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Publication date
2010

Document Version
Final published version

Published in
Romanian Journal of European Affairs

EQUITY AS THE MISSING LINK: THE VALUES OF THE EUROPEAN UNION

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Abstract**: *The European Union (EU) is a singularly successful example of economic integration. To what extent it has also been a force for democracy- and how it can more clearly become one- are the key questions addressed in this article. Below, I first lay out how the values of prosperity, democracy, and equity are theoretically linked. Second, I show that the values of democracy and equity have been subordinate to aggregate prosperity in the process of both European integration and European Union enlargement. Not only do the EU's institutional structure and policy priorities reveal an imbalance in favor or the common market and in disfavor of a common fiscal and social policy as well as democratic accountability, EU strategy vis-à-vis candidate and accession countries reveals a disregard for the socio-economic implications of transition and for EU-fostered technocratic threats to democratic consolidation. While formal democracy of course remains a criterion for membership, EU conditionality on the whole conflicts with the development of democracy beyond minimal formal criteria. The institutional design and key policies of the enlarging EU thus clearly aim more at creating aggregate wealth than at ensuring social justice or popular empowerment. Greater awareness of the relevant choices among values should precede any further attempts at regional integration.*

Keywords: *social democracy, EU enlargement, regional integration, political norms, equity, social policy*

1. Equity as the Missing Link

Most of us are familiar with the age-old claim that democracy requires the presence of a strong middle class.[1] Why? The argument is simple: A critical mass of the population must be content enough with the system to support it, rather than struggling to overthrow it or decadently exploiting it. Too many poor people means too much social discontent, which brings political instability. Even too many rich people can cause a problem, if, as is generally the case, democracy is accompanied by a capitalist economic order which requires individuals to hustle for constant improvement of their life circumstances in order to fulfill societal expectations of growth and progress.

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**An earlier version of this article was presented at the Annual Conference of the International Studies Association, Honolulu, Hawaii, USA, March 4th 2005, under the title "Prosperity – Equity – Democracy: The Missing Link(s) in Europe." This paper represents an update for the Romanian Journal of European Affairs and it was submitted to the editors in October 2009.

[1] This claim was popularized by, among others, Seymour Martin Lipset in ''Some Social Requisites of Democracy: Economic Development and Political Legitimacy,' *American Political Science Review 53*, 1959, pp. 69-105.

Since it needs a strong middle class, democracy requires a certain amount of prosperity. There must be enough wealth to go around to support a good standard of living for a large part of the population. Up to this point (let us call it Point A), the argument is widely accepted. From this point onward, though, we cannot proceed consensually because we are confronted with the again age-old disagreement between liberal economic thought and its critics. Put in a nutshell, economic liberalism argues more or less radically that if there is enough wealth to go around it will go where it should (to keep the system stable) without the need for public redistributive measures. Its critics argue that this is not so and suggest a variety of redistributive interventions.

This disagreement has two dimensions which should be distinguished. One is empirical, the other normative. The empirical part of the disagreement centers on the question whether prosperity in a capitalist economy really does end up broadly distributed without public measures to ensure this outcome. It is difficult to claim that liberalism has won this part of the argument. The US and Britain are widely cited cases where Reaganomics and Thatcherism have led to increasing socio-economic polarization and a shrinking middle class. Elsewhere in western Europe (Germany is an example) similarly drastic measures are more recent, but trends can be observed that point towards similar outcomes. The normative part of the disagreement helps us to understand why the debate still rages nonetheless.

Frequently, the liberal answer to the empirical record of growing inequality under liberalism is essentially: so what? Equity as a norm (just as social justice more generally) is simply not a central concern of economic liberalism.[2] Sure, it would be nice if there weren't any poor people, but what matters more is that markets are free to create competitive growth and (arguably) greater aggregate prosperity. Socio-economic shocks are not to be wished for but they can be necessary sacrifices on the way to greater liberalization, which in the end will benefit everybody. The logic of argumentation in the end returns to the utilitarian empirical claim that liberalism creates the best of all possible worlds, but by now it is clear that this empirical claim is a prophesy. Consequently, in contemporary European political discourse, the liberal promise is usually not presented as a positive

[2] Some explanation is needed of why and how I use the term "equity" in this paper. I drawn on Karen S. Cook and Karen A. Hegtvedt, "Distributive Justice, Equity, and Equality," *Annual Review of Sociology* 9, 1983, pp. 217-41: The literature in the social sciences suggests different types of justice principles. A basic distinction between equity and distributive justice is common. "The former involves notions of exchange and the latter concerns general fairness in allocation situations" (p. 218). Exchange involves a mutually beneficial transfer of valued resources between actors, while equity is defined as "the equivalence of the outcome/input ratios of all parties involved in the exchange" (p. 218). When these ratios are not equal, that is if the exchange increases the level of inequality of pre-exchange positions, there is inequity. Important is that I view the relation between ordinary European citizens and political and economic elites as a relation of exchange, that is a mutually beneficial, two-way transfer of valued resources (reciprocation), rather than as a case of a one-way distribution of resources across a category or "circle" of recipients (allocation). That is why I employ the term "equity" rather than "distributive justice". The more encompassing term "social justice" includes two additional elements: "procedural justice," which refers to procedures by which distribution is achieved, and "retributive justice," which concerns the fairness of the allocation of punishments. These last two elements are not central to my argument here.

