



European integration as an underestimated success programme

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*Socio-economic Sciences and Humanities Europe
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European integration as an underestimated success programme

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Abstract

European integration was and is a success programme. It was possible to successfully cope with the challenges of globalisation, to perform better than the United States in international competition, defending the European model of social security and inclusion while keeping pace in terms of per capita growth, and the supranational concentration of bargaining power proved helpful with respect to multinationals as well as in international diplomacy. However, the inevitable lack of vision for the final state of the integration process disturbs the safety-oriented European public and impairs EU's image. There is a search for final, patent solutions based on traditional institutions and models. In this, one overlooks the fact that European integration is a systemic process and an experiment at the end of which something *new* will presumably have been created. The adaptation and the advancement of the specific European model, based on inalienable human rights (not the least for women), rule of law, separation of powers, freedom of religion, popular sovereignty and representative democracy is indispensable. It is not easy, given differences of assessment of values even with the United States, and the rejection of 'Western' values outside the Western World, in many cases even with considerable aggressiveness.

European integration as an underestimated success programme*

Starting point and challenges

European integration was and is a success programme, despite the inevitable difficulty of integrating 28 different countries with 29 (24 official and 5 semi-official) languages and very specific historical and cultural characteristics; add to this increased heterogeneity through continued expansion. It was possible to successfully cope with the challenges of globalisation: the EU was able to perform better than the United States in international competition (market shares), defending the European model of social security and inclusion while keeping pace in terms of per capita growth, and the beginnings of a supranational concentration of bargaining power proved helpful with respect to multinationals as well as in international diplomacy, despite the difficulties European diplomacy has in speaking *one* language. It must be surprising that these successes are not really recognized and accepted by the public, the media, politics or even the institutions in Brussels.¹ The development and above all the implementation of a new growth and development strategy, to which WWWforEurope should contribute, has to start with the causes of this by no means self-evident 'Euro-pessimism'.

The most obvious explanation for the low level of acceptance of the EU lies in its current *growth and innovation weakness* and in the differing views on *how to overcome the financial crisis*. This explanation indeed touches on a sore spot, but overlooks both the fact that the European 'crisis firefighting team' has worked well under the circumstances – not just in terms of the 'doomsday expectations' of numerous American authors – and the fact that decision-making processes in decentralized organizations inevitably (must) encounter greater difficulty if they are to meet democratic requirements.

Second, not just globalisation but also European geographical expansion and heterogeneity that coincides with the extension of central competencies inevitably induce a countermovement of *retreat to the national*, a skepticism toward centralised decision-making and a discussion on a certain return displacement of skills – a tendency known in federal states.

Third, the *complexity of political tasks* has not merely increased due to the heterogeneity of the Member States (particularly in the context of the monetary union), but also through the increasing importance of additional objectives (such as environmental ones). Moreover, European policy is confronted with worldwide trends that contradict the European canon of values, such as increasingly unequal distribution of income.

* The paper has benefited from helpful commentary by Kurt Bayer.

¹ According to Eurobarometer 2011, 62% of the EU population felt that the single market only benefited big companies, 51% felt that it worsened working conditions, and 53% believed that it bore few advantages for the underprivileged. Even the president of European Parliament is "tief besorgt über den Zustand der EU. ... Ich glaube, dass dieses Projekt der transnationalen Demokratie, die den Frieden in Europa gesichert hat, bedroht ist." (DIE ZEIT, 19.3.2015, 9)

STAGES IN THE DEVELOPMENT OF EUROPEAN INTEGRATION

The European integration process is based on the realization of respective political majority support options. Only very few and often limited interventions have been able to achieve consensus, despite the launch of far-ranging and diverse integration steps, reform concepts and visions at every stage. The dynamics of the process are based on specific impulses, and in many cases individual persons. As a result, the objectives also vary.

Initially, integration was launched as the great European peace concept. On 9 May, 1950, the French foreign minister formulated the goal of a European union through voluntary economic ties. The nucleus was the European Coal and Steel Community, which included Belgium, Germany, France, Italy, Luxembourg and the Netherlands. In 1957 these States signed the Treaties of Rome, which established the European Economic Community (EEC) and Euratom. The common market was to be set up within twelve years. In 1968 the last domestic customs duties disappeared within the EC countries and a common customs tariff was introduced. In 1972 the six-country community expanded through the accession of Denmark, Great Britain, Ireland and Norway. With this and the achievement of the Customs Union and the oil and currency crises of the 1970s integration dynamics waned. Initial trials in the direction of an economic, monetary and social union failed, and the phase of the so-called Euro-sclerosis began.

