the debate by citizens;
- citizens perceive the EU as being too much influenced by “big business”; etc.

And some of the suggested solutions:

- engage with citizens at all levels;
- creation of citizens’s platforms;
- avoid stagnation which might lead to nationalism;
- to define a real vision, a project for the EU;
- NGOs can make the difference but need to be better organized: need for flexible coalitions of the willing;
- Pushing for citizen’s initiative as a way to engage in a concrete debate;
- Using existing civil society organizations for the implementation of Plan-D;
- Create a real space for debate;
- Be positive and open to the input from civil society;
- Provide sufficient resources; etc.

A new element of civil society rhetoric emerging in the debates and deliberations about the future of Europe is self-reflection and self-criticism. Participants of the conference pointed out the problematic definition of civil society and called NGOs, including the Civil Society Contact Group, “to be clearer about whom they represent.”

The reaction from other players to cooperate and communicate was positive. The European Parliament decided to collaborate with civil society by approving the Duff-Voggenhuber

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3 The conference report was drafted by Elodie Fazi, a Civil Society Contact Group coordinator. See: www.act4europe.org
Report in January 2006. The Report, which became an official document entitled: “European Parliament resolution on the period of reflection: the structure, subjects and context for an assessment of the debate on the European Union”5, urges using the period of reflection for relaunching a broad public debate about the constitutional project, arguing that “the political problems and institutional weakness that the convention was set up to address will persist ... unless and until the reforms enshrined in the Treaty establishing a constitution for Europe are brought into force.”6 The new dialogue is forecast to promote European democracy, if the public debate is engaged on both European and national levels. The resolution warns, that “narrowly focused national debates will do little to change national stereotypes, and ... that an imposed dialogue without political goals would become nebulous, even ..., thereby giving rise to increased dissatisfaction on the part of European citizens” (Ibid). Based on the assumption that the European Parliament should play a more proactive and decisive role in the future, it envisions a set of joint parliamentary forums with national parliaments. It expects Citizens’ Forums at national, regional and local levels to address the salient issues and organize media debates; the political parties “to give much more prominence to the European dimension in both their internal debates and electoral campaigns” (Ibid.) It also turns to the other players as potential partners: it expects that the Commission not only adopt a new communication strategy, but also delivers, and shows “decisive political commitment to help the Union emerge from its current constitutional difficulties” (Ibid.) And it turns to civil society organizations to take the Constitution as a priority of their debates.

The European Commission’s reaction was positive to the Duff-Voggenhuber Report. Margot Wallström, in her speech given at the European Parliament, again stressed the importance of the context vis a vis the text of the constitution: “That is why the dialogue has to focus on the European project rather than on institutional reform, on the ultimate objective rather than on the instruments to deliver it.”7

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5 http://www.europarl.eu.int/omk/sipade
6 TA A6 – 0414/2006, p.3
7 http://europa.eu.int/rapid/pressReleasesAction.do
We have seen what civil society is not. It is not a magic bullet and certainly not a substitute for democracy. In its more complex and controversial existence, however, it can to a significant degree contribute to establishing and enhancing democratic procedure, decision-making, transparency, openness and legitimacy on all levels of governance and decision-making. Taking the present political crisis within the EU into account, the introduction of new forms of democracy are inconceivable without a lively and vibrant civil society.

Without its added values such as reflectivity, solidarity, capability to initiate and implement change, its entrepreneurial spirit and its permanent drive to control and confine authorities and hold them accountable, democracy could be seriously undermined and further deteriorate both at the EU and at member state levels. Given the present state of affairs within the EU – new and non-conventional forms of democracy, such as deliberative democracy and e-democracy as well as the often neglected forms of direct democracy, need to be reinforced and institutionalized. Only a vibrant, networking, well-informed and well-equipped civil society will be able to carry out or at least foster such changes.

In order to be effective in implementing its new policies vis-à-vis an emerging European civil society, the Commission, as suggested above, should adopt a more comprehensive and complex understanding of civil society. This extended and expanded interpretation would help in fulfilling the ambitious aim of Plan-D and would galvanize hitherto inactive players in the civil society domain and actively involve them in the planned dialogue.

General Recommendations

The aim of the new dialogue is to form a broad consensus, among European citizens, around the concept of a European Common Good (not monopolized by the transnational and EU institutions and economic interest groups). This presupposes the strengthening of the European dimension of both political and social life (actors, institutions, public space).
The Europeanization of national politics

National elections should be held in the context of European comparison. Voters should be given the chance to see the potential results of their decisions in a European dimension. Understanding national, regional and local issues, reforms etc. in a broader European context would help voters to make more responsible and foresighted decisions and bring them closer to European/transnational complexities and interdependencies. Deciding about radical reforms in the field of social security, taxation, health and education systems, for example, would be much easier in the light of the European constellation.

The introduction of the European dimension in national election campaigns and political debates would have a strong educational impact on citizens’ voting habits and dedication to public issues. At the same time, it would decrease the democratic deficit on both national and European levels by linking them to (rather then detaching them from) each other. It would demonstrate that there are no “individual” political divisions possible on the national level without having a serious impact on the EU-level and vice versa (Künhardt 2005).