course of action with reference to empirical evidence of the past and present, but it is instead presented as a protective measure to defend against the threat of the alternatives: the supposed anachronism, populism, unaffordability, and inability to compete internationally of more strongly redistributive forms of political economic organization.[3]

I argue that this strategy of argumentation depends on the normative choice in economic liberalism to ascribe less value to equity and to democracy than do some of its key rivals (notably old-fashioned social democracy). The persuasiveness of the liberal argument depends on the "so what?" with which it answers accusations that it instrumentalizes empirical socio-economic reality for the sake of an organizational model. It does not come as a surprise, of course, that equity is not the central norm of liberalism. What is more interesting here is that by denying the importance of this norm liberals also endanger the norm of democracy.[4] Few liberals would accept such an accusation, even as most liberals would accept my argumentation up to Point A above. This of course creates a logical dilemma for liberalism. One way out is to extend the time-frame for the liberal prophesy to take effect. The argument then is that democracy can persist through short-term shocks to equity, which are necessary to ensure prosperity, which is necessary to restore equity in the longer run, and thus supports democracy.

Critics of liberalism have primarily two responses. One draws attention to historical cases of democracy succumbing to tensions created by socio-economic shocks and thus argues that democracy is more fragile and more

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[3] Redistributive measures can of course be seen to conflict with the norm of equity. However, as long as inequality is not declining at the aggregate level it appears that trends of wealth concentration are counteracting public redistribution measures, as is typical for advanced capitalist societies. I hold that redistributive measures are required to prevent worsening inequality, which is itself a sign of inequity, at least at the aggregate level of societal exchange.

[4] Again, an explanation of my definition of this key term is in order. I argue with David Held that democratic autonomy requires that "people should enjoy equal rights and, accordingly, equal obligations in the specification of the political framework which generates and limits the opportunities available to them; that is, they should be free and equal in the determination of the conditions of their own lives, so long as they do not deploy this framework to negate the rights of others" (*Models of Democracy*, Stanford University Press, 2nd ed. 1997, p. 301). This view is fairly mainstream within Europe and does not conflict with a liberal understanding. According to a 2001 White Paper on European Governance, a democratic political system must fulfill the criteria of popular sovereignty, human rights protection, and congruence and accountability. Popular sovereignty ensures citizens' ability to participate in the legislative process; human rights are primarily understood as liberal rights to private freedom; congruence assures that those affected by decisions are also responsible for them; accountability means decision makers can be held responsible for their actions and can be dismissed by the citizens. It is emphasized that "citizenship entails not only to be ruled but also to rule in turn." (Erik Oddavar Eriksen, "Governance or Democracy? The White Paper on European Governance", Jean Monnet Working Paper no. 12, October 3rd 2001; available at http://ideas.repec.org/p/erp/jeanmo/p0023.html, last accessed September 30th 2009). These criteria for democracy are closely linked with the popular understanding of democratic legitimacy as laid out by Christopher Lord and David Beetham: A legitimate political system is seen to fulfill three criteria: "performance in meeting the needs and values of citizens; public control with political equality: and a sense of identity [...]" shared by the citizens ("Legitimising the EU: Is There a 'Post-Parliamentary Basis' for Its Legitimation?'" *Journal of Common Market Studies* 39/3, 2001, pp. 443-62). This article focuses on the first two criteria for the political legitimacy of the European Union.

immediately dependent on equity than liberalism assumes.[5] The other response emphasizes the normative dimension of the conflict and argues that equity should not be merely an instrumental link but rather one of the primary goals of political economic organization.[6]

The following pages are informed by both responses. I view equity as an important norm in its own right. I also view it as a prerequisite of democracy, and one on which democracy is more immediately dependent than liberalism assumes. My geographical area of interest is the expanding European Union. It is of course composed of more and less consolidated democracies. The issue of democratic fragility is especially salient in the new and future member states which have emerged from communism. I will concentrate in my remarks on the effects of EU integration strategy on those countries. However, as recent successes of anti-democratic (and illiberal) parties in several old member states have shown, they are by no means immune from the risks discussed here. Democracy in the European Union is of course a complicated subject, given that it is composed of an intricate interplay between domestic and supranational elements. I will remark in this paper on the evolution of both democracy within states as well as democracy at the supra-state level in Europe.

2. The EU's Focus on Prosperity: How Equity and Democracy Suffer

In this section I will argue that equity as well as democracy are generally subordinate goals in European Union policy. First, I will take a look at the process of European integration in general (with a focus on the deepening of integration). Second, I will examine the EU's enlargement strategy in particular (the widening of integration). In both areas a strong focus on the goal of aggregate prosperity can be observed.