An impetus towards more intensive integration came into effect with the Cassis de Dijon verdict (1979), based on which, in principle, all products lawfully placed on the market in an EU Member State be sold in in all other Member States. In the mid-1980s a new commission, in which Lord Cockfield was responsible for the internal market, introduced a seven-year plan at the very beginning of its term (White Paper) to complete the internal market by 1992; on behalf of the Commission, Checchini created a report on the "Cost of Non-Europe". In 1986, the Single European Act (SEA) strengthened the institutions of the EU, but it was only through the Maastricht Treaty (1992) that the transition from an economic to a larger European Union was achieved.

The cooperation attempted in the monetary area after the collapse of the Bretton Woods system (the currency "snake" in 1972, the European Monetary System in 1979) lacked dynamism. Delors forced a large monetary union that contradicted the Optimum Currency Theory; his view was that the integration process towards a unified Single Market required continuous impulses in order not to slow down. Delors was well aware of the problem of a large monetary union and called for a "convergence of fiscal and monetary policies, the establishment of a European Monetary Fund ... The success of the Internal Market Programme hinges to a decisive extent on a much closer coordination of national economic policies". Since the monetary union more or less functioned without reforms during the first decade of its existence and the euro grew continually stronger relative to the dollar, nothing of the sort took place.

The financial crisis, which particularly hit the EU as a result of institutional weaknesses of the common currency and the heterogeneity of its now 27 members, forced ad hoc assistance programs and organizational measures to be realized, in addition to repairs to the monetary system. Differing opinion on target priorities substantially burdened the climate among the Member States. In light of this and because of new tasks, the heterogeneity of the members and the increasing complexity of the world situation, the European idea has to be placed on a new (ideological) foundation. In addition to the economic goals that have been dominant up to now, environmental and social goals must be given greater consideration in order to be incorporated into a consistent framework. Although the current problems in Europe would certainly be greater without integration, greater consideration of national and international distribution objectives would, however, have likely resulted in a much lower cost of the financial crisis.

Fourth, the public has not been made sufficiently aware of integration as a *work in progress*, and that it will remain so for some time.² The EU has not grown according to plan, but in politically determined stages (see the description in the box). Structure, organization and administration were neglected and often tightened *ex post*, tediously or insufficiently under the pressure of the requirements; respective interaction must first be established. However, the inevitable *lack of vision for the final state* of the integration process disturbs the safety-oriented European public, which takes a distant view of experiments. There is a search for final, patent solutions based on traditional institutions and models. Can the European model be preserved? Do we need a political union? How will subsidiary and centralization interplay? Will there be a federal state or just a confederation of states? In this, one overlooks the fact that European integration is a systemic process and an experiment at the end of which something *new* will presumably have been created. Cooperation between different states with different histories in a rapidly changing world probably do not correspond with traditional juridical forms of rigid state composites, but rather networks of resilient, dynamically adaptable, autopoietic (risk management) systems.³ Developing such a functional model, which does not fail as a result of its own complexity, is an epochal task; it can only be solved using trial and error, and it requires time.

Work in progress under unfavourable conditions

The formulation of a new growth and development strategy with the goal of greater employment, inclusion and ecological sustainability as well as overcoming Euro-pessimism is complicated by current global economic and intra-European problems. Both within and outside the EU, the situation has become confusing,⁴ and the significantly increased complexity requires new approaches. This makes the development of specific European solutions more difficult, but also all the more urgent.

The new *complexity of the world situation* partly results from the end of the dominance of 'Western' values (Europe including its offsprings) and a battle for global and regional hegemony, and on the other hand from the behavioural changes of key actors. The Western democracies represent an ever shrinking part of the world population. Their global economic importance is declining, as is their geopolitical influence. Their model based on inalienable human rights, rule of law, separation of powers, freedom of religion, popular sovereignty and representative democracy – a model the United States in particular continues to see as a model for the entire world – is increasingly rejected outside Europe, in many cases even with considerable

² In the US the integration process lasted a century and was accompanied by a civil war.