The demonstration of interdependences among national and European policy-issues would make voters more responsible and would create more trust between politicians and citizens on both the national and European level.

The introduction of a European dimension into national public discourses naturally cannot be restricted to election campaigns. European citizens need to be involved in a continous process of education and deliberation about the interconnectedness of national and European affairs.

The European Public sphere: towards new, emerging European publics

Few would disagree that in order to “bring the EU closer to its citizens” or to build more trust in European institutions and decisionmaking or simply making citizens more interested, informed and involved in European matters, one would need more of a European public space where people could interact, debate, initiate and set up coalitions and campaigns. At present, quite the opposite picture dominates the European stage:
– lack of transparency of political decisionmaking;
– deficient intensity of interactive communication;
– lack of public interest and deliberation about European affairs. etc.

Experts and analysts are justified when speaking about a “European public opinion deficit.” Trenz’s (2006) observation that the European public space is restricted by taboos, conflict avoidance strategies and unaddressed issues is justified. He is also right by stressing the importance of controversy and conflict in the public space and that the EU has avoided politicization of conflicts until now.

The permissive consent which for a few decades provided adequate legitimation for a far-reaching economic integration project is today rather a hindrance to driving the integration process further. Political conflicts on European issues, on the other hand, could play an integrative role and “bring the EU closer” to its citizens. But political conflicts can only play an integrative role if those who are involved are informed and competent. A massive and widespread introduction of new civic education programs and new forms of adult and higher education modules on citizenship, human rights and democracy issues would contribute to the emergence of more competent, confident and informed European citizens ready to deliberate and to participate in decisionmaking.

Education for democratic citizenship

After the often hectic economic, political and social transitions in East and Central Europe, and as a consequence of growing anxiety and fear in European societies a negative consequence of Eastern enlargement and globalization, the negative images of neighbours and “strangers” has been reinforced throughout Europe. In many of the new member-states civic education, human rights, democracy and civics are still missing from the entire spectrum of education from kindergarten to Ph.D. programs.

It would, therefore, be greatly important to encourage national, regional and local authorities to introduce those missing elements of education into the educational institutions in their competency.

Conscious efforts should also be made to encourage the introduction of more comprehensive and complex transnational, regional and European history teaching from elementary school to postgraduate university programs.
Education for democratic citizenship coupled with a comprehensive knowledge of European and world history and comparative cultural studies would enormously contribute to the development of a more open, tolerant and self-reflective European consciousness and identity. A deeper understanding of the cross-fertilization of cultures and world religions and their significant role in European history would contribute to the deconstruction of exclusive, xenophobic and racist attitudes and patterns of thinking.

Launching European Citizenship Education along with European Cultural and History Studies might be seen as a new hitherto missing European policy, contributing in the longer run to the development of Union – citizenship.

Direct Policy Areas

1) Consultations. The Commission should set up consultations without delay with an extended group of civil society actors and representatives. Direct communication should exclude political or governmental manipulation.

2) Monitoring. The Commission should monitor and award best practices at the cross-border, regional and European levels. Best practices should be made public and serve as encouragement for civil society activities.

3) Promoting education. Civic education including human rights, environmental rights, etc. should be introduced in elementary and secondary schools. The Commission should highly recommend that member-states introduce necessary curricula reforms.

4) Universities. The Commission should encourage universities to engage in the introduction of civil society related courses and training programs. Students are the Ambassadors of the Future. The Jean Monnet Project and other higher education support schemes such as Erasmus Mundus should include new “civil society components”. Generally, the emphasis should shift from the more technical part of EU-studies towards the social construction of Europe within the emerging European higher educational area. Emerging and promoting increasingly effective university-networking and student and faculty exchange would in itself strengthen European civil society. Financial and technical contribution in this area should be multiplied.

5) Research. Similarly, more research networks should be established in the social sciences, with a special emphasis on civil society and related issues (social movements, citizenship, human rights, immi-
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Dissemination. Summaries, syntheses of research results should be published together with policy recommendations and reform suggestions. Academic research supported by the Commission should include practical components and research teams should present their results and recommendations in annual conferences to the Commission and the Parliament. Research results and recommendations should feed further public debates about the future of Europe. In that way the Commission could integrate the academic community further into the process of deliberation.

Transparency and ethical codes. The Commission should become a model for transparency (as is suggested in Plan-D) in order to require and promote transparency on all other levels of governance. To help civil society players to apply the transparency-principle, it should promote a series of conferences or an assembly where civil society activists, protagonists and critiques can discuss rights, obligations and tasks of civil society players. This might lead to an ethical code or a non-binding “constitution” of civil organizations, but more importantly would facilitate a crystallization of common values among them.

Networking/Capacity-building. Networking is part of postmodern democracies. Traditional or national societies are becoming increasingly networked societies. The networks of market players and governments are still stronger and more effective than networks of civil society. Some authors call the European Union “network governance”.

In real civil societies many actors and participants don’t possess the necessary technical means, technical and language skills and financial capacities to be equal partners or to play a significant role in networking. Some of them have never experienced the power of social networks. Many of them are financially or otherwise dependent on national authorities/governments and that hinders the widening of their scope of activities and inhibits their engagement in cross-border co-operation.