2.1. Deepening

From its beginnings in the 1950s European integration has of course had the goal of increasing prosperity in the member states. The main key for achieving this goal has been economic liberalization, roughly speaking first of trade in coal and steel, then manufactured goods, then agricultural goods, then services and capital, then (to date still imperfectly) labor.[7] The result of this progressive liberalization and the accompanying creation of a common customs regime has been a large common market. Since 2002 the euro also unites a large and growing number of the member states under a common monetary regime. In the meantime, fiscal policy remains the prerogative of member states. The Lisbon Treaty, now ratified by

[5] Such arguments are indebted to Karl Polanyi's *The Great Transformation: Political and Economic Origins of Our Time* (Boston: Beacon Press, 1957 [1944]).

[6] The term equity is not normally used in this literature. The goal is more commonly referred to as social justice and/or social security.

[7] The EU has only been called EU since the Treaty of Maastricht of 1992. Before that date it was referred to as the European Communities. However, for the sake of simplicity I will in this paper use the term European Union (EU) to refer to the institutional apparatus of European supranational integration from the creation of the ECSC until the present day.

all member states, leaves unanimity in place as the voting rule in the Council in tax matters (Art. 223, §2). Fiscal policy being the main instrument by which to implement redistributional measures, redistribution within the EU has primarily been the business of individual member states with their rather large variety of domestic political economic regimes. Within-state redistribution obviously does little to ensure a more equitable distribution of wealth across the EU. Pan-European convergence of national wealth was mainly expected to result from negative economic integration (i.e. liberalization),[8] and judged by macroeconomic (national) indicators convergence has indeed occurred (the most spectacular case to date being the rise of Ireland).

The main and important exceptions to the rule that measures to combat economic inequality within states are member state business, and that the accomplishment of trans-national convergence is left to market forces, are the EU's Structural and Cohesion Funds (SCF) and its Common Agricultural Policy (CAP). The Structural and Cohesion Funds use a large part of the EU budget to channel resources to the economically weakest regions within the EU to take advantage of their growth potential and increase regional cohesion. The CAP uses an even larger portion of the EU budget to support certain (i.e. business) elements of the agricultural sector throughout Europe without regard for location.

These important transnational policies with a redistributive dimension are currently under threat. Significant reforms to the CAP have been widely considered necessary for a long time and have only been prevented by threat of national vetoes of main current recipients. The enlargement process also demands a reorientation of the structural and cohesion funds from which, again, old members stand to lose. Further reform of both policies is both inevitable and, unsurprisingly, a major cause of contention in contemporary EU politics. However, more significant are increasing calls for a reduction of the overall volume of both CAP money and the SCFs, motivated by the increasing tightfistedness of the main contributors, most of which face domestic budget crisis (as judged by the criteria of the stability pact and only partly as a result of the current global crisis). Such calls undermine both the solidarity dimension of European integration and the movement towards an "ever closer union" in general. Aiming to devolve responsibility for regional development to member state governments might make sense in the Netherlands or Austria but hardly makes sense in the new member states, where currently all but three regions count among the least developed in the Union.[9] The institutionalization of the principle of solidarity in the Union's polity and practices had precisely the aim of safeguarding redistributive measures from the dynamics of charitable giving, which depend on high levels of inequality combined with fair weather conditions for the potentially charitable. It is precisely for the times when sharing would no longer

[8] Negative integration results from the removal of obstacles to exchange. Positive integration is the creation of common institutions and practices. The EU as we know it today is a unique result of both.

[9] Prague, Bratislava, and Közép-Magyarország (which includes Budapest) are currently (2009-2013) the only three regions in the post-communist new member states which do not qualify for structural funds.

be easy that redistributive institutions and practices were invented. The ease with which some in Europe now call for their dismantling is truly frightening in light of this commonsensical observation. It is more easily understood when one realizes that all too often the call for limits to and a devolution of the SCF and CAP are motivated by a general desire to limit and even turn back supranationalism in the EU.

The EU budget is tiny as a percentage of GDP, and the EU's redistributive measures hardly create comfortable welfare state conditions for farmers and impoverished regions. For Euroskeptic liberals[10] they are still a double affront. First, they are supranational policies and therefore by definition offensive. Second, they represent a form of state intervention in market dynamics. On the other side of the debate are those for whom these policies do not go far enough towards cushioning the inequality-generating (or at least inequality-preserving) effects of the economic integration of disparate regions and population groups. They observe that inequality within Europe is not accurately measured by comparing national-level data. Instead, groups of "winners" and "losers" are as much spread across European borders as are business interests. They are the advocates of the development of a common social policy to complement the common economic framework already in place and to further increase cohesion within the Union by acknowledging sub- and trans-national socio-economic dynamics in proportion to their actual relevance in a highly integrated pan-European economy. I argue that the embrace of a common social policy would not, as Euroskeptics claim, lead to a further disempowering of members states. Instead, it would acknowledge the already existing and very serious limits on member states' ability to tax and spend (which are due to agreements among them as well as within the larger, globalizing international political economy). Moreover, it would help create a balance between the forces of state and market where there is now an imbalance in favor of markets that erodes state power more thoroughly than any amount of majority voting in the Council ever could.