³ The nation state as a Western concept has long given way to a heterogeneity of the state concept. In addition to national states (US, Brazil), there are empires disguised as states (China), states playing empires (Russia, Iran), quasi-states (Palestine), failed states (Congo), religious states (Iran, Saudi Arabia, ISI). „China is a civilisation pretending to be a state“ (Lucian Pye); Japan is a cultural circle that is a state (S. Huntington).

⁴ Heinrich August Winkler (*Geschichte des Westens*. Band 4: *Die Zeit der Gegenwart*. 2015, München: Beck) titled the final chapter of his "History of the West": "The End of all Security."

aggressiveness;⁵ even ecological questions find little resonance outside of Europe. With ever greater economic and financial interdependencies, the *increasing difference in values* not only raises problems of diplomatic and economic behavior towards the respective country groups, but, due to immigration flows these problems have also become of intra-European relevance.

While increasing awareness of own *values* outside the 'Western' world has led to a multipolar world in this regard, in the *political* arena there is a *tendency towards diffuse multi-polarity or even 'non-polarity'* (F.W. Steinmeier: "loss of order"). The US is wrestling with its diminishing influence on world politics. Europe has not (yet?) been able to act as an intra-Western counterweight the United States. The Peoples Republic of China, India and Brazil have emerged as global players; Russia is trying to revert to world power thinking from the period of the Russian Empire, an approach that is supported by the rugged anti-Western orientation of the influential Orthodox Church. In the Middle East hegemonial conflicts are increasingly taking on the character of proxy wars. Long-lasting global and regional hegemonial struggles are inevitable under these conditions.⁶

As a result of increasing international, intra-national and religious conflicts such as increased unemployment, the number of immigrants in the EU is expected to grow at an even more rapid rate in the future than in the past. Due to their widely differing values and religions and the distanced attitude of the local population, the integration of these immigrants will very likely become one of the EU's major problems.

Along with the end of the dominance of 'Western' values, the EU will have to cope with the *behavioural changes of key actors*: the US is increasingly losing interest in Europe, viewing Russia as a regional power and focussing on the Pacific region. They would observe a failure of the monetary union with an attitude of benign neglect. *Russia* is suffering from the loss of its empire,⁷ a lack of civilian industrial base and a demographic downward spiral related to massive emigration; the attempt to establish a Eurasian Union (with Belarus, Kazakhstan, Kyrgyzstan, Armenia and Ukraine) has lost considerable potential through the binding of Ukraine to the West.⁸ In general, Russia sees itself as more under threat from the EU and its eastward expansion than from the United States and is accordingly trying to destabilize the EU in its geographical border areas.⁹ *China* has not only taken a step away from mass solidarity towards individual enrichment; however, of greater importance to the EU is its transition from the investment of mercantilist export surpluses in US government securities to direct investments abroad (including Europe). These serve the goals of market hegemony in strategic areas, the

⁵ An increased awareness of own values is not just observable in Islam, but also in Hinduism, China, Singapore and Russia. Aspirations to hegemony, historical reminiscences and religious motives (not just in Islam, but also in Hinduism and Orthodoxy) are respectively involved to different degrees.

⁶ It is about regional dominance in the Middle East (Turkey, Iran, Saudi Arabia, USA, Russia), the Far East (China, Japan, South Korea) and the former Russian empire, as well as about conflicts between China and Russia, China and India, and between Shiites and Sunnis.

⁷ "The 'life of future generations' depends on whether Russians prove themselves capable of 'becoming the leaders of all of Eurasia'." (Putin, 2012, in his presidential inauguration speech)

⁸ At 35 million, the population of the remaining members lies significantly below that of Ukraine at 46 million.

⁹ Even before the intervention in Crimea, Russia supported the Orthodox Serbs in the war in the Balkans, and since then it has tried to strengthen its ties with Greece, Hungary, Romania and diverse Balkan states.

development of export markets in Asia and Africa (Kenya), as well as the protection of trade routes to the Mediterranean and Africa ('Silk Road' activities).