The Commission should target the networking and capacity-building of local and regional NGOs and CSOs with special attention to those who act in border regions or Euro-regions with training programs, technical
tools and financial assistance. In return CSOs should demonstrate their enhanced networking capacities in any way they choose (building interactive websites, publishing newsletters, organizing a set of fora, elaborating joint projects, getting engaged in interactive, cross-border broadcasting, campaigning for issues of common concern, etc.). The output of networking and the dissemination of new information or common knowledge should be part of their projects.

In sum: EU institutions should become real partners with real civil society organizations instead of appointing certain NGOs as representatives of “European civil society” and leaving the rest “waiting for Godot.”

In order to achieve these goals, The EU should encourage

• member states to create and guarantee appropriate conditions for the “good society” and help to facilitate “positive interactions between institutions in government, the market and the voluntary sector around common goals such as poverty reduction, human rights and deep democracy and collective strategies to reach them” (Edwards: 94). A more accommodating legal and institutional framework would encourage civil societies to develop and utilize positive social energies and reform-potential;

• enterprises, especially multinational and big corporations, to act according to the principles of transparency and corporate social responsibility. In order to avoid CSR becoming another unfulfilled promise or empty slogan, all best practices should be published and a corporate social responsibility competition among companies should be launched in Europe, giving results high publicity;

• EU-policies should encourage all of the major players to form coalitions and create partnerships among themselves. These would include hitherto unprecedented dialogue and cooperation schemes among players who previously had not considered each other “partners”.

The present state of affairs in politics and society dictate that only new kinds of partnerships and new synergies will culminate in a genuine European social model. Only a complex policy-approach aiming at new and equal partnerships will lead Europe out of its present political deadlock and convince the apathetic and skeptical public to become engaged in non-local, e.g. trans-national, supra-national, regional or European affairs.
Deliberative Democracy and New Public Spheres:
Towards a European Civil Society Agora?

Without more extensive and in-depth debates, new dialogues with new partners, and a continuous deliberation about present and future responsibilities, citizens won’t be effectively involved in complex and often contradictory European issues like enlargement, constitutionalization or regionalization. Without new public fora devoted to these non-conventional issues, they could remain easy targets of one-sided or biased political influence or simply remain uninterested and frustrated citizens with a declining trust in EU-institutions.

Present EU-affairs are not only far from the everyday citizen, they are also rather complex and complicated. Therefore citizens need not only “information” but also interpretation and debate to digest them. The EU should be engaged in creating new public spheres for informed deliberations or equip old ones with new means and methods. These can be real, non-virtual spaces such as regions, micro-regions, Euro-regions, a coalition of different geographical or material units such as cities, municipalities, think-tanks or minorities; or they can be virtual such as interactive websites, regular broadcasting programs or any other form of cross-border co-operation. In ideal cases they will emerge as an interaction and combination of the real and the virtual, old and new forms and frameworks.

What makes these agoras new is that they would discuss

These new European agoras should be equipped with information technology and expertise and their accumulated knowledge should be made public. In order to disseminate the new, self-generating knowledge about European societies, the EU should introduce/finance further European TV-channels, support regional, multilingual newspapers and weeklies, cross-border broadcasting of local Radio and TV programs. Without an enhanced and new role for the traditional media these new and ambitious goals cannot be realized. Support should be given for the establishment and maintenance of interactive websites and new forms of deliberative democracy and civil society dialogue.

Regional civil society kiosks should be established where conventional and new ways of communication would be combined. One of the big-
gest technical obstacles to communication, the language barrier, should be over-bridged by translation-services provided by the civil society kiosk. In a regional civil society kiosk local citizens would get information about European and regional affairs and they would provide their comments, questions and criticisms to a larger public, including to EU-institutions. In other words, the kiosks would be the de facto places for interactive communication, and at the same time would serve as traditional meeting places for local civil society. These should be made available in, for example, cultural centers, “tele-houses” or cafés where people chat, drink coffee and deliberate about public affairs. The novelty would not only be that people would have access to IT and get current information about European and global affairs, but also that the EU and its institutions would become part of their everyday life experience. And they would learn to communicate about “far distanced” issues not only by expressing their fears or frustrations, but also by formulating questions, proposals and petitions.

Generally speaking, one of the most profound policy implications of the present political deadlock is that Europeans should to learn how to communicate with each other in a more open, direct and efficient way. Transparency and openness should be the general rules from the top of the EU down to the smallest local municipality or social group. But this new way of communication needs not so much to be preached as facilitated equipped and realized by all of the players and potential partners: governments, business, civil society actors, and supranational organizations.

Civil society kiosks should be built on real social needs, on proper and digestable information and on the bottom-up self-organizational energies of local civil societies combined with the top-down “enabling” EU-policies. In other words, if local and transnational efforts can create new synergies they might contribute to diminishing the growing communication gap between the EU and its citizens. These multifunctional and interactive centers could become the New European Agoras debating, questioning, denying, anticipating European issues and policies, ultimately making European society “thinkable”.