Olivier Blanchard, economist at the Massachusetts Institute of Technology, observes that EU member state "governments have willingly delegated [...] powers [over the single market] to Brussels in order to achieve reforms while being able to shift the blame to Brussels." Now, the resulting "product and market deregulation put strong pressures on labour market institutions."[11] A Bloomberg report of December 2004 provides an impressive overview over the resulting liberalization measures adopted all over Europe.[12] In the year 2005 alone, corporate and income taxes were lowered

[10] Liberals in Europe can be Euroskeptic but frequently are not. Their stance typically depends on the economic community with which they identify and on their judgment of how this community is affected by being part of the larger EU economy. At one extreme we find the dogmatic British liberal Euroskeptics, at the other the liberal MPs in the European Parliament, which are generally rather strongly supranationalist.

[11] Olivier Blanchard, "The Economic Future of Europe," *Journal of Economic Perspectives* 18/4, 2004, pp. 3-26.

[12] "European Governments Cut Taxes to Spur Growth, Investment," Bloomberg, Dec. 31st 2004; available at http://www.bloomberg.com/apps/news?pid=10000100&sid=aWRewFbVAjSs&refer=_germany, last accessed February 15th 2005.

and tax systems made less progressive in Italy, Germany, France, Sweden, Austria, Norway, Turkey, Denmark, Poland, Greece, Finland, Ireland, Portugal, Hungary, Romania, and Estonia. The cuts add up to more than 18 billion euro in income losses for governments, which hope to thereby boost consumer spending, investment, and aggregate GDP growth. In conjunction, labor market reforms, such as notably in Germany, are forcing through greater flexibilization and reducing the decisionmaking power of organized labor and employees. While the above measures are primarily meant to create conditions for investment attractive to potentially footloose capital, the next set of measures is primarily meant to increase employment rates and aggregate labor productivity from below, a goal which seems to optimistically presuppose the (re-)creation of jobs which do not presently exist. Changes to welfare regulations (again Germany is a well-known example) threaten the unemployed with poverty. The pension age is being increased all around. Working hours are being expanded and holidays cut back. Continuing economic integration, especially with the new member states, is frequently cited as the motivation for such measures, as if they were the only possible response – a rhetorical strategy which further serves to test pan-European solidarity, notably among organized labor.

Concurrently with the above developments and in line with the Lisbon Agenda,[13] the EU has undertaken a strong push to further liberalize the services sector. The two blueprints in this area are, first, the financial services action plan (FSAP), which seeks to create a single market for financial services. It comprises 42 measures designed to harmonise the member states' rules on securities, banking, insurance, mortgages, pensions and all other forms of financial transaction. The second blueprint is the services directive (the so-called Bolkestein directive, named after the former Dutch EU Commissioner for Internal Market, Taxation and Customs Union, Frits Bolkestein). Passed in late 2006, it focuses on non-financial services and supports the right of free establishment for service providers and the free movement of services between member states. It also includes a version of the controversial "country-of-origin principle," according to which a service provider is subject to only the law of the country in which it is established and not the one where it operates. As its many critics have pointed out, the services directive not only further upsets the balance between common market and un-common governance but can also facilitate a regulatory race to the bottom with negative consequences for consumer protection, environmental safety, and other important regulatory achievements of the past.

This, then, is the Europe of today. A common social policy is not in sight for the time being. The dominance of neoliberal ideology combines with a sufficient amount of anti-supranationalism to prevent it. As shown above, Europe-

[13] In March 2000, the Lisbon European Council presented a ten-year strategy to transform the EU into the world's "most competitive and dynamic knowledge-driven economy by 2010". The liberalization of the services sector and a push for higher employment rates are both elements of this strategy, which overall takes a broadly neoliberal direction (the main exception being its strong focus on investment in education and R&D).

wide redistribution measures and with them the solidarity dimension of European integration are under threat. The importance of equity as a general EU policy goal is diminishing further today, in the general context of further liberalization, even as we have entered a time of obvious global crisis.

What does this mean for democracy in the Union? Generally speaking, the European Union has become a more democratic polity over time. The introduction of direct elections to the European Parliament in 1979, the ever expanding law-making power of the European Parliament vis-à-vis the Council, the increasing influence of national parliaments and the Committee of Regions, and a variety of other changes have combined to achieve this effect. However, the EU is still by all accounts far from being a thoroughly democratically organized system of governance, and complaints about a "democratic deficit" abound.[14] The European Union is not thoroughly democratized with good reason: Its citizens don't support it in a large enough majority, nor with enough reliability. European integration began after WW II as an elite project. Very likely it could not have begun any other way. But the negative side-effects of this legacy are now obvious: Attempts to bring in the people at this late stage in the process are extremely problematic. As it said to the accession countries of the past, the EU now has to say to its citizens: This is the European project - take it or leave it! But unlike in the case of the accession countries, if the EU's citizens decide to "leave it," the project will not survive. As has become abundantly clear in the attempt to develop a Constitutional Treaty for the EU, democratizing now is risky, because the citizens just might wish to rearrange things much more fundamentally than is acceptable to the elites (both political and economic) that have been able to shape the process thus far.