Another change in behavior that the EU should observe closely is the tendency to replace the concept of the nation state with that of a state of ethnic minorities or religious groups by the states aspiring to hegemony. Not only in Russia, but also in Hungary, Romania, Turkey or China, there are clear tendencies to consider people of the same culture, race or religion who are living abroad as nationals, providing them with (additional) passports, taking care of them culturally and politically, in order to prevent their integration into the host countries and appear as their protecting power;¹⁰ Iran and Saudi Arabia are supporting various insurgencies.

Not only has the world situation become more confusing, but complexity has increased *within the EU*. The *end of the consensus society* and the *loss of the integrative power of the established parties* not only concerns the individual Member States as such, but, even more so, the EU as an institution. The groups fraying to the left and above all to the right are not just radical, but also hostile to Europe in one way or another. They gain their importance less from their absolute size than from the lack of political interest of the majority. Voter turnout in European elections has dropped from 62% (1979) to 43% (2014). The self-reinforcing tendency towards *segmentation of society* manifests itself in increasingly unequal income and wealth distribution, increasing differentiation and partly in the isolation of residential areas or increased importance of position goods.

Segmentation tendencies are not only evident in the individual member countries, but also within the EU itself. Neither the monetary union nor the Schengen Agreement has been joined by all EU members, and the variable geometry has (unintentionally) become the smallest common denominator of integration. This should not only be regarded negatively; it could become a starting point for a concept of integration in the form of a more resilient, dynamically adaptable, autopoietic (risk management) network. On the other hand, structural problems, poor management and to an extent corruption in the countries on the southern and eastern periphery present considerable difficulties for a common policy.

A considerable number of the current unfavourable conditions for the integration process result from the *policy of the EU* itself. First, the Commission, following US and industry lobbyists, has oriented itself too strongly towards *neoclassical concepts of market management* and placed competition and efficiency considerations clearly ahead of welfare and distribution considerations. Second, under the German pressure, priority was given to *fiscal adjustment over demand management*, which significantly delayed and rendered more complicated the already difficult task of overcoming the consequences of the financial crisis.¹¹ Third, the EU suffers under the inherent contradiction of strictly rejecting the introduction of elements of a

¹⁰ Immediately after the dissolution of the Warsaw Pact, the Russian military formulated the doctrine to protect Russians abroad and overcome regional conflicts. Turkey, Iran or Saudi Arabia exercise their influence through the financing of associations, schools, preachers and even revolutionary movements.

¹¹ Based on historical experience (Reinhart Carmen M. and Kenneth S. Rogoff, 2010, Growth in a Time of Debt, *American Economic Review* 100(2)) severe financial crises dampen growth in the subsequent decade by one percentage point and increase unemployment by five percentage points.

transfer union despite the considerable heterogeneity of the members of the economic and monetary union.¹² Fourth and finally, the EU institutions have an unfortunate tendency to set *unrealistic goals*. Instead of achieving the Lisbon goal of making the EU the strongest and most dynamic world region by 2010, the EU fell behind the other regions. The Europe 2020 strategy, although less ambitious, nevertheless neglects the reconciliability of the postulated objectives; the most recent goal to increase the industry rate of 16% of EU GDP to 20% by 2020 (European Commission Communication from October 2012) will not be achieved, and neither will the respective remediation requirements for countries on the southern periphery of the financial crisis, which were already outdated at the time of its (long delayed) resolution. For the assessment of the EU's achievements and its image, the almost systemic ongoing failure to reach unrealistic goals necessarily appears extremely negative.

The EU as a political programme

The more complex world situation and the drifting apart of the moral concepts of the various country groups has made the development of an economic and social model that corresponds with the preferences of Europeans more important than ever. Given a world with 200 States, 100 thousand multinationals and 50 thousand NGOs, this is not possible at the individual national level but only on a European basis; and despite a shrinking population, the EU is significant enough on a global scale to implement and maintain such a unique model.

| | USA | EU | China | India | Russia |
|-------------------|-------|-------|-------|-------|--------|
| World population | 4,5% | 7,2% | 19,3% | 17,7 | 2,0 |
| World GDP | 22,7% | 23,5% | 12,4 | 2,5 | 2,9 |
| World merchandise | 10,5% | 15,3% | 14,7 | ? | 3,5 |