Civil Society and New Forms of Democracy

European democracies are facing a steady tendency towards disenchantment in representative democracy. Voter turnout has decreased since 1980 from 88% to 70% in 2004. If this tendency continues, it will be around 65% by
2020. These numbers are even less encouraging in the case of East Central Europe: electoral participation might decline there to 45% by 2020.

Although civil society cannot and should not be responsible for solving the crisis of representative democracy, its initiatives might introduce more democracy as well as new forms of democracy into the old system of representation.

Direct democracy and civil society

The referendum and the popular initiative are the two most widespread forms of direct democracy, which proved to be effective in empowering citizens and their organizations to make their representatives more accountable. As Schmitter et al. in *The Future of Democracy* observe, they “also tend to increase citizen's interest and expertise in political issues and, therefore, complement other reform efforts aimed at improving levels of civic competence in politics.”

As a consequence, these non-conventional and less widespread forms of democratic procedures could contribute to an increase in the legitimacy of political decisions and that of the functioning institutions. Therefore, *methods of direct democracy should be combined with the conventional methods of representative democracy at all levels of governance*. The introduction of the European initiative and the binding European referendum might result in diminishing criticism and apathy concerning European affairs and increase voter turnout.

Direct democratic methods, are well known in certain EU member states, and their popularity is on the rise in some others but the wider European public has no comprehensive view about their results and efficiency. Therefore the publication and translation to official EU languages and widespread dissemination of a yearbook on referenda and citizens' initiatives would be highly recommended.

Further recommendations...

Electronic monitoring and online deliberation systems would help citizens to continuously evaluate the actual political behaviour of their elected representatives and consequently diminish the gap between electors and elected.

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“Smart voting” (electronic support for candidates and parliamentarians) already exists in some member states, although not widely known. Civil society kiosks as suggested above should serve as centers of “e-deliberation”. Remote and electric voting would make voting more citizen-friendly and would provide more for decision-making.

A civil society handbook should be constructed, translated and properly disseminated concerning the best practices available for different polities and communities. A code of good practices could serve as a model which could be voluntarily subscribed to and followed by civil associations.

Renewing the role of the media: Media in Europe has not played a constructive or convincing role since 1989 in support of civil society and new forms of democracy and participation. Therefore the different players of the democratic game as well as the actors of civil society should encourage broadcasting best practices and ongoing debates and deliberations on the present and the future of Europe.

Some Concluding remarks:
Towards a New European Social Contract?

The future of European civil society is strongly connected with the future of European citizenship and democracy. There is a growing and increasingly visible interdependence among the new actors of an emerging European public space and the EU policies and strategies directed towards empowering them by providing political and financial support or institutionalized frameworks. By strengthening the networking capabilities of European societies, the EU can significantly contribute to the deepening and widening of European identity. But without a firm establishment of European citizenship the process of identification will remain constrained within the circles of political and economic elites, and some professional and intellectual groups.

As the French and Dutch referendums and many other signals of EU-criticism prove, there is a growing need among European citizens to understand and influence European affairs. Organizing public fora and fostering feedback and networking capacities is certainly a timely and useful way to bring the EU closer to its citizens. But none of the existing and suggested new forms of deliberation, debate and opinion formation can be really effective without media support.
Media in Europe and the European media has notoriously missed the opportunity to play an enlivening role in the emerging European civil society and in making Europeans interested in European affairs. Therefore the establishment of independent and grassroots/alternative media is an inevitable task for the immediate future.

Epilogue

The Misconstrued ‘Perils’ of an Ever Closer Union

Using the catch phrase of an ‘ever closer union among the people of Europe’ today opens up the Pandora box of contradicting interpretations and unending debates and mutual misunderstandings thanks to the opaqueness of the project. Given the lack of clarity of the project one cannot identify clear cut methods and means to achieve it.

Although the dispute is not new, it got a new impetus after the robust, fundamental but most importantly unexpected transformations triggered by the fall of the Berlin Wall and the collapse of communist dictatorships and authoritarian regimes in East-Central Europe and the Soviet Union.

More importantly the very concept and scope of Europe was crying for re-interpretation after the demolition of the Iron curtain. Political thinking, phantasy (or rather lack of it) and as a consequence, strategies for action were heavily embedded in and determined by the simplifying bipolar logic of the Cold War in the time of the Rome treaty and the aftermath of the ’56 revolution in Hungary. This seemingly ‘iron’ – and for many everlasting – paradigm has fallen into pieces and has been fading away from politically correct European discourse after the breakout of the Velvet Revolutions.

1989/1991 started a completely new epoch in European (and global) history. From the late 50s to the mid ’80s the founding fathers had to deal with far less complexities and diversities provided by the processes of integration, although for British exceptionalism even that might have been a peril. In the new epoch of post ’89/91 Eastern Enlargement deepening and extending integration meant facing and dealing with growing uncertainties. Beneath the shiny surface of the ambitious and grandiose single market unpredictable and uncontrollable social and political actors and movements got into motion carving out their stakes under the new rising sun of Brussels.