The problem of a lack of Euro-enthusiasm among ordinary citizens is complex. Its main causes probably include a lack of insight into the importance of European governance for their lives and the relentless efforts of Euroskeptics and beleaguered domestic politicians alike to blame hairy problems on "Brussels". However, another part of the explanation is exceedingly simple. In the eyes of most citizens, to European governance there is an alternative, to domestic governance there is not. When asked whether they would like to do away with the existence of a national government, most citizens would say no for the simple reason that they couldn't imagine life without it (and indeed, such life might be "solitary, poor, nasty, brutish, and short"). Life without European governance, on the other hand, would be simply like the good (or bad) old days. Or wouldn't it? It probably

[14] See, for example, David Beetham and Christopher Lord, *Legitimacy and the European Union* (London: Ashley, Wesley, Longman, 1998); Dimitris N. Chryssochoou, *Democracy in the European Union* (London and New York: Tauris Academic Studies, 1998); Christopher Lord, *Democracy in the European Union* (Sheffield: Sheffield Academic Press, 1998); Christopher Lord and David Beetham, "Legitimizing the EU: Is there a 'Post-Parliamentary Basis' for Its Legitimation?" *Journal of Common Market Studies* 39/3, 2001, pp. 443-62; Philippe C. Schmitter, *How to Democratize the European Union… and Why Bother?* (Lanham, Boulder, New York, and Oxford: Rowman & Littlefield, 2000).

would not, but this insight is not self-evident. Imagining how, say, Belgium would have fared in a globalizing world economy since 1950 if it had not been a part of the EU is a demanding exercise in counterfactualizing. As a result of the difficulty of such exercises, many EU citizens simply do not know why the EU has to exist (except for the convenience of not having to change money or stop at border check points when traveling to the northern Mediterranean beaches).

It is the nation state which provides the most evident forms of security by having a police force and army and a court system. It is the nation state that levies taxes and pays social benefits. It is the nation state that pursues an employment policy and runs an educational and a medical system. In the worst case scenario the citizen of a member state can see that EU stability pact criteria demand tight budgetary policy, that economic integration means a loss of jobs to other regions of the Union and further stress for the domestic economy through an influx of cheaper products and labor, and can see very few of the benefits that integration can bring to more competitively situated groups and individuals. What such a citizen would likely demand as a condition of continuing European integration would be more equity, a social security system that can buffer the shocks caused by integration for those temporarily less competitively placed. Nation states within Europe are no longer in the position to provide such social security. Social unrest and non-mainstream parties are growing as a consequence. The EU both constitutes the appropriate level of governance to step into the emerging vacuum of security provision and stands to gain significant relevance and potential legitimacy in the eyes of citizens if it did.

Until European elites are in their majority prepared to shift the strategy of continuing integration away from a focus on special interests and aggregate prosperity, further integration is incompatible with further democratization.[15] There are too many losers from the process of European liberalization, who can create political instability if they are given the power. Thus, equity must be the link which can make sustainable the pursuit of prosperity in a democratic context in Europe. Equity in Europe can in contemporary circumstances only be achieved through a common social policy and consistent support for the solidarity dimension of integration.

2.2. Widening

EU enlargement of course does not take place independently of and disconnected from the larger integration project. As a consequence, it bears many of its general features. Given the precarious state of democracy in several new and soon-to-be member states, it seems important to take a look at the consequences the EU's management of enlargement has had in those countries. I will first draw attention to the strong focus on the economic liberalization dimension of integration exhibited by the Commission's enlargement strategy.

[15] Similar arguments are made by Philippe C. Schmitter, *How to Democratize the European Union… and Why Bother?* (Lanham, Boulder, New York, and Oxford: Rowman & Littlefield, 2000) and Fritz Scharpf, *Governing in Europe: Effective and Democratic?* (Oxford and New York: Oxford University Press, 1999).

Second, I will talk about the negative consequences this emphasis has had for socio-economic security and democratic consolidation in the new member states. Third, I will take a closer look at the economic criteria for EU accession, which themselves work to deemphasize the importance of equity and solidarity in the Union.

2.2.1. Focus on economic liberalization

In line with the dynamics of European integration in the west, integration with Central and Eastern Europe (CEE) also began with the economic dimension. Soon after the end of the Cold War, the EU removed old import quotas on a number of CEE products, extended the Generalised System of Preferences, and concluded Trade and Co-operation Agreements with Bulgaria, the former Czechoslovakia, Estonia, Hungary, Latvia, Lithuania, Poland, Romania and Slovenia. Soon afterwards, Association Agreements, also called "Europe Agreements," were concluded with the same countries.[16] They provided the regulatory framework for the progressive liberalization of economic relations, which received a further strong push through the process of accession negotiations.

While accession with countries that could not boast formally democratic systems and rule of law or that committed crimes against groups or individuals that could cause international outrage was of course always out of the question, the EU's emphasis on democratizing the formerly communist future member states has from the get-go been much weaker than many optimistic Europeans believe. While the Copenhagen criteria included a set of political prerequisites for negotiating membership that demanded "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities," during the course of accession negotiations more emphasis was consistently placed by the Commission on the Copenhagen economic criteria: "the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union."[17] This occurred in primarily two ways: First, political problems related to the functioning of democracy unless truly major (such as Slovakia's Meciar interlude) tended to be glossed over (except in cases where journalists or EP members created enough scandal to make their acknowledgement unavoidable), while deficits with respect to liberalization and deregulation were much more likely to be noted. Second, where political problems were identified, they were presented as less serious obstacles for the conclusion of negotiations that those related to the functioning of the economy (including the administrative prerequisites of such functioning). In sum, integrating the new and prospective member states fully into

[16] The EU had already established Association Agreements with Turkey (1963), Malta (1970) and Cyprus (1972). A Customs Union with candidate country Turkey has been operational since December 1995.