European independence must above all be protected in relation to the *country groups with non-Western values*. In the 18th century Voltaire (1751) already emphasized: "Europe is a kind of great republic divided into several states ... They all have the same principle of public law and politics, unknown in other parts of the world." To the non-European world, Europe may appear a frequently disunited structure; but what holds it together inwardly today and makes it attractive – at least for Europeans, but apparently also for asylum seekers – is the legacy of the Enlightenment and the normative projects of the US (1776) and the French Revolution (1789) in the form of inalienable human rights, rule of law, separation of powers, popular sovereignty and representative democracy (Winkler 2015). It is about freedom of speech, assembly and religion, the separation of state/politics and religion, women's rights that do not exist on this scale anywhere else, and the priority of the individual over the collective.

¹² This does not exclude the possibility that in the course of agrarian subsidies significant, even structurally distorting transfers will take place; even using the structural fund, transfers will take place. Unlike in the US, however, there is a complete lack of transfers with an automatic stabilizing effect.

However, the European model must also be distinguished with respect to the *US model*, which is to be imposed all over the world (including Europe). The American system of values is based on the human image of the strong individual who manages to rise due to his own strength; wealth is considered the most important measure of success and freedom.¹³ Distribution is largely left to the market and security left to private initiatives, and it therefore differs significantly from the largely 'egalitarian' European concept of distribution (Pichelmann 2015). The financial markets dominate to the extent that not the citizen but rather the investor and, at a certain distance, the consumer are at the center of the system. Efficiency ranks well ahead of welfare and the conservation of the environment. Amazingly, in the course of the "war on terror" even some fundamental rights have recently been interpreted rather loosely in the United States.¹⁴

The key elements of a European economic constitution as part of an ecological social market economy mainly include:

- the *welfare of the citizens* as the primary objective, instead of the maximization of efficiency and incomes of the consumers;
- the achievement of a high level of employment and social inclusion, while taking into account environmental sustainability;
- an awareness of the limits of the market model;
- the equality of the factor markets as a prioritization of the capital market (shareholder value) would require a dominance of the investor decision over the entrepreneurial decision and the instant adjustment of a fully flexible labour market at any time;
- the qualified permanent job as the dominant type in the context of a partner relationship between employers and employees, with collective agreements and minimum wages as important system components;
- social equity through redistribution and social security, not merely for the physical security of citizens but also for reduced uncertainty, out of consideration for justice, and as a prerequisite for a productivity-enhancing specialization of labor
- a central role of the state in redistribution, the provision of public goods, the education and health sectors, as well as the protection of the environment.

Globalisation in the traditional sense is indeed an important goal for an independent European economic constitution, but it is not the only and most dominant goal. Although trade barriers must be further reduced because they generally reduce prosperity, this should not go against the interests of the citizens: if they, for example, reject genetically modified food or wish for more stringent limits to pollution, related import bans should be permissible.

¹³ "If small children can no longer hope to make as much money as I do one day, what is this country still good for?" (Chrysler CEO Lee Iacocca in justifying his high income).

¹⁴ The increased transgressions against the previously accepted value canon can be seen in the area of human rights (Guantanamo, Patriot Act), the rule of law (secret service activities) or warfare (targeted killings through drones, preventive military strikes); they are also evident in the presumed national security interest of the systematic spying on befriended or one's own population by the National Security Agency (NSA).

Project Information

Welfare, Wealth and Work for Europe

A European research consortium is working on the analytical foundations for a socio-ecological transition

Abstract

Europe needs change. The financial crisis has exposed long-neglected deficiencies in the present growth path, most visibly in the areas of unemployment and public debt. At the same time, Europe has to cope with new challenges, ranging from globalisation and demographic shifts to new technologies and ecological challenges. Under the title of Welfare, Wealth and Work for Europe – WWWforEurope – a European research consortium is laying the analytical foundation for a new development strategy that will enable a socio-ecological transition to high levels of employment, social inclusion, gender equity and environmental sustainability. The four-year research project within the 7th Framework Programme funded by the European Commission was launched in April 2012. The consortium brings together researchers from 34 scientific institutions in 12 European countries and is coordinated by the Austrian Institute of Economic Research (WIFO). The project coordinator is Karl Aiginger, director of WIFO.

For details on WWWforEurope see: www.foreurope.eu

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