The time of cheers didn’t last very long; the optimistic dialectics of “unity in diversity” became an ambiguous message for both old and new Europeans
and has led to a clear message of the double ‘no’ in 2005. The elite driven Big Bang Eastern Enlargement and constitutional Convent opened the door for skepticism, ambiguity, decreasing trust in EU institutions and a severe limitation of solidarity among peoples of Europe. The recent eruption of the global crises hit an institutionally untrusted, financially unbalanced and depended socially polarizing and politically disintegrating European Union. The citizens of the first transnational organization with citizenship do not feel united: the 20th anniversary of European citizenship has passed unnoticed. The grandiose language became self-mockery or empty talk at best.

The comeback of the nation state is a natural result of the failures of the post ‘89 integration process:

The lack of understanding of cataclysmic and complex changes, the missed opportunity to become a new responsible and respected global leader, the incapability to install democracy on the supranational level and creating a real frame for identification for European citizens. The EU has remained a non-democracy superimposing rules, legal regulations and economic and financial policies upon full-fledged democracies.

After the permissive consensus about the process and methods of integration have silently broken, bilateralism took momentum and a new/old hierarchy of European member(nation)states became more virulent and obvious. The politically modest, militarily reserved but economically increasingly mightier Germany started to act as primus inter pares and decide about the fate of other countries unilaterally. Instead of a European demos with a unique constitution and unprecedented shared sovereignty, as Ulrich Beck coined recently, a ‘German Europe’ started to assert itself.

The mirage of the nation state as an old/new savior of ‘peoples’ hides a series of deep dividedness, ethnic, cultural and linguistic cleavages originated in its very inception and often in its creation by external forces. In other words the boundaries of ‘nations’, ‘societies’ and ‘states’ almost never coincide. As the examples of contemporary Scotland vs Great Britain, Catalonia vs Spain, ‘Padania’ vs Italy, or Transylvania vs Romania, or itself Belgium, the hard core of ‘Europe’ crystal clearly demonstrate, the ‘modern European nation state’, as an artefact of 18th – 20th century European history and capitalist development might offer the socio-psychological comfort of belonging vis a vis uncontrollable market forces and other negative consequences of globalization but would never serve as magic bullets. Without any democratically institutionalized transnational regulatory mechanisms and deci-
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Decision making processes they would rather be the sources of further problems – if not unstoppable chaos – than any socially acceptable solutions.

Eurorevolution in the Ukrain: more Europe, further Europe?
And yet: as a miracle on the horizon, Ukraine’s second Orange revolution proves that the EU still serves as a magnet for outsiders. Ukrainians are marching against their post-Soviet orthodox state seeing in ‘Europe’ the antipode of their past and an alternative of their present and Putin-dominated future. It is a great irony, that it is the German foreign minister, Westerwelle and not Cathrin Ashton or president Barroso himself who takes the courage to visit the demonstrators of Kiev. It is Germany, the biggest and mightiest among the EU member states who is sending a clear message to Moscow from the Ukrainian capital – in the name of ‘Europe’.

The EU – another sick man of Europe – is in a mess and disarray. It has arrived to a crossroad a long time ago and clearly couldn’t find the right way to follow. The most urgent question to answer is not if it (we) needs an ever closer union, rather if we – European citizens – are willing and able to keep the union at all. If so, new rules, methods of cross border integration and cooperation need to be identified possibly by a new European assembly. Without finding the appropriate and legitimate ways for transnational democratization no solutions would come out of the blue. Neither uncontrollable markets nor political narcissistic nation states would provide viable alternatives or appropriate therapy. Citizens of Europe – Germans included – have to realize that new methods, institutions, decision making mechanisms are inevitable if they want to keep their undebatable achievements and contribute or sacrifice more if they want continue to benefit from their integration processes.

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**The Commission’s contribution to the period of reflection and beyond:**


TRENZ, HANS-JÖRG: Europäische Öffentlichkeit und die verspatet Politisierung der EU IPG, I/2006. (pp 117-119)


Wallström, Margot: Europe: which way forward? Plan D visit to Denmark, Copenhagen University, 19 May 2006: Europe: which way forward?. http://ec.europa.eu/commission_barroso/wallstrom/index_en.htm

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It is the nature of self-evident concepts that they tend to hide their origin and a portion of their connotations. In fact it might, on occasion, help us better understand our own disputes and ultimately ourselves if we try to peep behind their façades. It is with this kind of intention in mind that I wish to contribute a few remarks to the genealogy of the concept of ‘crisis’ in the following paper.

First of all, I would like to establish two separate levels within the current discourse on crisis – one could be termed economical, the other the level of social criticism. The economical level of this discourse appoints certain, mostly brief periods of a few years at a time and terms them a crisis, based purely on economic and financial markers, while in the latter, the social critical discourse, crisis is seen as the diagnosis of a longer historical period or possibly an entire civilisation. In the following text I shall be using ‘crisis’ in the social critical sense in all cases.

If we study attempts to give a complex description of the current crisis up till now,¹ we may conclude that participants like to out-bet each other as regards the length of what they see as the ongoing crisis. Some refer to the oil price explosion as the starting point of the current crisis (claiming that the crisis has been going on for almost forty years). Others claim it began with the outbreak of WWI and the cumulation of all the crisis factors which led to this war. We often read that capitalism itself or modernity as such is a crisis – in this sense, crisis has been going on for five hundred years. Sometimes it abates, but only to continue with redoubled force. It takes nothing for Immanuel Wallerstein to stick another 150 years to this five hundred, claiming that the period of late feudalism was one prolonged crisis... (Wallerstein 1982).