[17] The third set of criteria, "the ability to take on the obligations of membership including adherence to the aims of political, economic and monetary union," is a vital element of both other sets of criteria but was again applied mainly with reference to the requirements of economic integration. The same is true for the condition stressed by the Madrid European Council in December 1995 that candidate countries must create the proper conditions for their integration through the adjustment of their administrative structures.

the common market (and zone of liberal economic policymaking) was apparently more important to the Commission than helping those countries along the road to democracy and making sure they would not import serious democratic deficiencies into the EU.[18]

2.2.2. Effects on equity and democracy in acceding countries

The second aspect of the EU's enlargement strategy to which I want to draw attention is the tendency to overlook or disregard the negative effects this strategy has had for, first, democracy and, second, socio-economic security in the accession countries. The first of these effects links with the elite-driven nature of the European integration process in general and may be seen to consist in the transposition of the European elite bias into the domestic context of accession preparations. In post-communist societies state-society relations are predictably distant and non-governmental associational activity is minimal. Societal interests thus have trouble finding political expression and taking an active part in shaping policy. There is widespread agreement that the consolidation of democracy in those countries requires the development of an active civil society and closer state-society relations. However, the EU has not only done relatively little to support those goals, it has arguably instrumentalized and thereby strengthened the relatively large leeway of domestic elites vis-à-vis their citizens to ease the achievement of its own goals in the negotiation process.[19] The paucity of public information about the stakes in and the pros and cons of accession and the lack of its critical discussion in the public sphere were not problematized by the EU. It seemed more important that the referenda in accession countries on the accession treaty would all come out positive than how such yes-votes were obtained or what they meant.

Domestic elites stood to profit from the EU's lack of attention for their capturing of the accession process for their own domestic benefit. On the one hand, the EU could be blamed for unpopular measures that ostensibly or actually had to be taken to make accession possible. On the other hand, the large if uninformed popular support for accession (especially in the early states of the process) and the often illusionary hopes associated with this goal could be exploited to keep the population in line and suffering patiently through administrative periods marked by ineptness and/or corruption. Even though circumstances of course differ between the various new and prospective member states, it is rather astonishing how twenty years after the end of communism in CEE the one lesson domestic elites in

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[18] As the EU institution which holds the negotiations with prospective member states, the Commission is most influential in determining their terms. The European Parliament has been more inclined to worry about political criteria, but it has little influence. The Council's stance shifts over time in response to shifts in national governments as well as trade-offs struck among its members. Generally, however, it has always gone along with the recommendations of the Commission (which in turn try to anticipate the stance of the Council).

[19] I have gone into greater detail on this issue with a particular focus on Romania in "Which Way to Progress? The Impact of International Organizations in Romania," in Ronald Linden (ed.), Norms and Nannies: *The Impact of International Organizations on the Central and East European States* (Lanham, Md: Rowman & Littlefield, 2001). See also Tom Gallagher, *Theft of a Nation: Romania since Communism* (London: Hurst & Company, 2005).

the newly democratic countries seem to have learned most thoroughly from their western European counterparts is how to keep their populations under control and themselves in power.[20]

Why has the EU not paid more attention to truly emancipating the citizens of these formerly unfree societies? Again we can link the choices made with respect to enlargement strategy to a general pattern of European integration: Bringing citizens into the process in a meaningful way would undoubtedly have complicated it, delayed the achievement of the goals of those interests well-organized at the EU level, and even risked the failure of enlargement. Domestic power structures have thus been instrumentalized to achieve the goals of the accession process. This has surely benefited the accession countries and their citizens as well in a number of respects, but it has not helped to truly democratize their societies.

The second area of neglect in the EU's enlargement strategy concerns the negative effect of efforts made towards accession on domestic socio-economic security and equity.[21] Liberalization has led to increasing inequality in all accession countries. The rush to restructure economies in line with the demands posed by the EU and other actors, notably the IMF, has transferred former state-property at dubious prices into the hands of few, while for large parts of the population increasing GDP figures are not reflected in improved standards of living. This is true even for those new member states deemed most successful. If we look at the widespread poverty in countries like Romania or Bulgaria, the EU's lack of attention to socio-economic security becomes even more difficult to comprehend. Not only are poverty and inequality issues that play almost no role in accession negotiations. The EU even ties the hands of domestic governments as they might wish to use state resources to redress them. Deficit spending and subsidies are to be duly minimized to make these countries fit for the common currency and competition policy. Tax systems are shedding the last vestiges of progressiveness in the struggle to attract capital and employment - this being the one obvious benefit of accession for the newcomers under current circumstances. What is to become of the losers of the process, of, for example, former miners, steel workers, and small farmers all across CEE, is a question for which the EU shows a cynically low level of concern.

Had citizens been given a meaningful say-so in the negotiation process, CEE societies would likely have polarized further than they anyway have between those who potentially stand to win and those who probably stand to lose from the policies associated with the goal

[20] The risks for democratic stability caused by elite entrenchment in CEE are discussed by Jack Snyder as early as 1990 in "Averting Anarchy in the New Europe," *International Security* 14/4, 1990, pp. 5-41. Snyder cites Huntington to draw attention to the risk of "praetorianism" in Eastern Europe, caused by a failure to create channels for effective political participation in formally democratizing societies. He, however, fails to address the risk for democratic consolidation resulting from rapid liberalization without a compensation of the disadvantaged. Generally, Snyder's (as well as Huntington's) perspective is limited by a geopolitical way of thinking that neglects local experiences and normative considerations.

[21] This issue is addressed in more detail with a particular focus on Romania and with extensive empirical evidence in Annette Freyberg-Inan and Otto Holman "Failing Integration or Not So Splendid Isolation? Transnational Capitalism and the Double Transformation in Romania", *Romanian Journal of Society and Politics* 5/1, 2005, pp. 93-145.

of EU membership. This polarization and the risks it might have posed for both domestic order and the goal of enlargement was kept under tabs by keeping European integration an elite-driven project, even in those societies which it was ostensibly meant to help democratize. Again we can see the link between the norms of democracy and equity in action: Neglecting the first allowed neglecting the second. Engaging with the first would have demanded engaging with the second.

2.2.3. Competition before solidarity

In this section I will take a brief look at the EU's economic criteria for accession. At the Copenhagen European Council of 1993 those were formulated to demand "the existence of a functioning market economy as well as the capacity to cope with competitive pressure and market forces within the Union." The ability of accession countries to adhere to the aims of economic and monetary union is also relevant. To understand how these rather abstract criteria have been interpreted and applied by the EU throughout the negotiation process it is necessary to study the Commission's annual regular reports, which evaluate the progress made by each candidate country with respect to the established criteria. The following explanations are based on the information contained in these reports.[22]

"Functioning market economy" status has mostly been tied to minimizing state intervention in the economy. Here, the demands made of accession countries have sometimes been harsher than those which EU-15 governments were willing to impose upon themselves. Concretely, EU negotiators demand that broad consensus exist in the country about the essentials of economic policy (i.e. as viewed by the Commission). Equilibria between demand and supply in the economy should be established by the free interplay of market forces, which requires the liberalization of prices as well as trade. There should be no significant barriers to market entry and exit. Macro-economic stability should be in evidence, defined mainly as price stability and sustainable (both considering domestic resources and the EU regulatory environment) public finances and external accounts. The financial sector should have developed to channel savings towards what is deemed (again, by the EC) productive investment. Finally, a functioning legal system should be in place to safeguard property rights and the enforcement of laws and contracts.

A country's "capacity to cope with competitive pressure and market forces within the Union" is yet more difficult to determine than the existence of a functioning market economy. Clearly, this second criterion is connected to the presence of a functioning market economy with sufficient macro-economic stability to allow economic agents to make decisions in a general climate of predictability. Additional criteria applied by the Commission include the following: There should be a sufficient amount of human and physical capital,

[22] See also PricewaterhouseCoopers, "Enlarging the European Union: Are the Economies of Accession Candidates Ready?" 2002, available at www.pwcglobal.com/gx/eng/ins-sol/spec-int/neweurope/home/insights/eu_enlargement_barometer-2002.doc, last accessed February 13th 2005.

including infrastructure, at an appropriate cost. Small firms should contribute to the economy in a significant proportion (because small firms tend to benefit more from improved market access and because a dominance of large firms has been seen to indicate a greater reluctance to restructure). Relevant are also the degree and pace of trade integration with the European Union before accession. Both the volume and the nature of goods already traded with member states are assessed to determine how economic relations will evolve after accession takes place. Finally, once again the need to minimize government intervention in the economy is stressed by the demand to avoid policy and legislation which can influence competitiveness. Tabs are kept on trade policy, competition policy, state aids, support for SMEs, and other measures which can have this effect.

From the get-go the focus with respect to economic criteria for accession has been on ensuring the competitiveness of the acceding national economies in conjunction with minimizing state intervention which could distort the free interplay of market forces. It is well worth asking what such a focus implies. Interestingly, EU-sponsored transition in its accession countries emerges as something of a mirror image of integration at the EU level. In both cases, we can observe a focus on aggregate prosperity and external competitiveness (which is enshrined at the EU level in the Lisbon Agenda). In both cases, the result of this emphasis is that the state's hands are tied when it comes to compensating the losers of the process. And in both cases this fact prohibits a genuine democratization of the process. At the level of accession countries, domestic inequality is increasing for the sake of the idea that there is a national economy which must compete within the larger framework of regional integration. At the level of the European Union, the solidarity dimension of integration is downplayed and compensation left to increasingly disempowered states for the sake of the idea that there is an EU economy which must compete with the rest of an increasingly globalized world. Rather than uncritically accepting such appeals to competitiveness, it is necessary to dissect the concept to observe that it potentially includes very different actors competing in various constellations for very different benefits.[23] Workers compete for jobs, companies for markets, and states for investment. Workers compete with management for state support. States compete with each other for capital and scarce categories of labor. One could go on and on. What makes matters yet more complicated is the increasing divergence of the spheres of operation and regulatory environments of the different groups of actors, ranging from transnational corporations via states in variously inclusive international regulatory constellations to both migrating and localized workers.