It is worth noting how these diagnosticians of perpetual crisis, as well as their readers, including the present author, easily pass over the self-contradictory meaning of adjectival structures such as ‘permanent crisis.’ In fact

¹ For empirical material I mainly Miszlivetz 2009a and Miszlivetz 2009b.
it is more than remarkable that the predicate (‘permanent’ or ‘long’) is claiming something which is in contradiction with the meaning of the subject, since the noun ‘crisis’ refers to a condition which is extra-ordinary, in other words different from what is customary.

Does this mean that those talking about a long or permanent crisis simply had not considered properly what they are talking about? I doubt that. I would be more inclined to think that they are using a rhetorical device to integrate and express the above mentioned paradox, consciously or unconsciously, with what they are saying. They are probably trying to emphasise that the conditions which obtain today may have been valid for a long time (even as long as the birth of humanity or human history), nevertheless this condition cannot be seen as normal or natural.

And the reason why the reader passes lightly over this paradox is that s/he, too, is already quite accustomed to such a line of thought. Let us put this to the test. Let us ask ourselves when was there a time when we were not in crisis? For the definition of a time without crisis we should accept two criteria. A period is not a time of crisis if (1) those living in it do not perceive it as one and (2) we do not consider ourselves crisis-stricken in retrospect. I will not waste time here analysing the periods which occur as possibly worth considering because I think it is already clear – as far as available sources reveal, there is not a single period in European history which meets both criteria. Usually it is only in retrospect that the human mind, with its penchant for nostalgia (itself a characteristic symptom of crisis!), touches up a period or casts a golden halo over it, but should we find a brief period which was perceived by those living there (or at least a goodly proportion of them) with satisfaction (say the years around the millennial celebrations of the Hungarian conquest) we are bound to encounter the social scientist popping up from nowhere and explaining to us that this sense of satisfaction and peace was but a naïve illusion and it would have been wiser for people of the time to focus on the looming disaster, the magnitude of which might have been reduced by such wise foresight.

It is similarly revealing that there are innumerable theories afoot in our civilisation which look on permanent crisis as a necessary process within human civilisation. After humanity abandoned the kind of sense of satisfaction and comfort which characterises animals, permanent uncertainty and unease, fear and dread became our lot, they claim. Authorities who think along these lines include Freud, Gehlen, Horkheimer, Adorno or Sartre but, with the right sort of interpretation, also Moses as in Genesis (being human means being expelled from Paradise) or the Prometheus myth. The
only conclusion I wish to draw from the above line of thought is that our contemporary theoreticians are not the only ones to talk about permanent crisis or keep discovering ever newer centres of crisis. Quite to the contrary – some degree of a sense of crisis seems to have been a permanent fixture throughout the history of European culture.

Should we look for an explanation of this curious phenomenon it might be a good idea to think about the meaning of the above mentioned paradox. How can a crisis, or crisis as such, be permanent? In order to make sense of this, the first thing we need is some kind of a transcendental point of reference. Anyone who speaks of permanent crisis must be implying that some sort of a natural or normal state does exist at least in vague outlines somewhere, this side or beyond modernity or capitalism, possibly in animal existence before becoming human or in the assumed existence of superman who surpasses human beings, or in a set of normative expectations generated by an immanent world (Sumegi 2011). We also need an extended period of time or (better still) a timeless condition following our time in this world, compared to which our mundane time is but a fleeting moment. Lastly, we need the belief that immanent time (the time in which crisis in this world applies) will one day surely end.

At the time when Christianity was taking shape, these three criteria were self-evidently given. The revelations of St. John speak of the coming of a world which will provide us with a sure footing, beyond any doubt, on which to judge about what is true and what is false, even in times when the false appears as true. (The beast with seven heads and ten horns and the beast with two horns will defeat everyone and convince almost everyone but will not shake faith in whatever is written in the life book of the Lamb. - Cf. Revelations 13, 7).

Furthermore, when this world emerges, historical time will come to an end. 'Then the angel I had seen standing on the sea and on the land raised his right hand to heaven. (6) And he swore by him who lives for ever and ever, who created the heavens and all that is in them, the earth and all that is in it, and the sea and all that is in it, and said, 'There will be no more delay!' (Rev 10,5-6). Similarly, it is clear that the third condition also obtains, 'The time is nigh...' (Rev 1.3). 'The Lord, the God of the spirits of the prophets, has sent his angel to show his servants what must soon take place.7 And behold, I am coming soon' (Rev 22,6).

The above considerations have probably made it quite clear why it is not a logical contradiction to talk about a permanent crisis, even if the literal meaning of the two words seems to contradict each other. Because time
in this world is a mere drop compared to the sea of timelessness. And this brief duration, encumbered by permanent change and surrounded by a vast sea of timelessness, may easily be interpreted, without contradiction, as one permanent crisis, particularly if we are convinced that we are soon to return into Timelessness.

The world-experience and life-sensation of the Book of Revelations, this closing stone of the New Testament – is it not similar in an archaic form to that which penetrates our current discourse of crisis? The world is terrible, it cannot go on like this much longer, the crisis is the herald of that great and final destruction which will finally separate the good from the wicked and do justice and irrevocably lift us out of this finite and imperfect world.

St. John writing about the apocalypse is the archetype of a character type produced by European history which we can find in probably all stages of that history. It is worth devoting a few paragraphs to two portraits of this character – the apocalyptic soul or, as Károly Mannheim calls him, the chiliast. Within a spatial and historical texture we always are, but viewed from the perspective of the chiliastic experience it is always a ‘not quite’ way of being. For the absolute experience of the chiliast the present is a breaking point where all that was innate before pours out and captures the outside world in a way which changes it in a flash,’ explains Manheim and goes on to say ‘This is what the believer in chiliasm is waiting for – the unification with the present, this is why their everyday time is filled not with an optimistic hope of the future or a romantic focus on the past, but waiting, a state of alert ready to jump. […] Chiliasm wants revolution not as an inevitable means to some rational end to be perceived at face value but as the only creative principle of direct existence in the present, that much longed-for break into the world’ (Löwith 1953:155-; Ricouer 1986:277).

The genius of the same character type is celebrated by the young George Lukács in his laudation of poet Endre Ady – deservedly and with remarkable clear-sightedness in my opinion. ‘[Ady’s readership] consists of people who felt there was no help, no other recourse but revolution. Their vision is that all that is has never been new or good, it just swallows up all that is new and good, it is evil which cannot be repaired, it must be destroyed to make room for new possibilities. […] Revolution is a must for him, meaning Endre Ady, and for the contemporary Hungarian. It is necessary not because the time for it has come, not because it would be useful as it would create new value and destroy what is old and worthless, revolution is necessary, for him, for Endre Ady, for the contemporary Hungarian, simply so that they can go
on living, so they have somewhere to plant their rootless love, so that they have someone and some place to donate their riches to that are dying inside them. So that his life can find form somewhere’ (Lukács 1998:47).

If we try to find the connecting line between John with his legacy of visions, poet Endre Ady, George Lukács and the crisis discourses of our time, our first counsel should come from Karl Löwith who offers a detailed analysis of the step-by-step way in which salvation history came to be connected with lay history and also the way in which the secularised concept of ‘world history’ emerged from all of this. Indeed, ‘crisis’ is probably in the same family of concepts as ‘history’, ‘progress’, ‘work’ or ‘final goal’. All of these concepts may be retraced to a linear perception of time.

In the age of St. Augustine it was seen as scandal and folly to talk about time as finite or linear (Löwith 1953: 211-). By now, however, for the contemporary European this predicament has become reversed: no matter how much we read about what it means to perceive time as a cycle, we still find it difficult to perceive cyclic time as anything but a prop of a fairy story world. The linear perception of time has become secularised over the centuries and has fossilised into a fundamental assumption which is a pillar upholding or a cornerstone demarcating our culture, alone with a set of other similarly self-evident beliefs.²

A linear perception of time, however, still does not necessarily entail an end-of-the-world mood or permanent crisis. The imaginary line we envisage in order to represent time can equally well be a straight line (and thus endless) or an interval (something finite) and we can just as convincingly argue the finiteness or the infinity of the world – as Kant had made quite clear (Kant).

Belief in the end of the world has a psychological and a moral explanation, claim both Augustine and Kant almost unanimously. If time were not to have an end, there would be no hope that the misery of this world is ever to come to an end and that life should reach its completion in a final goal and thus gain meaning. ‘Is it not inconceivable, incredible, intolerable? [meaning the pagan notion of time – S. I.] Even if it were true it would be wiser to keep silent about it, yes, it would be wiser not to know about this..’ cries out Augustine (Löwith 1953:151; Kant 1902). Kant adds to this that man

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² I argued in detail for an idea where certainties in the Wittgenstinian sense are seen as the foundations of cultures and also where the certainties which provide these foundations are invisible. See Sümegi 2002.
cannot exist without believing in some sort of final declaration of justice (Kant: However, we have still not arrived at the concept of apocalypse – there is no reason why the end of the world should necessarily be envisioned as some horrific firework display. We can just as well imagine a quiet exhaustion (just like a living organism which, having used up its energies, quietly goes to sleep) or even as a slow development toward perfection which finally and gloriously switches into Perfection itself.

Kant demarcates himself quite clearly from proponents of a bloody vision of apocalypse and attributes such notions to disdain for this world (Kant: 99-). Nietzsche goes even further and tries to grasp what is in the background of such disdain. Rejecting life in this world comes from weakness and cowardice, as he repeatedly declares. It is also a sign of resentment – the hatred of the week for the strong, of the cowardly for the brave, of the talentless for the gifted, of the ugly for the beautiful (Nietzsche: 42). And just like St. Paul seems to revel in describing in close detail what they would do to enemies of Christianity in hell (meaning Paul’s enemies and all the ‘Lords’ who find Judeo-Christian resentment and servant morality distasteful), John finds the same kind of delight in describing what would happen to all those who, in his judgement, deserve punishment.