What seems clear is that any serious concern with the competitiveness and prosperity of entire societies requires a delicate balancing of the concerns of all three types of actors at various levels

[23] For an introductory discussion of competitiveness from the perspective of critical political economy see Annette Freyberg-Inan, "Transition Economies," in Richard Stubbs and Geoffrey Underhill (eds.), *Political Economy and the Changing Global Order* (Oxford University Press, 3rd ed. 2005), pp. 419-30.

of governance. The EU can of course be accused of having cared primarily for the competitiveness of national and EU-wide markets as interpreted primarily through the interests of capital. What is important is to see that this view of the requirements of adaptation to transnationalization dynamics is a political choice and not a matter of necessity.

I will conclude this section by returning to the lessons of political theory and drawing attention to just one crucial but frequently neglected point: Competition and solidarity are opposing values. This means that within the context of one and the same social group, there is a trade-off among them. Deciding on an appropriate strategy for continuing integration requires us to think about whom we wish to compete with whom, and where in Europe we would wish a sense of solidarity to reign supreme instead. This is a particularly important subject for the European Union today, as it struggles to establish a sense of unity, perhaps even a common identity among its citizens. It is patently absurd to on the one hand establish fierce competition for jobs among domestic labor forces with in the EU and on the other to try to foster a sense of common identity among them. It is equally absurd to pit management versus employees in a series of disputes over changing labor conditions while at the same time appealing to both sides' enlightened recognition of the common need for reform. Regulatory frameworks and state intervention are necessary to define and defend limits to competition which make social cohesion and thus the political stability of integration possible and sustainable.

Creating true competitiveness (in the sense of an ability to prosper among the other actors) for the economically weaker members (countries, groups, and individuals) of the Union requires solidarity in action. This means identifying those who sacrifice more than they gain for the sake of those who gain more than they sacrifice from measures taken ostensibly for the good of all. It means improving the equity of the process of integration by recognizing the existence of these different groups and giving them a voice. It demands a different approach to enlargement as well as changes in the overall strategy of European integration which would activate the missing links between the quest for prosperity and the ideal of democracy.

3. Conclusion: The Quest for a Coherent Normative Framework for the European Project

This article has argued that even affluent societies cannot be democratized without the risk of instability without working to maintain a minimally equitable distribution of their wealth. This insight is particularly vital for the European Union. The EU cannot at this moment be called a fully democratic polity, even if its at least formally democratic member states truly represent their citizens in Brussels (which in many cases they arguably do not). It is an official goal of the Union to democratize further. To this end the Treaty of Maastricht has first evoked a new creature called an "EU citizen" and a number of steps have been undertaken to better inform and involve citizens in European affairs. One important original purpose of the Lisbon (formerly Constitutional) Treaty, for example, is the clarification of the structure and rules of the European project for the benefit of its citizens. Civil society groups were even involved in the drafting of the original text. On the other hand, it often appears as if the motivation behind these tentative steps towards supranational democracy is the creation of greater legitimacy for the EU's institutions, rather than the empowerment of its citizens. To achieve the latter, a rather more radical overhaul would likely be necessary. Such an overhaul cannot safely be attempted in the current and worsening climate of citizen frustration and insecurity. And elites will not attempt it, as they well know that citizens just might use their acquired powers to throw the Europeanist baby out with the neoliberal bathwater (or vice versa).

A greater focus on equity is thus arguably desirable from the points of view of both liberal democratic and social democratic supporters of the European project. As long as democracy and equity remain clearly subordinate goals in the integration process, the entire endeavor, whether focused on liberal policy goals or alternative ideas, stands on very shaky feet.

This article has attempted to show how European integration has suffered from a normative imbalance in favor of aggregate prosperity and external competitiveness and in disfavor of internal solidarity and democracy. This is true for both the deepening and the widening dimension of integration. It might be called a tragic observation in light of the particular promise of the European project: Not only is the EU indeed a singularly successful example of economic integration, with all the benefits this implies for the creation of greater wealth and security for its people(s). It has also brought into its fold a number of countries for which now is the first chance in history to achieve the promises of either social market economy or democratic empowerment. As this article has argued, the EU's current integration strategy risks denying them these chances by means of its strong focus on negative integration along neoliberal lines, by its neglect of the negative repercussions of integration under current conditions for socio-economic security, equity, and democracy in its member countries, and by its emphasis on competition at the expense of solidarity as basic organizing principles. To avoid a growing tension between its own ideals - prosperity, security, freedom, and democracy - to balance the political needs of cohesion, accountability, and representation, and to construct a coherent normative framework within which sustainable policy strategies can be situated, the missing link of equity should be urgently be (re-)discovered.

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