This should do for a rough and ready analysis from the perspective of knowledge sociology. ‘Talking crisis’ is nothing other than the secularised version of the apocalyptic expectations that had characterised Christian civilisation from the start, we might point out with a supercilious smile, indicating that we see to the bottom of things. But this supercilious smile is just as apocalyptic and is rooted in us being blind to our own determination by history and genealogy, no less than the views just exposed above. Exposure itself is quite an apocalyptic gesture! Indeed, this is what apocalypto originally means: exposure, disclosure (Derrida 1983). The phrase only assumed its current meaning of ‘ultimate disaster’ or ‘end of the world’ in consequence of St. John’s apocalypse stuck to the end of the New Testament. However, you are not only apocalyptic if you are exposed as entertaining an apocalyptic view but also if you are one of the exposers. The enlightenment spells out

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3 Let me note that Max Weber, perhaps with his young friend George Lukacs in mind, accuses the chiliastic character, less heatedly but no less categorically than Nietzsche, of talking ‘other world’, claiming they are unable to put up with his lot as a man should (Weber 1992:36).

4 Derrida is leaning here on analyses by André Chouraqui.
the verdict of the severe judge of reason over the mystical/eschatological views of the late Middle Ages, but at the same time becomes itself apocalyptic not merely by exposing but also by itself envisioning an ending of a kind – that of the Realm of Reason. Then comes Marx and exposes the Enlightenment (as the apotheosis of capitalism), but for all that it will not become any the less apocalyptic than the bourgeois ideologies which he razes to the ground – quite to the contrary. Next, the critics of modernity, e.g. Nietzsche or Heidegger, expose Marx as a typical modernist (and thus lock him inside a common genus with his opponents) and envision some new endings for our edification. Ultimately, there comes Derrida who recognises and admits that as long as the walls of Europe are standing, apocalyptic thinking will never come to an end and that he himself is also apocalyptic, since by such a prophecy he seemingly blocks the way to all manner of apocalyptic prophecies, in other words, puts an end to them (Derrida 1983: 77).

If we think about it properly, this could not be any other way. Because if we look on the linear perception of time as one of the basic underlying assumptions of European culture and thinking, which defies deconstruction, and if we even go on to add that such fundamental beliefs are usually invisible to the people who live in the culture in question, this is, to speak figuratively, the ground on which we stand and it is impossible to look under one’s feet, then we must conclude that to some extent, in one way or another, all Europeans think in an apocalyptic manner, and attempts to surpass apocalyptic thinking by definition cannot amount to more than further reformulations of the culture we are trying to surpass (Sumegi 2002). On the other hand, there are a number of hints indicating that the linear perception of time has already begun to erode. Although we still cannot see the cyclic notion of time as any more than a rule of the fairy story world, but a number of our concepts which presuppose ‘linear time’ and probably emerged as implications of our understanding of time have become quite worn out by now. No one today believes in a meaningful ‘world history’ any longer, even if we are badly in need of the kind of hope that Augustine or Kant longed for. Concepts such as ‘progress’ or, what supports the former, ‘work’ have also lost their self-evident character.

It is probably this erosion which gives us a degree of freedom and room in which to manoeuvre in our attitude to concepts such as ‘apocalypse’ and ‘crisis’. Perhaps one way or another, to varying extents, this apocalyptic tone saturates all discourses, but it is still not irrelevant whether it is this way or that and more or less. The communist interpretations of Marx (say by Len-
in or George Lukacs) are far more apocalyptic than the social democratic readings. Christian democratic and Christian socialist continental conservatism is far more apocalyptic than English conservatism. (This last is probably the least apocalyptic school of thought in Europe.) There are also liberal thinkers who entertain hopes that the expansion of liberalism would bring salvation in this world, while others think that politics will never be able to solve the most crucial questions of human life and so it cannot do more than provide everybody the room and the options to fill their own lives with meaning. Even the green movement, which started out in a massively apocalyptic tone, has now become tame enough, at least in certain strands which do not go about frightening us with (actually fairly plausible) end-scenarios of ecological disaster. Instead, they propagate an attitude to life which tries to steer us away from concepts closely tied in with apocalyptic thinking (such as ‘progress’ or the ‘happiness of the entire society’ attainable through work) and offers instead some way of thinking more in the oriental vein of contemplation, refraining from wanting to alter reality. In this kind of space it becomes possible to ask questions which probably all actors of the crisis discourse ought to be asking themselves but which cannot be given scientifically valid answers. Is it a good idea to sharpen our apocalyptic outlook or are we better off if we try to dull such an approach? Do we need that perspective at all? Is it not possible to explain the general unease of the European intelligentsia by the fact that they are constantly perceiving a crisis, living in crisis? Constantly talking crisis – has this played a part in the emergence and growing popularity of totalitarian movements and if so, how great a role?

On the other hand is there not a danger that an end to eschatology would turn Europe into a dreary desert and us into dull, witless creatures blinking away without a will to anything as Nietzsche, Habermas or Fukuyama predicted?

Is there a golden mean between extreme crisis-talk and complete resignation? Is it possible to think in a schizoid fashion that partly we need to do all in our power to better the world we live in and partly, at the same time, develop the capacity to feel gratitude for what is?5

5 See for example, Vajda 2001.
Bibliography


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